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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 [75/233](#) on the quadrennial comprehensive policy review of operational activities for development of the United Nations system: funding of the United Nations development system

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution [75/233](#) on the quadrennial comprehensive policy review of operational activities for development of the United Nations system. That resolution contains detailed recommendations on funding the United Nations development system. The report provides an overview of the latest data and trends, with a focus on 2020,¹ and in the light of the recommendations contained in the quadrennial review. The report also complements chapter V of the Secretary-General's report on the implementation of the quadrennial review ([A/77/69-E/2022/47](#)) and includes additional information on progress made in implementing the funding compact. Detailed data on funding by entity, contributor, recipient country and type of funding (core, non-core, pooled, etc.) are available in an online statistical annex.²

* [A/77/50](#).

¹ Operational activities for development include both longer-term development-related activities and those with a short-term humanitarian assistance focus.

² See www.un.org/ecosoc/en/content/2022-secretary-general's-report-implementation-qcpr.

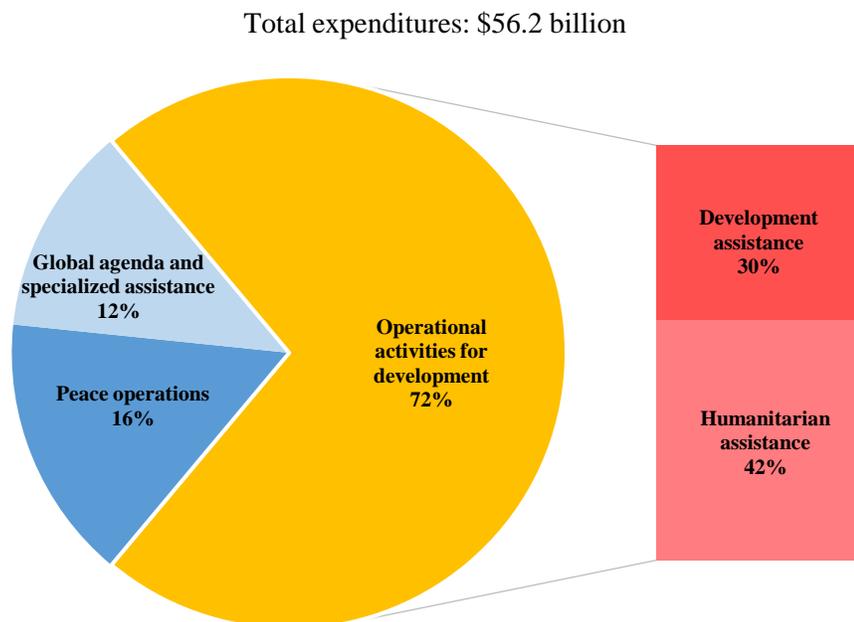


A. Use of resources

1. Allocation of resources by type of activity and Sustainable Development Goal

1. Operational activities for development, including humanitarian assistance activities, accounted for 72 per cent of all United Nations system-wide activities in 2020. Peace operations accounted for 16 per cent, and the global agenda and specialized assistance³ for the remaining 12 per cent (see figure 1).

Figure 1
Spending on United Nations activities, 2020

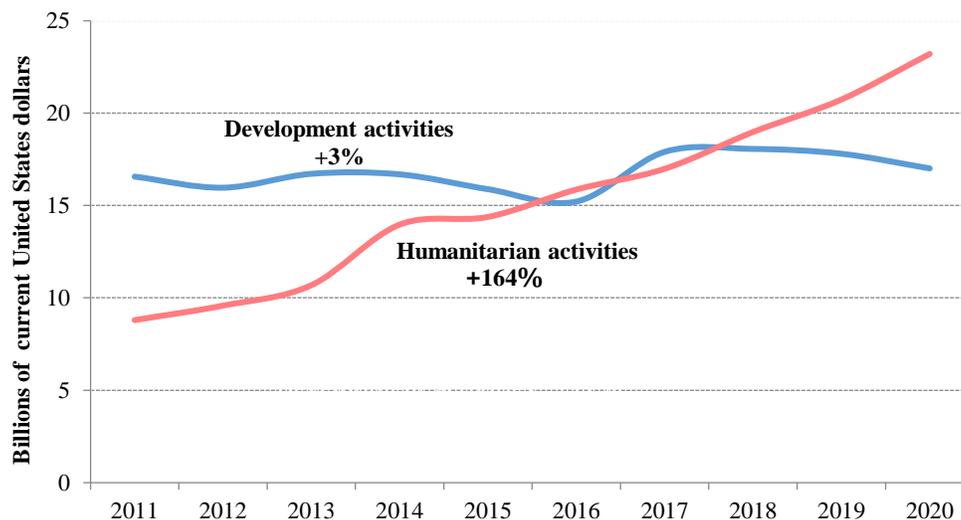


Source: Department of Economic and Social Affairs, 2022.

2. Humanitarian assistance is now the most common activity carried out by the United Nations. The United Nations system spent 42 per cent of its resources on humanitarian assistance and 30 per cent on development assistance in 2020, compared with 38 and 33 per cent, respectively, in 2019. Spending on humanitarian activities was \$2.2 billion higher in 2020 than in 2019, primarily because of the impact of the coronavirus disease (COVID-19) pandemic. Over the past decade, expenditure on humanitarian activities has increased by 164 per cent, while spending on development activities has remained roughly the same (see figure 2).

³ These are defined as activities that: (a) address global and regional challenges without a direct link to development and humanitarian assistance, and peace operations; or (b) support sustainable development, with a focus on the long-term impact in non-programme countries.

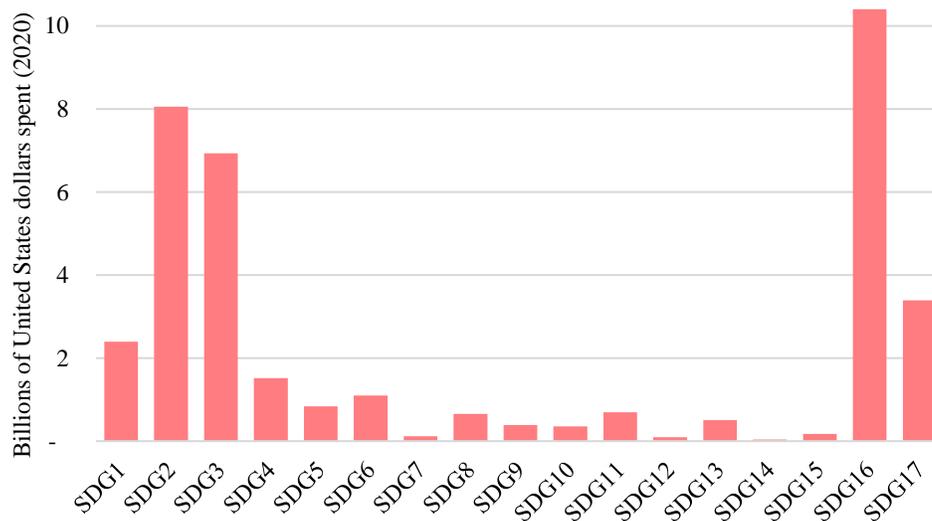
Figure 2
Funding flows, by type of activity (2011–2020)



Source: Department of Economic and Social Affairs, 2022.

3. Improvements in the quality of financial reporting are helping all stakeholders to better understand the contribution of the United Nations development system to the 2030 Agenda for Sustainable Development. Twenty-four United Nations entities, which account for about two thirds of all United Nations system expenditures, reported 2020 activities and expenditures on the 17 Goals (see figure 3).⁴ This included 14 United Nations development system entities, whereas there had been 11 in 2019. Several more entities have put the tools in place to begin reporting in the first half of 2022. Since all entities committed in the funding compact to linking expenditures to the Goals, such reporting should be in place within the next year at the latest.

Figure 3
Expenditures by Sustainable Development Goal, 2020



Source: Department of Economic and Social Affairs, 2022.

⁴ Therefore, figure 3 does not represent a complete picture of United Nations expenditures.

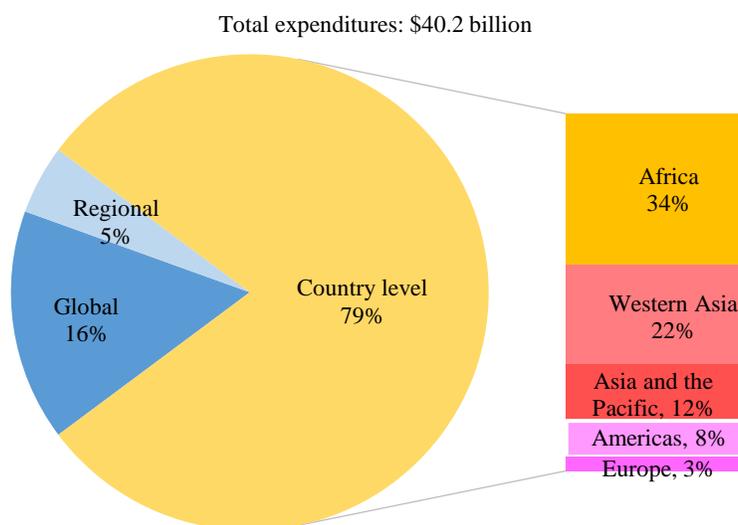
4. Goal 16 on peace, justice and strong institutions is the most targeted Goal for expenditure, followed by Goal 2 on ending hunger and Goal 3 on health and well-being. Programme country Governments report that United Nations contributions have had the most significant impact on Goals 2 and 3 over the past two years,⁵ while contributions to Goal 16 have had the seventh most significant impact, despite representing the largest share of funds.

5. In 2020, relatively few resources were directed towards Goal 13 on climate action. Programme country Governments highlighted this area as requiring extensive United Nations assistance over the next two years in order to mitigate climate impacts.

2. Allocation of resources by location

6. Expenditures on United Nations operational activities for development reached \$40.2 billion in 2020, compared with \$38.5 in 2019. Some 79 per cent of expenditures were at the country level, 5 per cent provided support at the regional level and 16 per cent funded global activities, including global programmes and headquarters activities (see figure 4).

Figure 4
High-level breakdown of expenditures, 2020



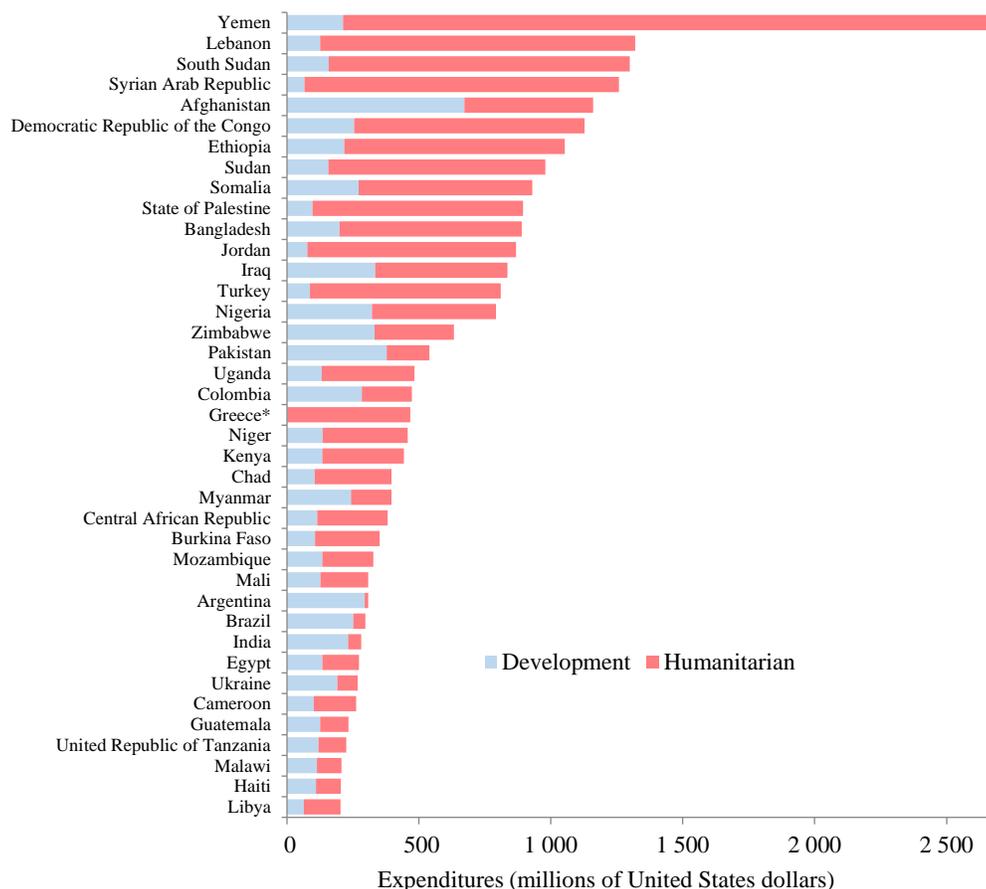
Source: Department of Economic and Social Affairs, 2022.

7. Geographically, the highest share of expenditures, some \$13.5 billion, was spent on country-level activities in Africa. This accounted for 42 per cent of all expenditures at the country level and about one third of total expenditures on operational activities for development. Nearly \$9 billion was spent in countries in Western Asia, with 87 per cent spent on humanitarian activities.

8. Expenditures on operational activities for development are concentrated in a small number of programme countries. In 2020, there were 39 large programme countries, where spending exceeded \$200 million (see figure 5). Altogether, these countries accounted for 80 per cent of total expenditures at the country level, and the 10 countries with the largest programmes accounted for 40 per cent alone.

⁵ See [A/77/69-E/2022/47](#), figure 15.

Figure 5
Countries and territories in which expenditure exceeded \$200 million, 2020



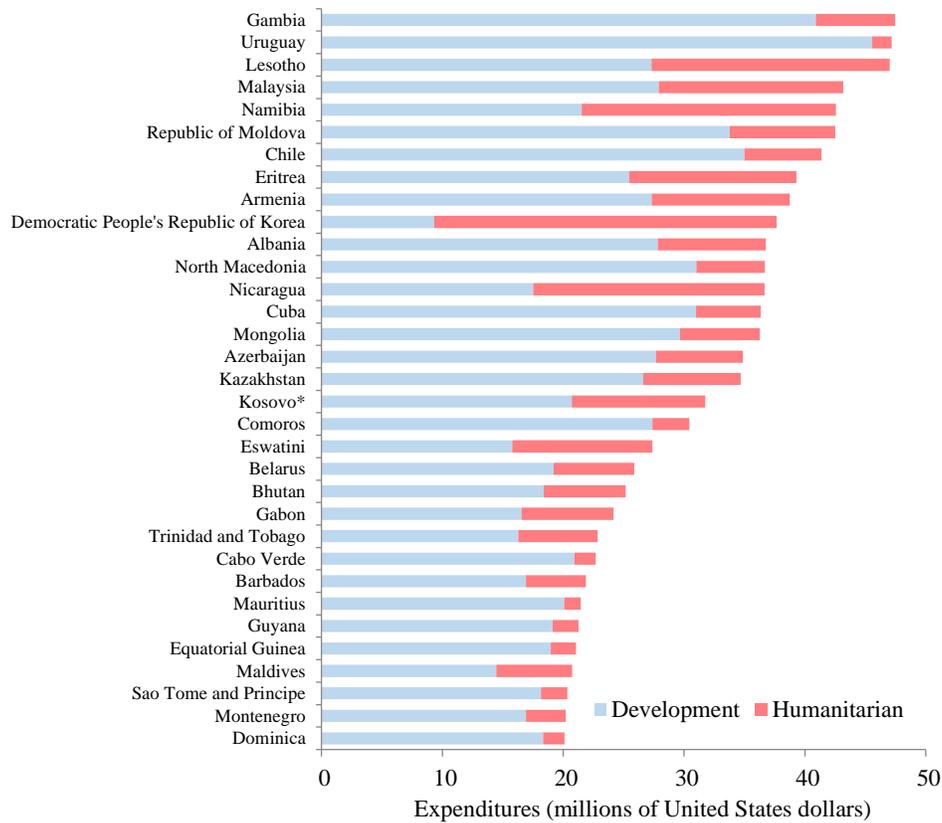
Source: Department of Economic and Social Affairs, 2022.

* Greece is not a programme country but is included here because of the high volume of United Nations expenditure there in 2020.

9. In 2020, there were 73 small programme countries, where expenditures were under \$50 million. The total United Nations development system expenditure stood at \$1.24 billion, accounting for just under 4 per cent of the total country-level expenditure, which is less than the 4.5 per cent share in 2019. Three quarters of funding was spent on development activities. Forty of the small programme countries had expenditures under \$20 million, which altogether accounted for 0.5 per cent of total country-level spending in 2020, compared with a 0.9 per cent share in 2019.

10. In 2020, four programme countries, Lebanon, South Sudan, the Syrian Arab Republic and Yemen, each had larger expenditures than the 73 small programme countries combined. The small programme countries include 44 small island developing States, 9 least developed countries and 11 landlocked developing countries (see figures 6 and 7).

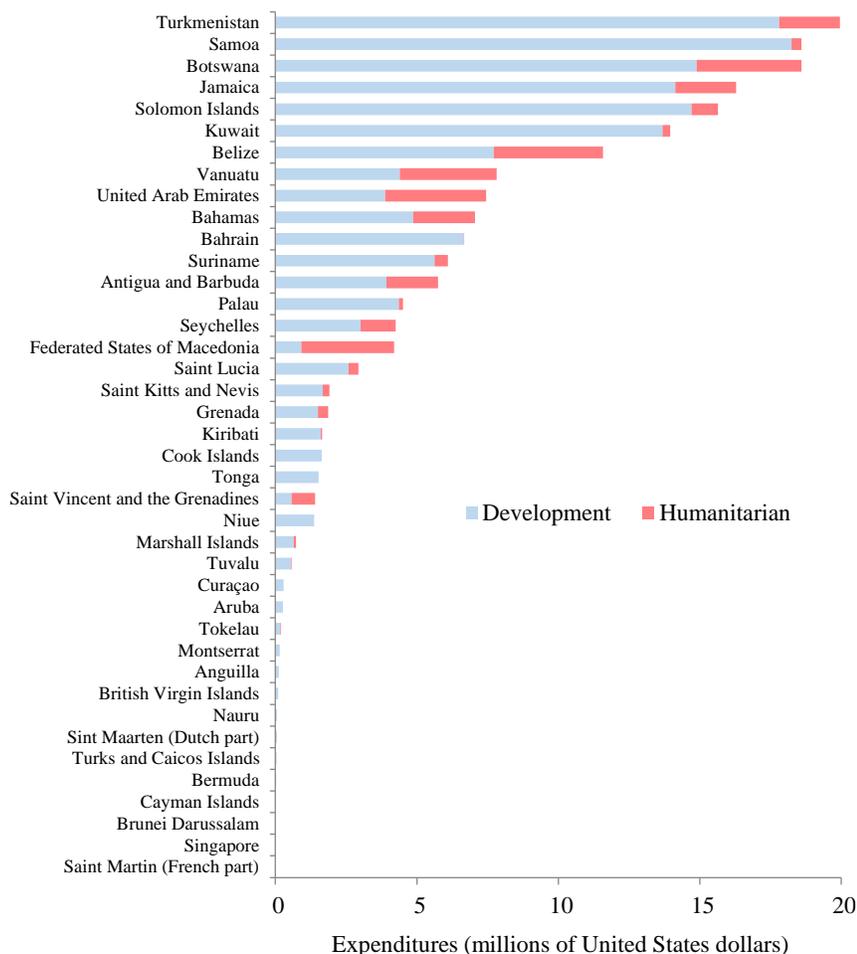
Figure 6
Countries and areas in which expenditures ranged between \$20 and \$50 million, 2020



Source: Department of Economic and Social Affairs, 2022.

* References to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

Figure 7
Countries and territories in which expenditures were less than \$20 million, 2020

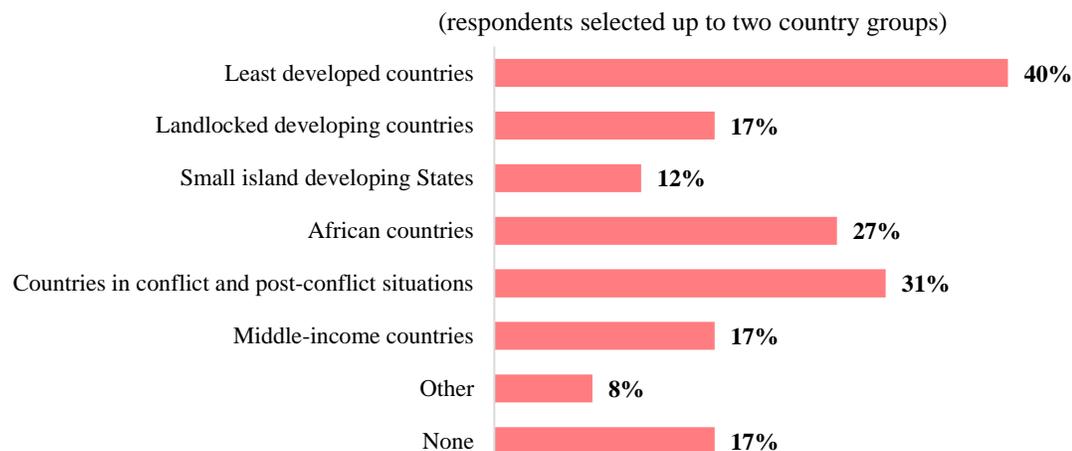


Source: Department of Economic and Social Affairs, 2022.

3. Expenditures by country group

11. Voluntary funding contributors prioritize least developed countries, countries in conflict and post-conflict situations and countries in Africa, according to the first survey by the Department of Economic and Social Affairs of Governments that contribute voluntary funding to the United Nations development system (see figure 8).

Figure 8
Prioritization of country groups in the funding decisions of contributing countries



Source: Department of Economic and Social Affairs, 2021 survey of Governments.

12. The prioritization of country groups is strongly correlated to expenditures (see table). Between 2015 and 2020, spending on operational activities in small island developing States grew by 60 per cent, exceeding the 47 per cent growth in spending in programme countries in general. Expenditures in least developed countries also increased significantly, by 51 per cent. Expenditures in countries in conflict and post-conflict situations increased by 58 per cent, although 53 countries were categorized in these groups in 2020, compared with 34 in 2015. That group accounted for 55 per cent of all country-level expenditures in 2020, compared with 51 per cent in 2015. Other country groups saw more modest increases in expenditures.

Expenditures by country group

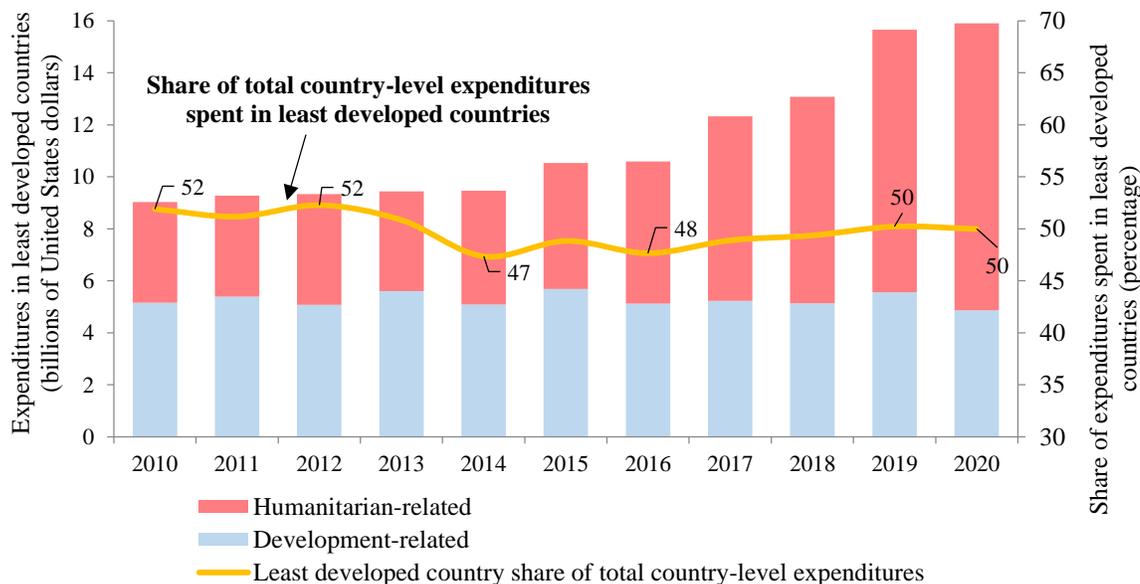
Country group	Number of countries	Total 2020 expenditure (millions of United States dollars)	Expenditure as a share of the total (percentage)	Average expenditure per country (millions of United States dollars)		Five-year trend in expenditures (percentage points)	Expenditure per capita (United States dollars)
				2020	2015		
Least developed countries	46	15 903	50	346	224	+51	15.04
Small island developing States	55	941	3	17	11	+60	13.23
Landlocked developing countries	32	8 057	25	252	200	+26	15.11
Africa	54	13 545	42	251	182	+37	10.11
Middle-income countries	109	16 438	52	151	118	+24	2.86
Countries in conflict and post-conflict situations	53	17 513	60	310	326	+58	17.08
All programme countries	163	31 810	100	195	132	+47	4.85

13. Least developed countries account for 7 of the 10 countries with the largest programmes. The share of the total expenditures of all least developed countries has increased in recent years, reaching 50 per cent of the total programme country expenditure in 2020 (see figure 9).

14. Higher expenditures on operational activities for development in least developed countries are entirely because of increased spending on humanitarian assistance,

which now accounts for just under 70 per cent of total expenditures in these countries. The other 30 per cent, or \$4.9 billion, was spent on development activities.

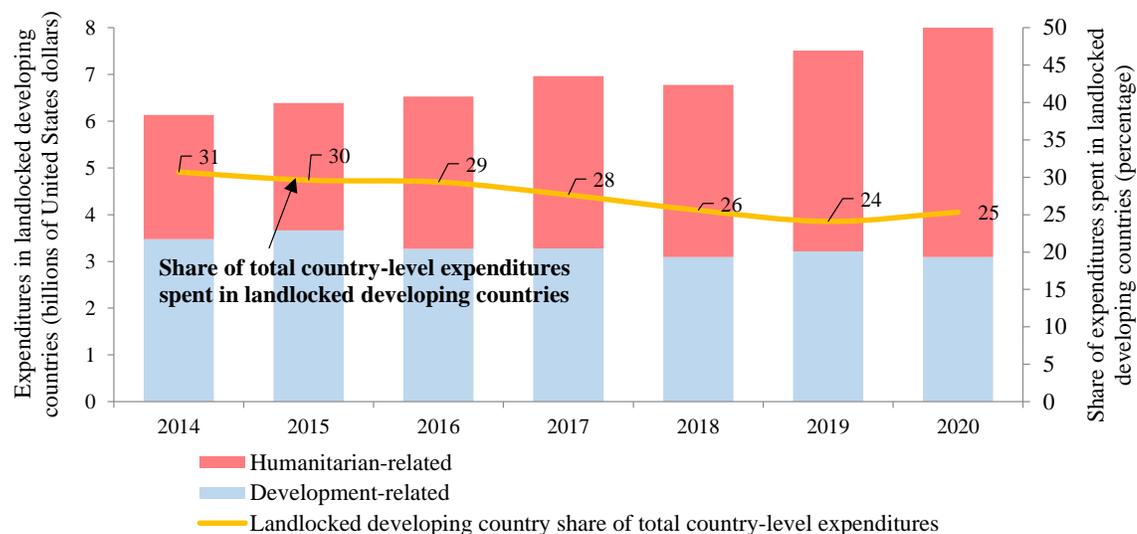
Figure 9
Expenditures in least developed countries, 2010–2020



Source: Department of Economic and Social Affairs, 2022.

15. The expenditure growth rate in landlocked developing countries has been slower than in programme countries in general (see figure 10). Expenditures have increased by 26 per cent since 2015 and totalled \$8.1 billion in 2020.

Figure 10
Expenditures in landlocked developing countries, 2014–2020

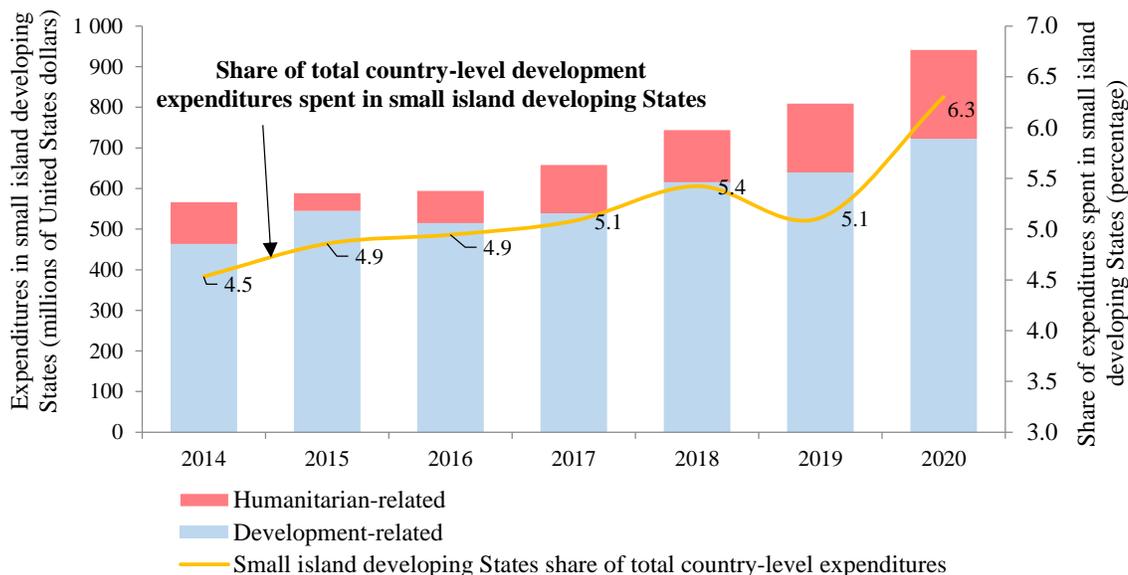


Source: Department of Economic and Social Affairs, 2022.

16. United Nations development expenditures in small island developing States were 16 per cent higher in 2020 than in 2019. Unlike in least developed countries and

landlocked developing countries, this increase was mainly driven by spending on development activities. The share of total country-level expenditures spent on development activities in small island developing States rose from 4.9 per cent in 2015 to 6.3 per cent in 2020 (see figure 11).

Figure 11
Expenditures in small island developing States, 2014–2020

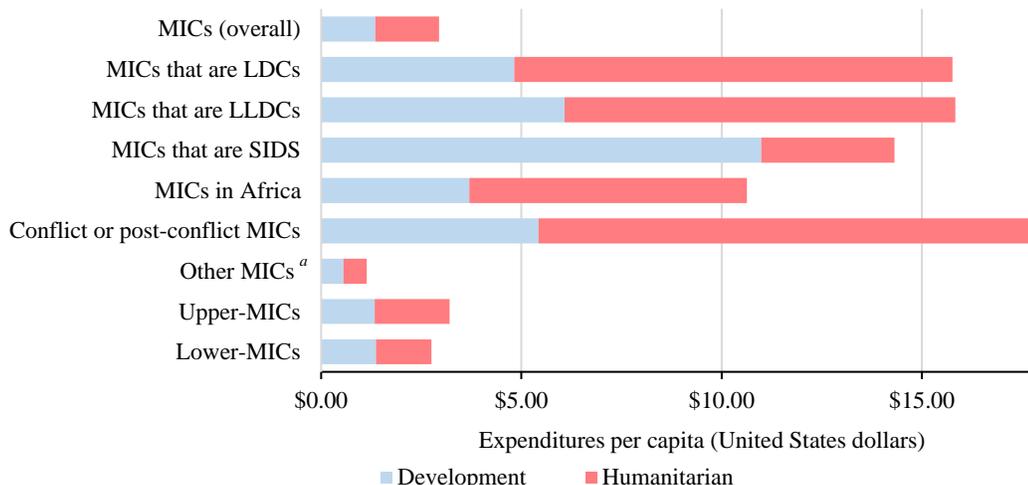


Source: Department of Economic and Social Affairs, 2022.

17. United Nations development system expenditure in middle-income countries has increased by 24 per cent since 2015 (see table). While this is less than the average of 43 per cent in programme countries in general, it is a considerably more robust growth rate than that of overall official development assistance in middle-income countries, which has edged up by just 5 per cent since 2015.

18. As can be expected, expenditure per capita is highest in middle-income countries in conflict and post-conflict situations, with most of it spent on humanitarian activities (see figure 12). With regard to development activities, expenditures are highest in middle-income countries that are also small island developing States, where development expenditure per capita is more than eight times higher than in middle-income countries in general.

Figure 12
Expenditures per capita in middle-income countries, 2020



Source: Department of Economic and Social Affairs, 2022.

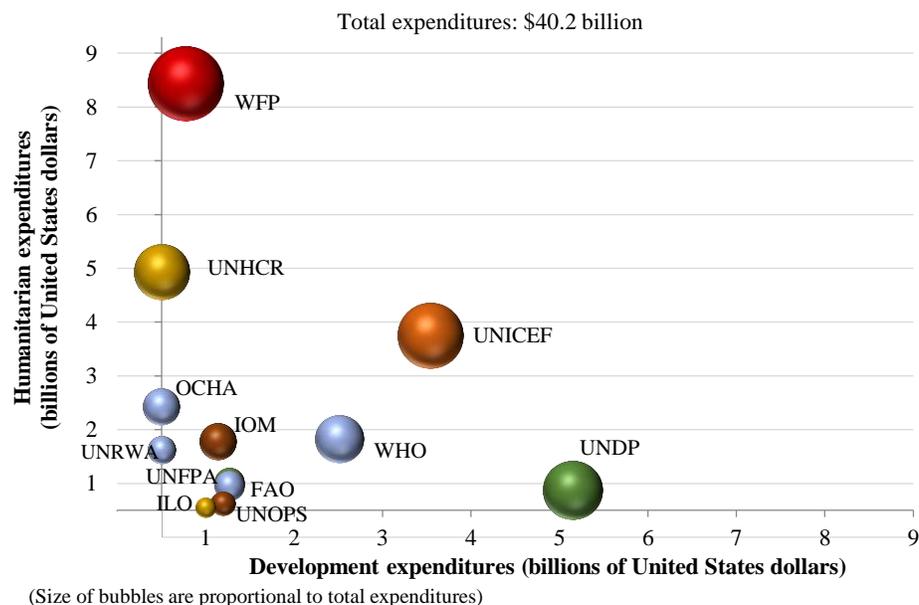
Abbreviations: HDI, human development index; LDC, least developed country; LLDC, landlocked developing country; MIC, middle-income country; SIDS, small island developing States.

^a MICs that do not fall into any of the following groups: LDCs, LLDCs, SIDS, Africa, conflict or post-conflict situations.

4. United Nations development system entities

19. Resources for operational activities for development are concentrated in a relatively small number of United Nations entities. The 12 largest entities absorbed 84 per cent of all contributions in 2020, with the top four alone accounting for nearly 60 per cent (see figure 13). The other 33 entities covered in this report accounted for the remaining 16 per cent. Of the 12 largest entities, 6 carry out more humanitarian activities than development activities.

Figure 13
Development and humanitarian expenditures, by entity, 2020



Source: Department of Economic and Social Affairs, 2022.

Note: The same bubble represents both the United Nations Population Fund (UNFPA) and the Food and Agriculture Organization of the United Nations (FAO), which had similar levels of expenditure.

Abbreviations: FAO, Food and Agriculture Organization of the United Nations; ILO, International Labour Organization; IOM, International Organization for Migration; OCHA, Office for the Coordination of Humanitarian Affairs; UNDP, United Nations Development Programme; UNFPA, United Nations Population Fund; UNHCR, Office of the United Nations High Commissioner for Refugees; UNICEF, United Nations Children's Fund; UNOPS, United Nations Office for Project Services; UNRWA, United Nations Relief and Works Agency for Palestine Refugees in the Near East; WFP, World Food Programme; WHO, World Health Organization.

20. Contributing countries⁶ said that the most common criteria for determining aid allocations across different United Nations entities were the entity's comparative advantages, the level of transparency in its financial and results reporting and its commitment to a whole-of-system approach to the Goals (see figure 25).

B. Quantity and quality of funding

21. Contributions to the United Nations development system for operational activities for development totalled \$42.4 billion in 2020, which is a significant increase of 16 per cent compared with 2019. Core contributions⁷ amounted to \$7.4 billion, or just over 17 per cent of total funding. The remaining 83 per cent of funding comprised non-core resources.⁸

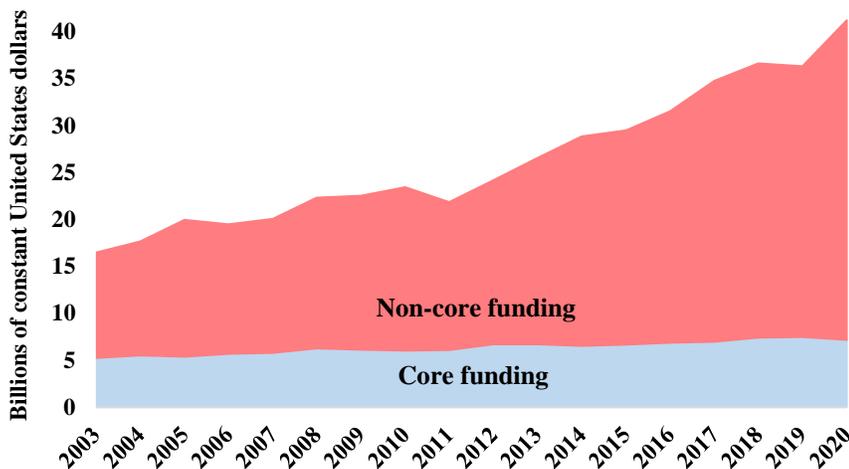
⁶ References to contributing countries in the report are to government respondents to the Department of Economic and Social Affairs quadrennial comprehensive policy review survey that make voluntary contributions to operational activities for development.

⁷ Core contributions include assessed contributions.

⁸ Non-core resources are funds that are earmarked by the contributor for specific purposes and/or locations.

22. The share of core contributions has significantly declined in the long term, which is a trend that has been accelerating since 2011 (see figure 14). The decline is entirely due to the rapid growth of non-core funding. Since 2003, in real terms, core contributions have increased by 37 per cent, while non-core contributions have more than tripled.

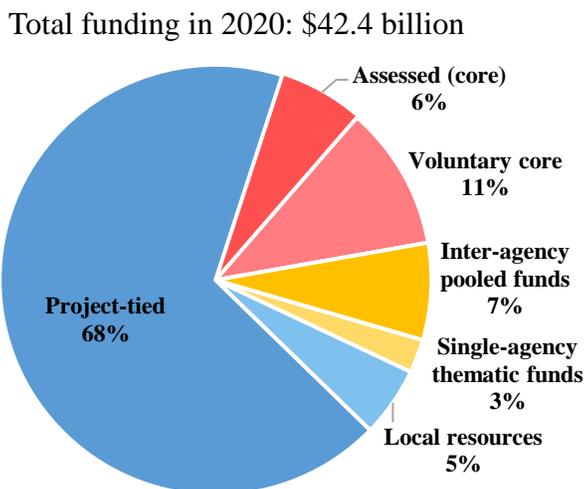
Figure 14
Trends in core and non-core funding flows, 2003–2020



Source: Department of Economic and Social Affairs, 2022.

23. Of the main types of funding provided to the United Nations development system in 2020, assessed contributions comprised about 38 per cent of total core contributions and only 7 per cent of all funding (see figure 15). The remaining 93 per cent was voluntary funding. The most common type of funding was for project-tied, non-core resources, which accounted for some 68 per cent of all funding received by the United Nations development system and 79 per cent of all non-core contributions.

Figure 15
Types and volumes of funding

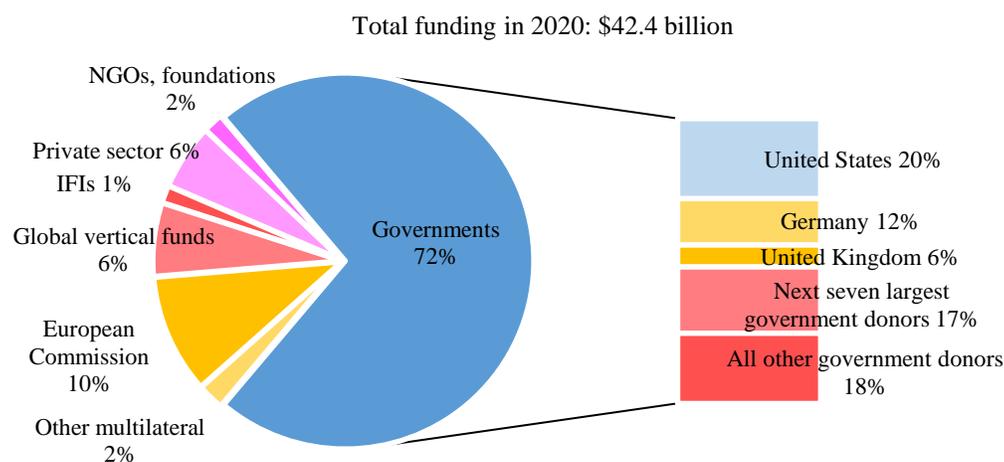


Source: Department of Economic and Social Affairs, 2022.

1. Contributor base

24. Some 72 per cent of total contributions to the United Nations development system in 2020 came from Governments directly (see figure 16). The United States of America was the largest government contributor, providing \$8.6 billion. It was followed by Germany, which contributed \$5 billion, a 56 per cent increase over the previous year. The United Kingdom of Great Britain and Northern Ireland was third, providing \$2.3 billion. Together, these top three contributors accounted for over half (52 per cent) of all funding received directly from Governments in 2020, compared to 48 per cent in 2019.

Figure 16
Main categories of funding sources, 2020



Source: Department of Economic and Social Affairs, 2022

Abbreviations: NGOs, non-governmental organizations; IFIs, international financial institutions.

25. The other 28 per cent of funding came from sources other than Governments. These include the European Commission, which contributed \$4.3 billion in 2020, a 50 per cent increase over the previous year. Funding from global vertical funds more than doubled to nearly \$2.7 billion in 2020, while funding from the private sector and foundations increased by 16 per cent.

26. The European Commission stepped up contributions to a range of entities in 2020, most notably a \$444 million increase to UNDP and a \$344 million increase to UNICEF. The European Commission accounted for 10 per cent of total funding in 2020.

27. Increased funding from global vertical funds raised their share to 6 per cent of total contributions. These funds are increasingly channelling resources to specific areas of work. Examples include the Global Fund to Fight Aids, Tuberculosis and Malaria, the Global Environment Facility and the Green Climate Fund.

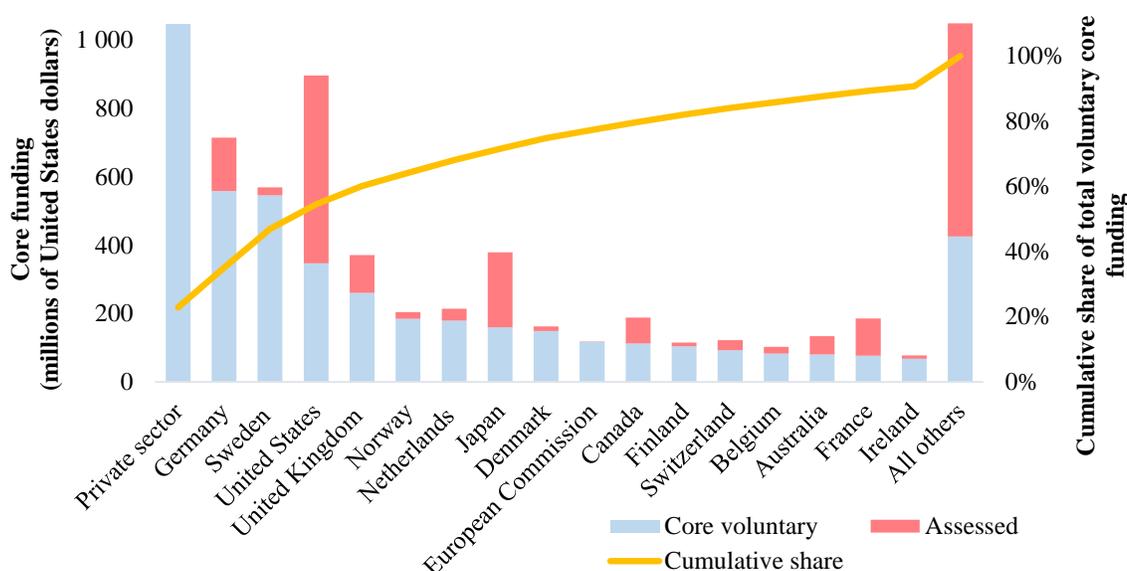
28. Private sector funding increased to \$2.4 billion in 2020, with most contributions going to UNICEF. It is interesting to note that the share of unearmarked contributions from the private sector increased by 11 per cent, driven mostly by contributions from UNICEF national committees. Strengthening engagement with the private sector to direct more capital flows towards the Sustainable Development Goals is now a regular topic of discussion in the structured funding dialogues that United Nations entities have with their governing bodies. Contributions from non-governmental organizations and foundations increased by 55 per cent in 2020, albeit from a relatively low base.

29. A less positive picture emerged from collaboration with international financial institutions. Their contributions have fallen to \$633 million, a decline of 14 per cent compared with 2019, despite increased engagement in a number of areas, including financing for the COVID-19 recovery.

Core funding

30. In terms of government contributors, the top four contributors accounted for half of all voluntary core funding received from Governments, illustrating that the United Nations development system relies heavily on a few contributors for its voluntary core funding base, similar to funding in general. Figure 17 shows the top voluntary core providers, along with their assessed contributions.

Figure 17
Top contributors of core resources, 2020



Source: Department of Economic and Social Affairs, 2022

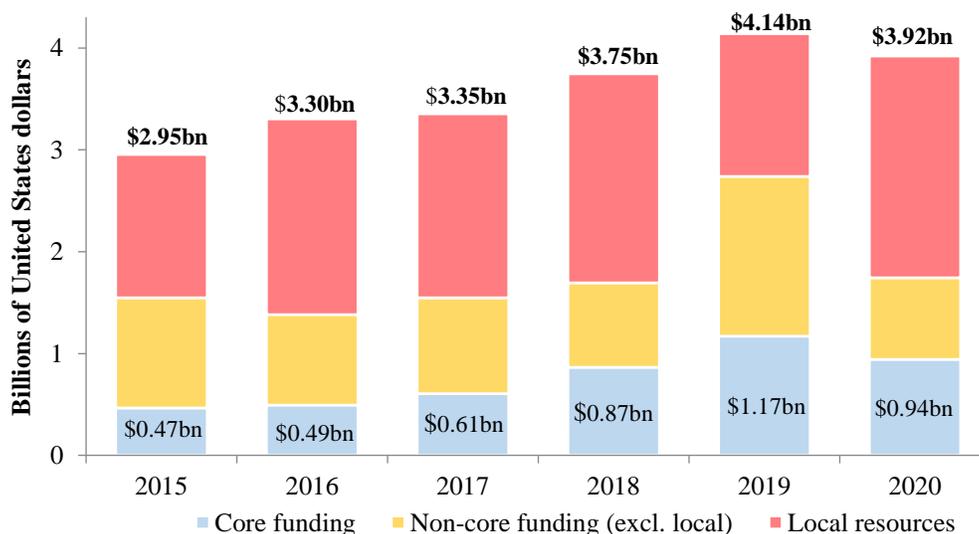
31. Two thirds of net contributing countries surveyed (10 out of 16) indicated that they had no plans to increase the amount or share of their core funding by 2023.⁹ They included four out of the five largest net voluntary funding contributors.

Funding from programme countries

32. Total funding from programme countries grew by 33 per cent between 2015 and 2020, with core funding from them doubling over this period. The total declined slightly from \$4.1 billion in 2019 to \$3.9 billion in 2020, likely due to the pandemic (see figure 18).

⁹ As part of the funding compact, Member States committed to increasing their core contributions to the United Nations development system by 2023.

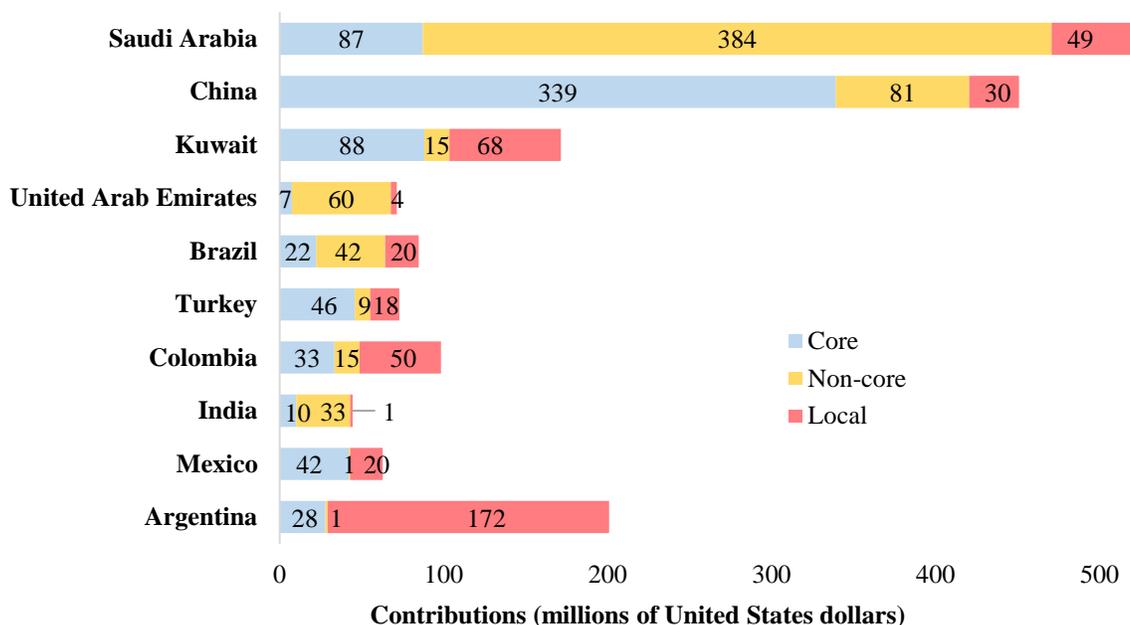
Figure 18
Funding from programme countries, 2015–2020



Source: Department of Economic and Social Affairs, 2022

33. Contributions of local resources for programming in contributors’ own countries amounted to \$2.1 billion in 2020, or 5 per cent of all contributions to the United Nations development system. This marked a very significant increase of 55 per cent since 2015. About half of local contributions are channelled through UNDP. Saudi Arabia is the largest contributor among programme countries in terms of total contributions; China is the largest contributor of core resources (see figure 19).

Figure 19
Top contributors among programme countries, 2020

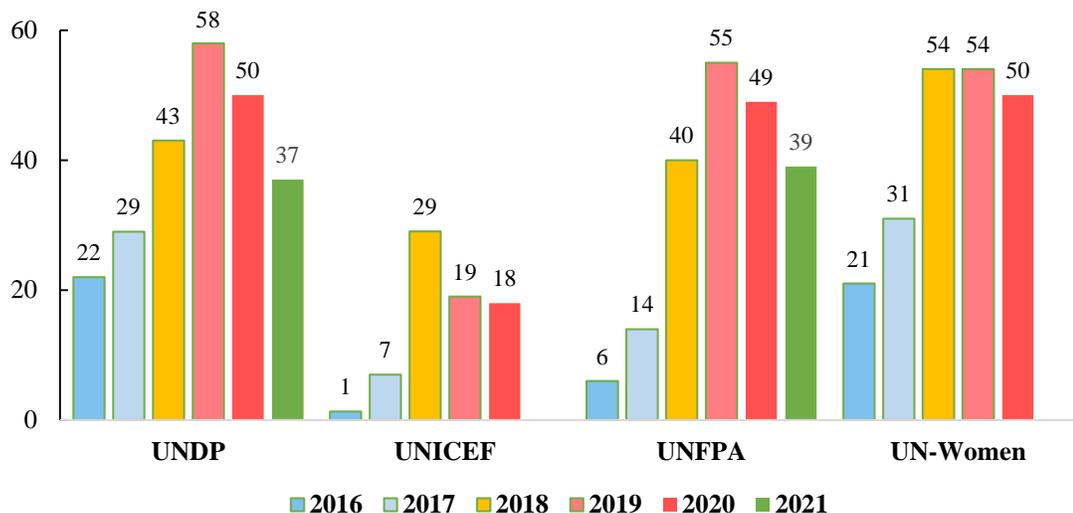


Source: Department of Economic and Social Affairs, 2022

Predictability of funding

34. The quadrennial comprehensive policy review and the funding compact both highlight the importance of making voluntary funding more sustainable and predictable. Multi-year contributions support programme planning that is strategic, agile and efficient, and reflect partner confidence in the ability of the United Nations development system to deliver results. Four entities receiving about half of total voluntary core funding have seen robust increases in multi-year contributions, although the share declined moderately in 2020 and 2021 (see figure 20).

Figure 20
Multi-year commitments of core resources as a share of total core funding



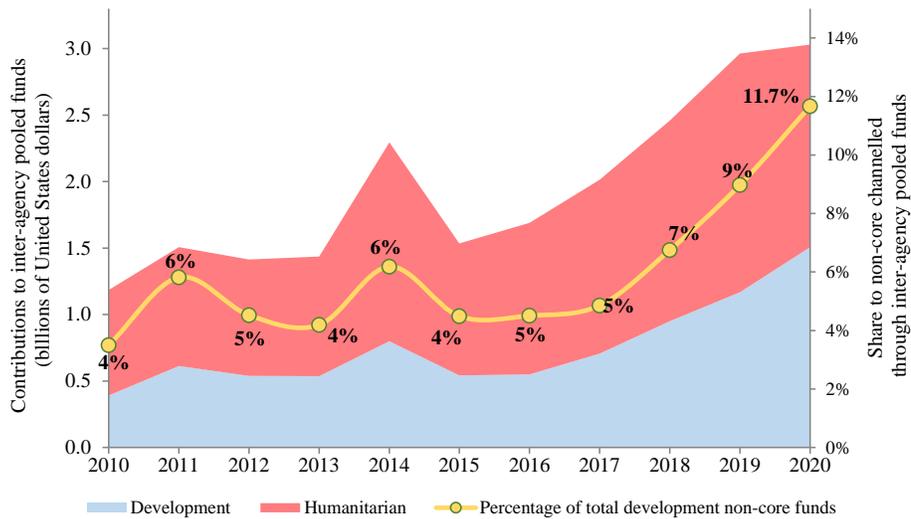
Source: Executive Board documents of UNDP, UNICEF, UNFPA and UN-Women.

Abbreviations: UNDP, United Nations Development Programme; UNICEF, United Nations Children’s Fund; UNFPA, United Nations Population Fund; UN-Women, United Nations Entity for Gender Equality and the Empowerment of Women.

2. Inter-agency and thematic pooled funds

35. In 2020, 11.7 per cent of all non-core funding for development activities was channelled through inter-agency pooled funds, surpassing the funding compact target of 10 per cent. Contributions to development funds totalled \$1.5 billion, out of an estimated \$3.0 billion contributed to inter-agency pooled funds overall. Resources for such funds have steadily increased over the past five years, largely due to more contributions to development-related funds (see figure 21).

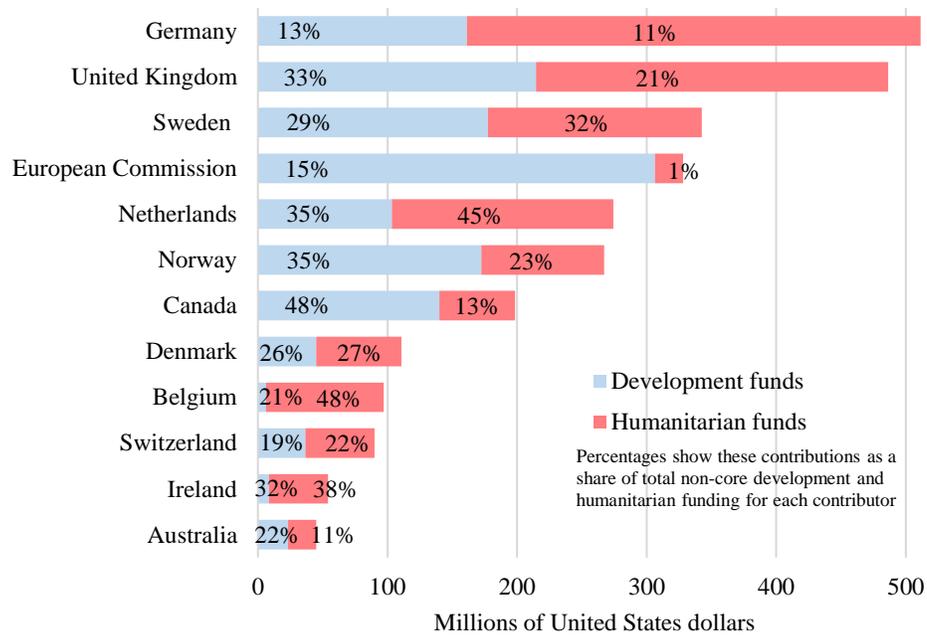
Figure 21
Funding to inter-agency pooled funds, 2010–2020



Source: Department of Economic and Social Affairs, 2022.

36. Along with robust overall growth in contributions to inter-agency pooled funds in recent years, the base of contributors has broadened noticeably. Ten donors contributed \$90 million or more to inter-agency pooled funds in 2020, compared with just five in 2017 (see figure 22). The top three donors accounted for 43 per cent of all funding to inter-agency pooled funds in 2020, compared with 53 per cent in 2017. Despite continued high dependence on a few contributors, the trend is moving towards more sustainable burden-sharing.

Figure 22
Top contributors to inter-agency pooled funds, 2020



Source: United Nations pooled funds database 2022 and Department of Economic and Social Affairs, 2022.

37. United Nations country-level development-related pooled funds, used by United Nations country teams to galvanize joint action on priority Sustainable Development Goals as established in the United Nations Sustainable Development Cooperation Framework, saw an 11 per cent increase from 2019. In 2020, 25 country-level pooled funds received funding of \$401 million, or 13 per cent of all funding to inter-agency pooled funds.

38. Contributions to global and regional funds were 72 per cent higher in 2020 compared with 2019, providing about 23 per cent of all resources to inter-agency pooled funds. Increased funding went to the Peacebuilding Fund, the Spotlight Initiative, the Central African Forest Initiative and the COVID-19 response and recovery multi-partner trust fund.¹⁰

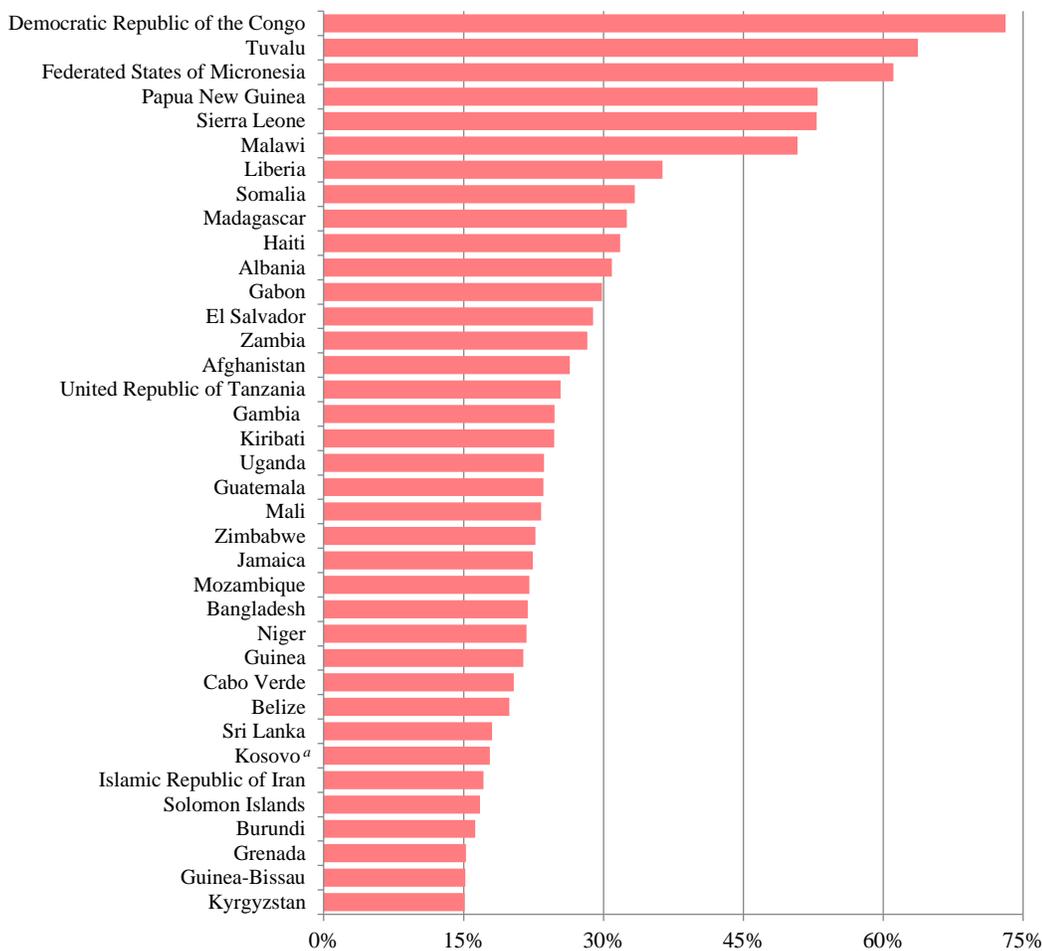
39. The Peacebuilding Fund received record-high commitments for 2021 worth \$195 million in 32 countries, including \$51 million through its Gender and Youth Promotion Initiative. This represents a 44 per cent increase compared with 2019, with Germany providing some 36 per cent of the 2021 contributions. Nonetheless, this figure represents less than half of the funding compact target of \$500 million per year for the Peacebuilding Fund and falls vastly short of meeting growing development-related needs.

40. Funding for the flagship Joint Sustainable Development Goals Fund increased by 85 per cent between 2020 and 2021, to reach \$79 million. This is well short of the annual target of \$290 million contained in the funding compact, however, and the Fund is highly dependent on Spain, Sweden and the European Union, which together accounted for over 85 per cent of contributions in 2021. To date, the Fund has financed 101 joint programmes focused on integrated social protection or financing for the Goals, and stimulated over 1,000 partnerships to support the Goals. Since its establishment in 2018, the Fund has catalysed an estimated \$1.7 billion in financing for the Goals.¹¹

¹⁰ However, funding to the COVID-19 response and recovery multi-partner trust fund dropped off significantly in 2021, from \$71 million to \$16 million.

¹¹ Includes \$46.7 million in co-funding mobilized for joint programmes, \$1.45 billion catalysed through two sovereign Sustainable Development Goal bonds launched with technical support from the Fund, and additional parallel funding catalysed through the Fund's policy services and demonstrative impact.

Figure 23
Countries and areas where more than 15 per cent of expenditures from non-core resources for development-related activities were channelled through inter-agency pooled funds, 2020



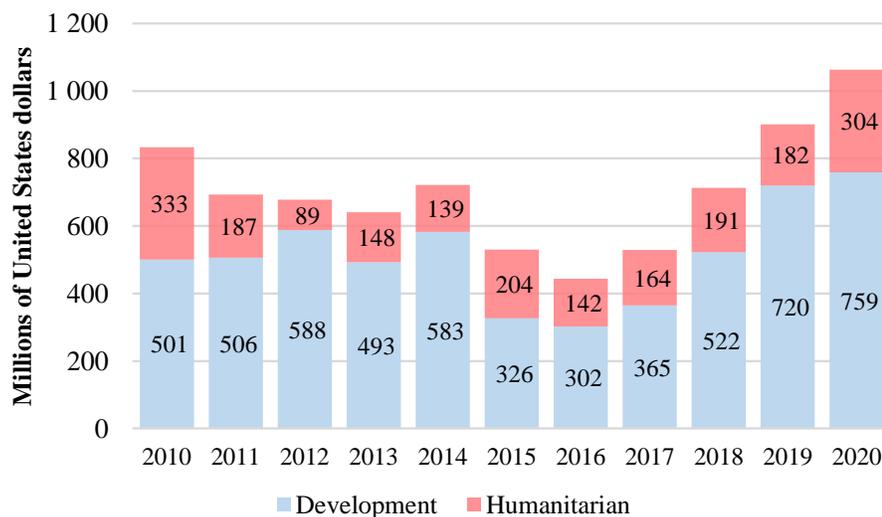
Source: United Nations pooled funds database 2022 and Department of Economic and Social Affairs, 2022.

41. To ensure a coherent United Nations response in a country, at least 15 per cent of non-core expenditures should be channelled through inter-agency pooled funds. This threshold was reached for development activities in 37 countries and areas in 2020, a significant increase from 17 countries in 2017 (see figure 23). Of these 37 countries and areas, only 12 are small programme countries, where total United Nations development system expenditure falls under \$50 million per annum and where fragmentation is often a bigger issue.

Single-agency thematic funds

42. Single-agency thematic funds use softly earmarked, co-mingled financial contributions to support high-level outcomes within an entity’s strategic plan. Such funds offer more flexibility and help entities fill gaps in underfunded areas of their strategic plans, since resources are earmarked to broad thematic windows instead of specific projects.

Figure 24
Trends in funding for agency-specific thematic funds, 2010–2020



Source: Department of Economic and Social Affairs, 2022.

43. Contributions to single-agency thematic funds rose by 18 per cent in 2020 to surpass \$1 billion for the first time, but this increase was mainly for humanitarian action (see figure 24). It was equivalent to 5.9 per cent of all non-core contributions for development activities, just shy of the 6 per cent funding compact target.

3. Joint programming

44. A joint programme is a cooperation strategy where two or more United Nations entities form a joint workplan and budget to support a common goal. There are currently a total of 571 active joint programmes across 101 United Nations country teams with a combined budget of over \$4.7 billion, compared with 400 active joint programmes across 84 United Nations country teams and a combined budget of over \$3.4 billion in 2020.¹² New guidance on joint programmes by the United Nations Sustainable Development Group is being finalized in 2022 to strengthen joint programming processes at the country level.

4. Funding of the resident coordinator system

45. An adequate, predictable and sustainable funding base for the resident coordinator system is critical to deliver on the ambitious mandates on coordination set by Member States. The full investment for a fully staffed and capacitated resident coordinator system would be \$281 million per year. In his report on the review of the functioning of the reinvigorated resident coordinator system, the Secretary-General had recommended to shift to a fully assessed budget to ensure full capitalization and sustainability of funding. In General Assembly resolution 76/4, however, Member States decided to continue to fund the resident coordinator system through a hybrid formula, primarily relying on voluntary contributions and committed to providing “sufficient funding for the resident coordinator system on an annual basis starting from 1 January 2022”.

46. As set out in greater detail in the report of the Chair of the United Nations Sustainable Development Group, current funding levels for the resident coordinator

¹² Active joint programmes are considered those that expended funds in the past year.

system continue to fall short of needs. Total revenue for 2021 was \$215 million, a slight increase from 2020. The full amount of \$77.5 million was received from the United Nations Sustainable Development Group cost-sharing arrangement, with all entities paying their calculated contributions on time in 2021. An additional \$39 million in revenue was generated from the 1 per cent coordination levy, which is applied to tightly earmarked development-related contributions to the United Nations system. This was almost exactly the same amount as in 2020, but around \$10 million lower than the projected revenue from the levy.

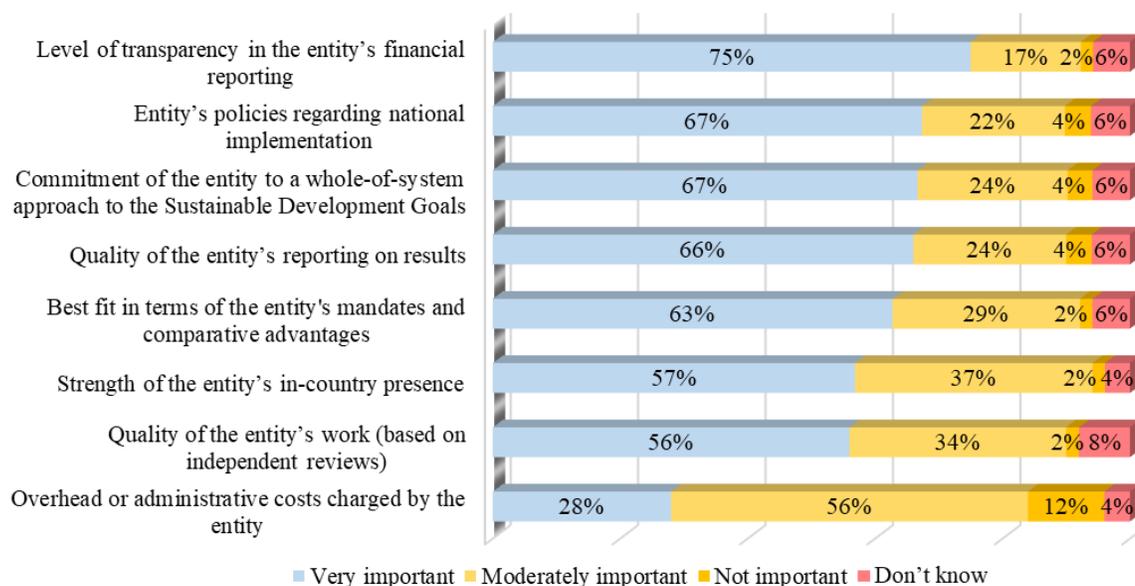
47. Voluntary funding to the special purpose trust fund for the resident coordinator system is not yet at the required levels. Revenue from voluntary contributions amounted to \$98 million, compared with \$86 million in 2020. Between 2019 and 2021, the number of annual Member State contributors declined from 34 to 28, with the number of programme country contributors also going down from 10 in 2019 to 5 in 2021. Only one new Member State contributed to the resident coordinator system in 2021.

C. Transparency and accountability of funding flows

48. In its resolution 75/233, the General Assembly placed a strong emphasis on the linkage between transparency and flexible non-core funding flows. As more funding becomes less earmarked, there is a growing need to demonstrate how these resources are spent and the results that they are achieving. In turn, enhancing transparency and accountability and demonstrating the links between high-quality funding and results will help to build and incentivize contributors to provide more flexible forms of funding. This is also a central theme in the funding compact. Transparency in financial reporting was also the most important factor indicated by contributing countries in deciding where and how to provide funding (see figure 25).

Figure 25

Important factors for donors in deciding where and how to contribute funding



Source: Department of Economic and Social Affairs, 2021 survey of Governments.

1. Country-level funding frameworks

49. At the country level, funding frameworks provide a simplified, transparent perspective on available resources and funding gaps. United Nations Sustainable Development Cooperation Framework guidance requires funding frameworks to contain a strategy for securing needed resources based on the types that can be mobilized (core, vertical, pooled, etc.). Frameworks are updated annually.

50. Of the 42 United Nations country teams that have migrated from the United Nations Development Assistance Framework to the United Nations Sustainable Development Cooperation Framework, 67 per cent have developed a multi-year funding framework with an assessment of resources required. These funding frameworks are updated annually, which is critical to ensure a realistic picture of the funding situation. This percentage is expected to increase over the coming year, since the development of funding frameworks follows the roll-out of the Cooperation Framework.

2. Structured funding dialogues

51. Building on the quadrennial comprehensive policy review, 16 United Nations development system entities held structured funding dialogues through their governing bodies in 2021. For Secretariat entities, funding dialogues occur through the relevant General Assembly processes of the Fifth Committee and the Advisory Committee on Administrative and Budgetary Questions. Transparency, accountability and other funding issues in the quadrennial comprehensive policy review are at the heart of these discussions. The discussions are an important opportunity for Member States and entities to build trust and take collective action in an open and constructive manner to fulfil funding compact commitments. The dialogues can illustrate how Member State funding supports strategic plan objectives and the 2030 Agenda, particularly through core and flexible funding.

52. The prevailing themes of the 2021 funding dialogues encompassed the importance of core and flexible resources to deliver integrated socioeconomic responses, including in restoring development gains eroded by the COVID-19 pandemic; reviewing progress towards funding compact commitments; and fulfilling the ambition of the funding compact to help improve the funding base of the United Nations development system.

53. UNDP, UNFPA, UNICEF and UN-Women organized a joint, informal dialogue with Member States in May 2021 as they were developing their strategic plans and budgets. Among other ends, such dialogues enable entities to better harmonize reporting, including on the funding compact, for better comparability. As such, they respond to the request of Member States to improve the functioning and effectiveness of structured funding dialogues, as contained in resolution [75/233](#).

3. Update of the system-wide financial data standards

54. Reporting of financial information by United Nations development system entities is improving in terms of breadth, depth and alignment with new standards. In 2021, 14 United Nations development system entities reported expenditures against the Sustainable Development Goals and another 6 disaggregated the data to report against individual Goal targets. Several more have put the tools in place to begin reporting in 2022. Most entities now publish information on their resources in accordance with the International Aid Transparency Initiative standards, with the main gap being entities within the United Nations Secretariat.

55. System-wide funding data are more reliable and comparable across entities, as mandated in the quadrennial comprehensive policy review. They are collected based

on the data standards for United Nations system-wide reporting of financial data adopted by the United Nations Sustainable Development Group and the High-level Committee on Management in 2019. Over the past year, these standards have been updated to include changes in system-wide policies and strategies, encompassing guidance on harmonization of the pooled fund database, improved reporting on contributions to single-agency thematic funds, methodology for eliminating double counting of funding flows across the United Nations system and mandated expenditure allocation by Sustainable Development Goal.

56. In response to the funding compact commitment to offer greater visibility to contributions that support flexible funding modalities, in 2021 the UNDP Multi-Partner Trust Fund Office introduced the beta version of the new Partners Gateway.¹³ The Gateway is a management and information platform that enables access to financial data and analysis with the highest transparency levels, promotes multi-stakeholder partnerships behind inter-agency pooled funds, and facilitates better access to results and knowledge generated by pooled funds. The Gateway is a key instrument to ensure implementation of the funding compact commitment on common management features.

57. A new data cube strategy for 2022–2025 has been adopted by the Finance and Budget Network. The goal is to ensure that by 2025, the United Nations system, Member States and other data users can access high-quality, system-wide analytical information aligned with the Sustainable Development Goals. This should provide a more transparent and comprehensive picture of United Nations system-wide revenues and expenses. Disaggregated data will allow better analytics and insights for evidence-based decisions.

4. Cost recovery

58. The accelerated growth in non-core funded activities over the past 20 years makes adequate recovery of associated institutional costs a growing concern. Cost recovery policies have considerable implications for institutional transparency, as they specify which portions of core and non-core resources are spent on programme and non-programme activities. In 2021, 88 per cent of United Nations development system entities reported on approved cost recovery policies and rates to their governing body. Some 64 per cent included estimated cost recovery amounts and 60 per cent included actual amounts recovered through the provision of non-core funded activities.

59. Notwithstanding the funding compact's calls for full compliance with cost recovery rates as approved by the governing bodies of entities, a recent study found that several Member States were still uncertain about acceptable levels for overhead fees and direct project costs.¹⁴ Standard United Nations cost recovery rates range between 8 and 13 per cent.

60. Cost recovery policies require United Nations entities to be vigilant in ensuring that all contributors comply with agreed cost recovery principles so that basic costs are covered fairly and proportionally. Core resources should not be used to subsidize programmes funded by non-core resources through cost recovery support-fee waivers. Eliminating such waivers is a funding compact commitment that has not yet been met, although good progress is being made. An average of four agreements per United Nations development system entity include a support-fee waiver, compared with 14

¹³ Available at mptf.undp.org/.

¹⁴ Dag Hammarskjöld Foundation, "The Way Forward: Fulfilling the Potential of the Funding Compact at the Country Level" (2021).

in 2018. The total value of agreements with a support-fee reduction in 2020 was estimated at \$449 million, down from \$800 million in 2018.¹⁵

D. Conclusion

61. The above analysis highlights continued progress made by the United Nations development system in strengthening measures to build trust with Member States and other contributors, such as enhancing transparency and accountability. But progress remains modest, including on funding compact commitments, and the fundamental shift in the manner in which system is being funded has not happened. With 18 months to go until the funding compact is required to be fully implemented, the system must accelerate efforts to implement the unfulfilled commitments to incentivize the funding shift that is essential if the various strands of the reform are to be successfully implemented.

¹⁵ This is the value of the agreements, not the fee waived. If the average waiver gave a donor a 1 per cent reduction in the support fee, the amount of programme cost support income lost system-wide would have been \$4.3 million in 2020.