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**SWEDEN'S FINANCING OF UN FUNDS AND PROGRAMMES:
ANALYZING THE PAST, LOOKING TO THE FUTURE**

Stephen Browne, Nina Connelly and Thomas G. Weiss

Sweden's Financing of UN Funds and Programmes: Analyzing the Past, Looking to the Future

*Stephen Browne, Nina Connelly and
Thomas G. Weiss*

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till

Expertgruppen för biståndsanalys (EBA)

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List of Abbreviations

ASYCUDA	Automated System for Customs Data
BRICS	Brazil, Russia, India, China, South Africa
CEB	UN System Chief Executives Board for Coordination
CERF	Central Emergency Response Fund
CRS	Creditor Reporting System (OECD)
DAC	Development Assistance Committee (of OECD)
DaO	Delivering as One
DESA	Department for Economic and Social Affairs
DMFAS	Debt Management and Financial Accounting System
DOCO	Development Operations Coordination Office
EBA	Expert Group in Aid Studies
EPTA	Expanded Programme of Technical Assistance
EU	European Union
FfD	Financing for Development
FUNDS	Future UN Development System Project
G77	Group of 77
GAVI	Global Alliance for Vaccines and Immunization
GEF	Global Environment Facility
GF	The Global Fund to fight AIDS, Tuberculosis and Malaria
GNI	gross national income
HDI	Human Development Index
IAEG	Inter-Agency Expert Group
ICISS	International Commission on Intervention and State Sovereignty
ITA	Independent Team of Advisors
IOM	International Organization for Migration
ITC	International Trade Centre
JPO	junior professional officer
MDGs	Millennium Development Goals
MFA	Ministry for Foreign Affairs
MOPAN	Multilateral Organisation Performance Assessment Network
MPTF	Multi-Partner Trust Fund
MPTFO	Multi-Partner Trust Fund Office

NGO	non-governmental organization
OAD	Operational Assistance for Development
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OH	overhead
PBF	Peacebuilding Fund
QCPR	Quadrennial Comprehensive Policy Review
RC	resident coordinator
R2P	responsibility to protect
SDGs	Sustainable Development Goals
Sida	Swedish International Development Cooperation Agency
UN	United Nations
UNAIDS	Joint UN Programme on HIV and AIDS
UNCDF	UN Capital Development Fund
UNCTAD	UN Conference on Trade and Development
UNDAF	UN Development Assistance Framework
UNDG	UN Development Group
UNDP	UN Development Programme
UNDS	United Nations development system
UNEP	UN Environment Programme
UNFCCC	UN Framework Convention on Climate Change
UNFPA	UN Population Fund
UNICEF	UN Children's Fund
UHCHR	Office of the UN High Commissioner for Refugees
UNHHSF	UN Habitat and Human Settlements Foundation
UNODC	UN Office on Drugs and Crime
UNOG	United Nations Office in Geneva
UNRWA	UN Relief Works Agency
USD	United States Dollar
VISC	Voluntary Indicative Scale of Contributions
WATSAN	water and sanitation program
WFP	World Food Programme
WTO	World Trade Organization

Foreword by the EBA

In their 2015 *Multilateral Aid* report the OECD pointed out that funding of multilateral organizations was becoming increasingly “bilateralized” – and that this was particularly the case for the UN Funds and Programmes. While 58 percent of donor funding to these UN organisations was earmarked in 2007, this figure had increased to 76 percent by 2015. Earmarked financing means less flexibility for the recipient. It also indicates either a more self-interest driven donor agenda or a lack of trust towards the UN organizations. Either way, the consequence is that the managers of UN funds and programmes have less flexibility to decide how to allocate resources in the best manner in order to operationalize the strategic frameworks agreed by their members.

Sweden has for long been a strong supporter of providing core funding, i.e. non-earmarked funding straight into the organizations’ core budget, rather than earmarking. To a large extent Sweden is also doing what it preaches. However, as indicated in a recent Sida communication to the government, also Sweden has increased its bilateral funding via multilateral organizations, its’ so called *multi-bi* support. Today as much as 40 percent of Sida’s aid disbursements pass via multilateral organizations in the form of earmarked funding.

However, this may not be all that bad. As the authors of this EBA-report point out, earmarking has both pros and cons – and, there are varying degrees of earmarking. In launching this study, EBA aims to inquire further into a rather old debate of core versus earmarked funding. EBA has intended to try to understand the implications of the rather high degree of earmarking for a donor like Sweden that actually favours core support. Is there a risk that Sweden is used by other donors and will eventually end up paying the administrative costs associated with pushing other donors’ pet projects, or is Sweden actually making an important difference by its rather specific approach?

The report highlights the challenges that most UN funds and programmes face in attracting funding, core or non-core. It should

be noted that the authors of this report had to spend an unexpected amount of time to make figures comparable between organizations. In the end, the study provides an impressive overview which enables us to probe deeper in this discussion. This is a discussion that EBA looks forward to.

Stockholm, November 2017

A handwritten signature in blue ink, appearing to read 'Helena Lindholm', with a stylized flourish at the end.

Helena Lindholm

Sammanfattning

Bistånd som kanaliseras via Förenta nationerna bör betraktas mot bakgrund av det övergripande utvecklingslandskapet, som ständigt förändras. Det offentliga utvecklingsbiståndet har ökat sedan millennieskiftet, vilket även gäller bistånd som går via Förenta nationerna. Detta beror bland annat på millennieutvecklingsmålen och det ökade fokus på utveckling som de har medfört. Exakt hur stor inverkan målen om hållbar utveckling har haft vet man inte. Den totala finansieringen av FN-systemet har blivit mer diversifierad och nådde en historiskt hög nivå på 48 miljarder USD år 2015. Av de 30 miljarder i offentligt utvecklingsbistånd som betalades ut av FN:s utvecklingssystem (UNDS) anslogs omkring hälften till utvecklingsinsatser och hälften till humanitära insatser. FN koncentrerade i allt högre grad sina medel till länder i kris.

Andra källor till offentligt utvecklingsbistånd, alternativ till FN:s stöd, har emellertid ökat snabbare: Trots det utgör det offentliga utvecklingsbiståndet mindre än en tiondel av det totala flödet till utvecklingsländer. Remitteringar och privat kapital utgör en betydligt större andel. FN:s bidrag till det samlade resursflödet är nu mindre än två procent. Dessutom öronmärks FN:s stöd i allt högre grad. Vissa fonder och program har övergått till att bli genomförare av bistånd åt andra multilaterala och bilaterala aktörer, snarare än att vara biståndsgivare i sin egen rätt.

Eftersom det offentliga utvecklingsbiståndets och FN:s utvecklingssystems andel av biståndet minskar är det ytterst viktigt att fortsätta utvärdera och renodla FN:s roll – särskilt mot bakgrund av den överenskommelse om en 15-årig agenda som slöts i september 2015. FN:s minskade möjligheter innebär att dess normativa och standardiserande roll blir allt viktigare, liksom FN:s operativa fokus på fattiga länder, länder i kris och humanitära insatser. Inom FN pågår just nu en aktiv diskussion om organisationens ändamålsenlighet, där bland andra generalsekreterare António Guterres deltar. Den här studien är ett försök att bidra till den diskussionen med utgångspunkt i den svenska regeringens långvariga samarbete med, och bidrag till, FN:s fonder och program.

I studien undersöks nästan samtliga FN:s fonder och program, förutom FN:s hjälporganisation för Palestinaflyktingar (UNRWA), eftersom dess mer specifika uppdrag gör den svår att jämföra på många sätt. Dessutom har författarna genomfört intervjuer med utgångspunkt i ett frågeformulär med FN:s barnfond (UNICEF), FN:s flyktingkommissariat (UNHCR), FN:s utvecklingsprogram (UNDP) inbegripet dess kapitalutvecklingsfond (UNCDF), FN:s befolkningsfond (UNFPA), FN:s konferens för handel och utveckling (UNCTAD), FN:s drog- och brottsbekämpningsbyrå (UNODC), FN:s gemensamma program mot hiv/aids (UNAIDS), Internationella handelscentrumet (ITC) och UN Women. De besökte inte Världslivsmedelsprogrammet (WFP), FN:s miljöprogram (UNEP) och FN:s boende- och bebyggelsecenter (UN-HABITAT).

Studien skiljer mellan kärnstöd och öronmärkt stöd. Kärnstöd är inte öronmärkt efter syfte, utan stöder i stora drag varje organisations etableringskostnader, inbegripet fast personal och administration, samt kärnfunktioner i form av rapportering och stöd till beslutsfattande organ. Kärnstöd är också tänkt att stödja fondernas och programmens centrala utvecklingsfunktioner, exempelvis information, forskning, utarbetande av normer och påverkansarbete. Kärnstöd tillhandahålls antingen genom uttaxerade bidrag från samtliga FN-medlemmar som en fördragsenlig skyldighet, eller genom frivilliga bidrag från medlemsstater (och i begränsad utsträckning från andra givare). Öronmärkt stöd är kopplat till specifika syften och geografiska områden och stöder främst operativ verksamhet.

I likhet med tidigare analyser uppstod många oklarheter vid insamlandet och framställandet av data. Källorna till dessa data är många, och ofta motstridiga. Data från FN:s huvudstyrelse för samordning och dess insatser för att harmonisera definitionerna av olika typer av intäkter användes som grund för jämförelse, och anpassades och korrigerades vid behov med hjälp av data som tillhandahölls av organisationerna.

När det gäller storleken på stödet finns det två typer av organisationer: fyra stora organisationer och resterande är relativt små. Stödet till de fyra största organisationerna – UNICEF, WFP,

UNDP och UNHCR – uppgår till totalt 17,7 miljarder USD, vilket motsvarar en andel på 86 procent. Deras andel av det öronmärkta stödet är 80,2 procent. Sedan 1990-talet har en gemensam nämnare i all FN-verksamhet varit en kraftig ökning av det frivilliga öronmärkta stödet, som öronmärkts utifrån teman eller geografiska områden. Samtidigt har kärnstödet stagnerat eller minskat.

Det frivilliga öronmärkta stödet är i dag den största stödkällan inom UNDP, UNICEF, UNHCR, WFP, UNEP, UN-HABITAT och UNODC, där det utgör minst 75 procent av deras respektive budgetar. Endast UNCTAD, ITC och UN Women får 30 procent eller mer i kärnstöd via uttaxerade bidrag. Vi ser en liknande utveckling av stödet inom FN:s fackorgan – Världshälsoorganisationen (WHO) är nu det största fackorganet och har den största procentandelen öronmärkt stöd (cirka 80 procent). Ökningen av öronmärkt stöd till FN:s fonder och program har gjort det möjligt för dem att utöka sin verksamhet betydligt, med varierande strategiska och operativa konsekvenser, som inte har varit odelat positiva.

Västvärldens regeringar står för majoriteten av kärnstödet och det öronmärkta stödet till FN:s fonder och program. Sedan millennieskiftet har källorna dock blivit mer varierade, och mer stöd från samma givare når FN indirekt, via andra multilaterala organisationer som i grunden är finansierade av samma länder. Ett viktigt exempel är Europeiska kommissionen och dess institutioner, som på ett betydande sätt bidrar till de öronmärkta stödkomponenterna till UNDP, UNICEF, WFP och UNHCR. Andra multilaterala källor är Globala miljöfonden (GEF), Gröna klimatfonden och de vertikala hälsofonderna: Globala fonden och Globala alliansen för vaccination och immunisering (GAVI). De vertikala fondernas bidrag till UNDP är nästan lika stort som dess (kraftigt minskade) kärnstöd. En annan växande stödkälla för vissa FN-organisationer (bland andra UNDP, UNODC och UNCTAD) är ”lokala resurser”, som utvecklingsländer i stor utsträckning lägger på sig själva via FN-systemet.

Icke-statliga stödkällor har också ökat. Den största filantropiska utvecklingsfonden är Bill och Melinda Gates stiftelse, som bidrar med öronmärkta resurser till flera av FN:s fonder och program.

FN får också resurser från privatpersoner och företag, vilket enligt vissa företrädare för det civila samhället hotar att förändra FN-biståndets natur. Vissa FN-organisationer har emellertid varit framgångsrika när det gäller att samla in resurser från allmänheten (i synnerhet UNICEF, men även UNHCR i allt högre grad). Ju mindre det enskilda bidraget är, desto mindre troligt är det att det öronmärks. UNICEF har exempelvis ett årligt mål på en miljard USD från privatpersoner, varav nästan allt är avsett för kärnverksamheter.

Diagram 1: Översikt över FN:s fonder och program utifrån de främsta stödformerna, 2015



Källa: FN:s huvudstyrelse, med justeringar av författarna.

Vår genomgång av de enskilda fonderna och programmen avslöjar ett helt godtyckligt mönster i stödet, med stora variationer mellan fördelningen av kärnstöd och öronmärkt stöd. Inte ens de uttaxerade bidragen från FN:s centralbudget återspeglar någon tydlig logik eller tydliga kriterier om relevans eller ändamålsenlighet. Vissa organisationer, exempelvis UNODC, är ständigt underfinansierade i förhållande till sina mycket breda och normgivande uppdrag. Andra, exempelvis UNDP, får ett betydande öronmärkt stöd som bidrar till att diversifiera och sprida deras fokus över ett brett spektrum av verksamheter. På det stora hela har det öronmärkta stödets dominans bidragit till att öka överlappning och dubbelarbete, snarare än att minska det, inom fondernas och programmens verksamheter. Detta går helt emot de senaste FN-reformernas inriktning.

I studien har vi använt vår egen terminologi för de huvudsakliga stödformerna inom FN:s fonder och program: kärnstöd (uttaxerat eller frivilligt) och öronmärkt stöd, inbegripet mjukt öronmärkt, poolfinansierat stöd samt hårt och restriktivt öronmärkt stöd. I ett rent multilateralt sammanhang kan endast villkorslöst kärnstöd ge organisationer möjlighet att tillhandahålla resurser som stöder deras huvudprioriteringar, på uppdrag av medlemsstaterna via deras beslutsfattande organ. Alla övriga stödformer medför oftast vissa begränsningar när det gäller användning. Dessa begränsningar beskrivs och analyseras. Hård öronmärkning återspeglar givarens preferenser när det gäller destination och tema, men det finns inget entydigt förhållande mellan graden av hårdhet och de begränsningar som det medför. Mjukt öronmärkt stöd kan exempelvis stödja tematiska områden som fastställs av en FN-organisation, men vara belagt med användningsvillkor. Stöd som definieras som hårt kan vara ämnat för en enskild geografisk destination och ett enskilt syfte, men fylla en viktig lucka i en humanitär appell.

Den enskilda organisationens syn på en bit i finansieringspusslet formas dessutom av hur den biten passar in i det övergripande finansieringslandskapet och vilka alternativkostnader den har. De största fonderna och programmen kan exempelvis bedöma att ett visst finansieringsalternativ eller en viss givares önskemål är för

krävande och snedvridande. Den bedömningen görs mot bakgrund av det stora antalet andra projekt som de förvaltar, där de har större kontroll över genomförandet. För sådana organisationer – med undantag för UNDP, som har den mest formlösa strategin och fortsätter att utöka programmets räckvidd – kan samarbete och kompromisser vara besvärliga och inte värda den insats som skulle krävas för att få pengarna. De minsta av FN:s fonder och program har dock inte en sådan ställning att de kan tacka nej till öronmärkt stöd av nästan något slag, vilket innebär att de får mindre kontroll och kan hamna i beroendeställning till bidragsgivaren. Även om det inte finns några tydliga kopplingar mellan stödtyper och begränsningar kunde författarna med hjälp av intervjuerna undersöka i vilken utsträckning dessa olika typer av stöd påverkar de olika ledningarna när det gäller att uppfylla gemensamma mål och tillgodose utvecklingsbehov. Kortsiktiga avtal kan i själva verket bli en långsiktig kanalisering av insatser och utnyttja i en strategi.

Bland medlemmarna i OECD/DAC ligger Sverige i framkant när det gäller årliga bidrag och strategiska arbetssätt. Om man tittar på kriterierna om åtaganden om offentligt utvecklingsbistånd, multilateralism och FN har Sverige (tillsammans med Irland och Finland) den högsta samlade poängen av alla givare, vilket visar att Sverige på det stora hela har ett välfungerande multilateralt arbetssätt i förhållande till FN:s fonder och program.

Mellan 2010 och 2015 anslog Sverige 55 procent av sina bidrag till dessa organisationer som kärnstöd. Sveriges regering anges ofta som en av de tre största givarna av kärnstöd till organisationerna i denna studie och bidrar med en hög andel av varje organisations samlade kärnstöd. Sverige är också känt för att välja flexibla stödmekanismer, även för sina öronmärkta bidrag. Sveriges bidrag till FN:s fonder och program beskrivs nedan i tabell 1.

Tabell 1: Sveriges bidrag till FN:s fonder och program, 2010–2015

Year	ITC			UNAIDS			UNCTAD			UNDP*			UNCDF*		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	0.0	4.2	4.2	37.8	2.6	40.4	0.0	1.2	1.2	88.0	97.0	185.0	0.0	5.2	5.2
2011	0.0	4.5	4.5	43.5	0.4	43.9	0.0	1.2	1.2	104.8	81.9	186.6			
2012	4.4	0.0	4.4	41.1	0.7	41.9	0.0	1.6	1.6	109.4	118.9	228.3			
2013	4.5	0.0	4.5	38.9	5.3	44.2	0.0	1.5	1.5	84.6	103.8	188.5			
2014	4.4	0.0	4.4	34.6	4.4	39.1	0.0	3.8	3.8	72.9	84.0	156.9	3.5	15.5	19.0
2015	0.0	2.8	2.8	25.0	3.9	28.9	0.0	7.0	7.0	58.8	74.7	133.5	0.0	7.0	7.0

Year	UNEP			UNFPA			UN-Habitat			UNHCR			UNICEF		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	4.9	9.6	14.5	58.3	7.9	66.2	0.0	3.1	3.1	0.0	111.9	111.9	61.4	64.9	126.4
2011	4.2	8.1	12.3	69.4	10.9	80.3	3.0	5.4	8.5	82.2	36.5	118.7	75.0	101.1	176.2
2012	4.9	10.1	14.9	66.3	19.4	85.7	2.4	7.5	9.8	81.5	36.8	118.3	70.0	91.4	161.3
2013	4.8	10.1	14.9	65.8	76.5	142.3	2.3	9.1	11.4	87.6	41.3	128.9	69.4	137.0	206.4
2014	4.2	19.8	24.0	70.3	5.2	75.5	2.9	0.0	2.9	89.9	44.3	134.2	79.8	111.3	191.1
2015	2.5	7.6	10.1	57.4	28.1	85.5	0.0	-0.4	-0.4	79.8	30.7	110.5	62.4	111.5	173.9

Year	UNODC			UN Women**			WFP		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	1.3	6.3	7.7				66.2	19.5	85.6
2011	1.4	9.6	11.1	7.5	11.5	19.0	81.2	9.2	90.5
2012	1.4	8.0	9.4	7.5	12.5	20.0	82.6	12.7	95.3
2013	1.6	11.0	12.6	19.3	15.9	35.2	78.8	24.3	103.1
2014	0.9	10.7	11.7	10.0	24.8	34.8	81.6	11.9	93.5
2015	0.6	4.1	4.7	8.3	24.8	33.1	62.3	53.9	116.2

Källa: blandade källor.

Förutom att tillhandahålla ett betydande kärnstöd, uppmuntrar Sverige också FN:s fonder och program att få in en större andel kärnstöd. Sverige har också uppmanat givare att minimera begränsningarna i sina bidrag. Förekomsten av villkorat kärnstöd har emellertid ökat (vilket framgår av OECD/DAC:s rapport om multilateralt bistånd från 2015), och Sverige har motsatt sig detta.

Sverige är också en stor bidragsgivare när det gäller FN:s poolfinansiering stöd, som förvaltas av Multi-Partner Trust Fund Office (MPTFO), och uppskattar transparensen och bidraget till ett mer sammanhållet FN. Den främsta källan är Styrelsen för internationellt utvecklingssamarbete (Sida), som tillhandahåller 70–80 miljoner USD till 36 olika fonder, inbegripet de största humanitära fonderna för länder i kris. Utrikesdepartementet (UD) tillhandahåller cirka 15–20 miljoner USD de flesta år, och är också en stor bidragsgivare till fredsbyggande fonden (PBF).

Rapporten avslutas med följande nio rekommendationer:

1. Sverige bör verka för en ny oberoende internationell kommission om FN:s finansiering (IICUNF).
2. Sverige bör efterfråga en tydligare och mer enhetlig definition och nomenklatur för FN:s olika stödkategorier.
3. Sverige bör kräva att alla FN-organisationer förbättrar sitt budskap om kärnstödets betydelse.
4. Sverige bör i sitt öronmärkta stöd prioritera de av FN:s fonder och program som, enligt Sveriges bedömning, mest effektivt formulerar tydliga och trovärdiga gemensamma strategier.
5. Sverige bör leda diskussioner om mer förutsägbar finansiering av grundläggande normativ verksamhet.
6. Sverige bör driva att det ska skapas en standard för att mäta och motivera overhead-kostnader.
7. Sverige bör öka sitt bidrag till poolfinansiering och kärnstöd till humanitära insatser.
8. Sverige bör dra tillbaka sitt öronmärkta stöd till UNDP, i syfte att uppmuntra dem att betona sin ursprungliga, centrala stöd- och samordningsroll inom FN:s utvecklingssystem, framför sin roll som en operativ konkurrent inom systemet.
9. Sverige bör överväga att dra in stöd till de avgränsade delar av vissa enskilda FN-organisationer som man särskilt premierar.

Summary

Assistance channelled through the United Nations should be seen in the context of the broader development landscape, which is undergoing constant change. Thanks in part to the Millennium Development Goals (MDGs), and the additional development focus that they provided, Official Development Assistance (ODA) has grown in the present century, including through the United Nations. The precise impact of the Sustainable Development Goals (SDGs) is unknown. Total funding to the UN system has become more diverse and reached an all-time high of USD 48 billion in 2015. Of the USD 30 billion of ODA disbursed by the UN development system (UNDS), about half was allocated to development activities and half to humanitarian relief, with the UN concentrating its funds increasingly on countries in crisis.

However, other sources of ODA, those which are alternatives to the UN, have grown faster, in spite of which ODA represents less than a tenth of total flows to developing countries; and ODA is dwarfed by remittances and private capital. The UN's contribution within this totality of resource flows is now less than two percent. Moreover, the UN share is increasingly earmarked; some funds and programmes have become implementers on behalf of other multilateral and bilateral sources, rather than donors in their own right.

The shrinking role of ODA and of the UN development system's share make it imperative to continue to examine and refine the role of the UN, particularly in the light of the September 2015 agreement on a 15-year agenda. The UN's narrowing window of opportunity implies a greater concentration on its normative and standard-setting role, and an operational focus on poorer countries, states in crisis, and humanitarian relief. There is currently much introspection about the UN's fitness for purpose, including by Secretary-General António Guterres. The present study is an attempt to contribute to that discussion through the lens of the Swedish government's contributions to the UN funds and programmes, with which it has maintained long-standing relationships.

This study examined nearly all the UN's funds and programmes except for the UN Relief and Works Agency (UNRWA) because its narrower mandate in many ways makes it difficult to compare. In addition, the authors conducted face-to-face interviews to expand upon a questionnaire with the UN Children's Fund (UNICEF); the Office of the UN High Commissioner for Refugees (UNHCR); the UN Development Programme (UNDP), including its Capital Development Fund (UNCDF); UN Population Fund (UNFPA); UN Conference on Trade and Development (UNCTAD); UN Office on Drugs and Crime (UNODC); the Joint UN Programme on HIV/AIDS (UNAIDS); the International Trade Centre (ITC); and UN Women. They did not visit the World Food Programme (WFP), UN Environment Programme (UNEP), and UN Habitat.

The study differentiated between core and non-core funding. Core funding is not earmarked by purpose and, broadly speaking, supports the establishment costs of each organization, including permanent staff and administrations, and core functions of servicing governing bodies and reporting. Core funding is also intended to support the central development functions of the funds and programmes, including information, research, norm-setting and advocacy. Core funding is provided either by assessed contributions of the whole UN membership as a treaty obligation, or voluntarily by member-states (and to a limited extent by other donors). Non-core funding is tied to specific purposes and geographical areas; it mainly supports operational activities.

Like previous analyses, this study confronted many ambiguities in recording and presenting data, of which there are several, often conflicting, sources. The data of the UN System Chief Executives Board for Coordination (CEB) and its efforts to harmonize definitions for types of revenue were used as the basis for comparison, adjusted and corrected where necessary using data supplied by the organizations.

In terms of funding size, there are two tiers of organization: four large and the rest relatively small. The share of the four largest—UNICEF, WFP, UNDP, and UNHCR—in total funding of USD 17.7 billion is 86 percent; their share of non-core funding

is 80.2 percent. Since the 1990s, a key feature for all UN activities has been substantially increased voluntary non-core funding, earmarked by theme or geography. Meanwhile, core funding has stagnated or declined.

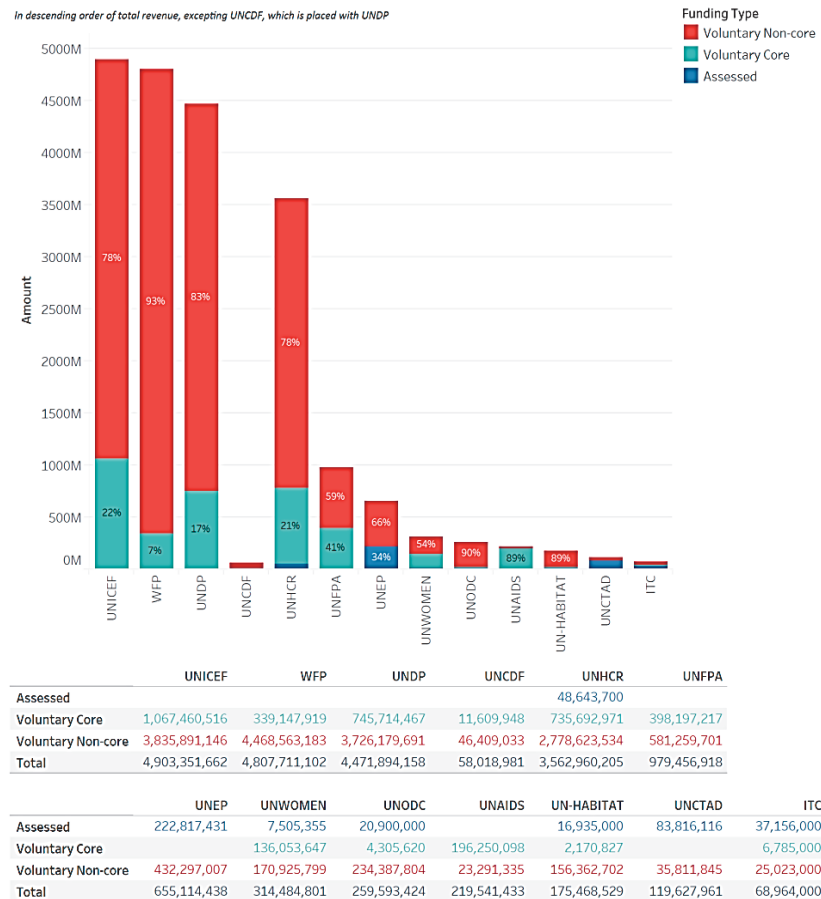
Voluntary, non-core funding predominates today with UNDP, UNICEF, UNHCR, WFP, UNEP, UN Habitat, and UNODC—representing at least 75 percent of their budgets. Only UNCTAD, ITC, and UN Women receive 30 percent or more in core funding from assessed contributions. UN specialized agencies show similar funding trends—with the World Health Organization (WHO) now being both the largest and with the largest percentage of non-core (some 80 percent). The increase in non-core funding for UN funds and programmes has enabled them to expand considerably their operations but with a variety of policy and operational consequences, not all positive.

Western governments provide most core and non-core funding for UN funds and programmes. Since the turn of the century, however, sources have become more varied; and more funding from the same donors reaches the UN indirectly, via other multilateral organizations that essentially are financed by the same countries. An important example is the European Commission and its institutions, which are substantial contributors to the non-core components of UNDP, UNICEF, WFP, and UNHCR. Other multilateral sources include the Global Environment Facility (GEF), the Green Climate Fund, and the vertical health funds: the Global Fund and GAVI Alliance. The contribution of the vertical funds to UNDP is almost equivalent to its (much diminished) core component. Another growing source for some UN organizations (among them UNDP, UNODC, and UNCTAD) consists of “local resources,” which developing countries essentially spend on themselves via the intermediary of the UN system.

Non-state sources have also grown. The largest philanthropic development fund, the Bill and Melinda Gates Foundation, contributes earmarked resources to several UN funds and programmes. The UN also taps private and corporate resources, which some members of civil society view as threatening the character of UN assistance. However, some UN organizations

(especially UNICEF, but increasingly UNHCR) have been successful in raising resources from the public. The smaller the individual contribution, the less likely to be earmarked. For instance, UNICEF has an annual target of USD 1 billion from individuals, almost all of which is devoted to core activities.

Figure 1: Overview of UN Funds and Programmes by Major Types of Funding, 2015



Source: CEB, with adjustments by the authors.

Our review of the individual funds and programmes reveals a completely haphazard pattern of funding, with huge variations between core and non-core allocations. Even the assessed contributions from the UN's central budget do not reflect either

clear logic or criteria of relevance or effectiveness. Some organizations, such as UNODC, are chronically under-funded compared with their very broad normative mandates. Others, like the UNDP, attract substantial non-core funding that serves to diversify and dilute their focus over a wide range of operations. In general, the preponderance of non-core funding has encouraged more rather than less overlap and duplication among the activities of the funds and programmes—exactly the opposite of the direction of current UN reform initiatives.

The study adopted our own nomenclature for the main types of funding sources for the UN funds and programmes: core funding (assessed or voluntary); and earmarked funding, including softly earmarked, pooled funding, and hard and restricted non-core funding. In a “pure” multilateral context, only unconditional core funding allows organizations to provide resources to support their central priorities mandated by member-states through their governing bodies. All other sources of funding are liable to entail certain constraints on their use; these restrictions are detailed and analyzed. While “hard” earmarking reflects donor preferences in terms of destination and theme, there is no simple relationship between hardness and constraint. For example, softly earmarked funds may support thematic areas defined by a UN organization but carry conditions on their use. Funds defined as hard may be destined for a single geographic destination and purpose but fill an essential gap within a humanitarian appeal.

In addition, the way that an individual organization views any one piece of the funding puzzle is shaped by how that piece fits into its overall funding landscape and the opportunity costs that it presents. For example, the largest funds and programmes may deem a particular funding option or donor preference to be too demanding and distracting; but this judgment is in the context of the large number of other projects that they administer, and for which they have more control over implementation. For such organizations—with the exception of UNDP, which has the most amorphous strategy and continues to expand its programming reach—cooperation and compromise may be painful and not worth the effort that would be required to attract that money. The

smallest UN funds and programmes, however, are in no position to refuse earmarked contributions of almost any sort, which means losing control if not their souls. Thus, while there are no clear rules linking types of funding to constraints, interviews helped the authors to probe the extent to which these different types of funding influence the respective managements in meeting corporate goals and responding to development needs. Short-term compromises can, in fact, become a long-term channeling of efforts and can amount to a strategy.

Among the members of the OECD/DAC, Sweden is a front-runner in terms of its annual contributions and its strategic practices. Using criteria of commitments for ODA, multilateralism, and the UN, Sweden (along with Ireland and Finland) has the highest composite score among the donors, which reflects the overall strength of its multilateral practices in relation to the UN funds and programmes.

Sweden allocated 55 percent of its total contributions between 2010 and 2015 to these organizations as core funds, and it is often listed among the top-three government donors of core funds to the organizations in the current study, providing high percentages of each organization's total core revenues. Sweden is also known for favoring flexible funding mechanisms even for its earmarked contributions. Its contributions to UN funds and programs are depicted below in Table 1.

Table 1: Swedish Contributions to UN Funds and Programmes, 2010-2015

Year	ITC			UNAIDS			UNCTAD			UNDP*			UNCDF*		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	0.0	4.2	4.2	37.8	2.6	40.4	0.0	1.2	1.2	88.0	97.0	185.0	0.0	5.2	5.2
2011	0.0	4.5	4.5	43.5	0.4	43.9	0.0	1.2	1.2	104.8	81.9	186.6			
2012	4.4	0.0	4.4	41.1	0.7	41.9	0.0	1.6	1.6	109.4	118.9	228.3			
2013	4.5	0.0	4.5	38.9	5.3	44.2	0.0	1.5	1.5	84.6	103.8	188.5			
2014	4.4	0.0	4.4	34.6	4.4	39.1	0.0	3.8	3.8	72.9	84.0	156.9	3.5	15.5	19.0
2015	0.0	2.8	2.8	25.0	3.9	28.9	0.0	7.0	7.0	58.8	74.7	133.5	0.0	7.0	7.0

Year	UNEP			UNFPA			UN-Habitat			UNHCR			UNICEF		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	4.9	9.6	14.5	58.3	7.9	66.2	0.0	3.1	3.1	0.0	111.9	111.9	61.4	64.9	126.4
2011	4.2	8.1	12.3	69.4	10.9	80.3	3.0	5.4	8.5	82.2	36.5	118.7	75.0	101.1	176.2
2012	4.9	10.1	14.9	66.3	19.4	85.7	2.4	7.5	9.8	81.5	36.8	118.3	70.0	91.4	161.3
2013	4.8	10.1	14.9	65.8	76.5	142.3	2.3	9.1	11.4	87.6	41.3	128.9	69.4	137.0	206.4
2014	4.2	19.8	24.0	70.3	5.2	75.5	2.9	0.0	2.9	89.9	44.3	134.2	79.8	111.3	191.1
2015	2.5	7.6	10.1	57.4	28.1	85.5	0.0	-0.4	-0.4	79.8	30.7	110.5	62.4	111.5	173.9

Year	UNODC			UN Women**			WFP		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	1.3	6.3	7.7				66.2	19.5	85.6
2011	1.4	9.6	11.1	7.5	11.5	19.0	81.2	9.2	90.5
2012	1.4	8.0	9.4	7.5	12.5	20.0	82.6	12.7	95.3
2013	1.6	11.0	12.6	19.3	15.9	35.2	78.8	24.3	103.1
2014	0.9	10.7	11.7	10.0	24.8	34.8	81.6	11.9	93.5
2015	0.6	4.1	4.7	8.3	24.8	33.1	62.3	53.9	116.2

Sources: various.

In addition to providing significant core funds, Sweden encourages UN funds and programmes to increase their core fund-raising. Sweden has also invited donors to minimize restrictions on their contributions. Core “conditionality” is nevertheless on the increase (as OECD/DAC showed in its report *Multilateral Aid 2015*), a practice that Sweden has resisted.

Sweden is also a major contributor to UN pooled funds managed by the Multi-Partner Trust Fund Office (MPTFO), appreciating the transparency and contribution to a more cohesive UN. The main source is the Swedish International Development Agency (Sida), which provides USD 70-80 million to 36 different funds, among them the major humanitarian funds for crisis countries. The Ministry for Foreign Affairs (MFA) provides some USD 15-20 million in most years and also is a major contributor to the Peacebuilding Fund (PBF).

The report concludes with nine recommendations:

1. Sweden should sponsor a new Independent International Commission on UN Funding (IICUNF).
2. Sweden should press for clearer and more uniform definitions and nomenclature for the various UN funding categories.
3. Sweden should request that all UN organizations improve their messaging around the importance of core funding.
4. Sweden should prioritize its non-core support to UN funds and programmes which, in its judgment, are the most effective in articulating clear and credible corporate strategies.
5. Sweden should lead discussions on more predictable financing of essential normative activities.
6. Sweden should press for standard ways of measuring and justifying overhead costs
7. Sweden should increase its contributions to pooled and core funding for humanitarian relief.
8. Sweden should withdraw its non-core funding from UNDP with the aim of encouraging it to emphasize its original central funding and coordination role within the UNDS rather than its role as an operational competitor within the system.
9. Sweden should consider withdrawing funding from its favored enclaves in individual UN organizations.

1. Introduction

Traditionally, member-states supported UN funds and programmes mainly through core financing. Core resources supported the permanent, established costs of each organization—including administrative costs core functions of information, research, and norm-setting—and were provided without conditions regarding their use. Core funding to the operational organizations considered part of the secretariat—including UNEP, UN Habitat, UNCTAD, and UNODC—was provided from the UN’s assessed budget. The largest of the funds and programmes, however—UNDP, UNICEF, WFP, and UNHCR—were established on a voluntary basis, which meant that all of their core funding was raised through periodic appeals to member states (with the exception of UNHCR, which receives a small allocation from assessed funding). From their inception, and still today, their voluntary core budgets have been contributed mainly by the major western donors of the OECD/DAC.

All UN funds and programmes have actively sought and received non-core (earmarked) contributions to support their expanding operations. These contributions have come mainly from the same OECD/DAC donors; they customarily are earmarked by purpose, whether geographic destination or theme or other specific uses. Over the last two decades, in particular, there has been substantial growth in earmarked contributions to all funds and programmes, accompanied by stagnation in core contributions. Currently, for most UN organizations, non-core funding predominates, which results in a growing influence of donor priorities. This trend is a reaction to and cause of the changing nature of multilateral assistance. A survey of donors by the OECD puts forward three explanations for earmarking: the need to ensure greater visibility of aid funds; the desire to exert greater influence over the agendas of multilateral organizations; and the opportunity to exercise more oversight over spending “partly to respond to perceived inefficiencies” of these

organizations.¹ Non-state donors also use the UN development and humanitarian system to emphasize activities of interest to them but with enhanced scrutiny over delivery.

The partial retreat from traditional multilateralism, which now takes the form of preponderant non-core funding of the United Nations (far higher than in other multilateral organizations, including the World Bank, regional development banks, and the European Commission), has many consequences. While facilitating a significant expansion in the size and scope of the UN development system's activities, earmarking can also: privilege donor agendas over those of recipient countries; dilute and distract from the mandates of the funds and programmes agreed by their governing bodies; increase duplication and competition; and entail additional burdens (time and cost) for administration and reporting. The Independent Team of Advisers (ITA), appointed by ECOSOC in 2016, considered that earmarking detracted from UNDS coherence: "the sectoral orientation has been further entrenched by current funding practices, where funding partners often earmark resources at the project level to ensure greater accountability and oversight, forgoing the potential benefits of inter-linkages and integration."² The dominance of non-core funding has also resulted all too often in transforming UN organizations, practically speaking, into implementing agencies for donors, including other multilaterals. What critics have called "a system of contractors" has undermined autonomy, endangering the universal standards and values that the UN system was established to pursue.

The current study is timely because of the September 2015 General Assembly decision about a global agenda for the next 15 years and the announced determination by the ninth Secretary-General, António Guterres, to render the UNDS fitter for purpose through reform—requiring, in his words, "bold changes in the UN

¹ OECD/DAC, *Multilateral Aid 2015: Better Partnerships for a post-2015 World* (Paris: OECD, July 2015), 32.

² Independent Team of Advisors, "Findings and Conclusions" ECOSOC Working Paper, New York, 16 June 2016, 7-8.

development system.”³ The UN’s adequacy, and especially of its funds and programmes, to be in a position to support as a coherent team the SDGs is pressing; it is, however, anything except guaranteed. As a major UN donor with a long-standing commitment to multilateralism and to UN reform, Sweden’s profile and priorities will influence the multilateral character, role, and impact of UN organizations; it could also serve to influence the behavior of other like-minded or even wary donors.

Before that analysis, this introduction briefly spells out the methodology followed—including both definitions and statistical challenges—and provides a road map for the report.

1.1 Methodology: Definitions of Core and Non-core

The team undertook data-gathering and interviews between October 2016 and March 2017. The point of departure was an awareness of long-standing issues and myriad proposals related to improving the UN development system. The authors were familiar with analyses of UN funding practices, including the work of DESA for the QCPR process,⁴ the ITA for the ECOSOC dialogue on the long-term positioning of the UNDS,⁵ the reports of the Dag Hammarskjöld Foundation,⁶ and the work of the

³ UN, *Repositioning the UN Development System to Deliver on the 2030 Agenda—Ensuring a Better Future for All*, advance unedited version of UN document dated 30 June 2017, 1.

⁴ UN, “Annex to the Secretary General’s 2016 Report on the Quadrennial Comprehensive Policy Review: Technical note on definitions, sources and coverage,” available at <http://www.un.org/en/ecosoc/qcpr/pdf/SGR2016-Annex-TechnicalNote-FINAL-7Jan2016.pdf>.

⁵ International Team of Advisors, “Findings and Conclusions” ECOSOC Working Paper, New York, 16 June 2016.

⁶ UN and Dag Hammarskjöld Foundation, *Financing the United Nations Development System: Current Trends and New Directions* (Stockholm: Dag Hammarskjöld Foundation, June 2016); *Financing the UN Development System: Pathways to Reposition for Agenda 2030* (Stockholm: Dag Hammarskjöld Foundation, September 2017).

OECD/DAC.⁷ The FUNDS team also drew on its own previous analyses, surveys, and conference findings focused on UN funding and reform. Secondary research was done for all except one of the funds and programmes,⁸ but financial and time constraints meant that primary research through interviews concentrated on nine entities: UNICEF; UNHCR; UNDP, including its UNCDF; UNFPA; UNCTAD; UNODC; UNAIDS; ITC; and UN Women. Not visited were the WFP, UNEP, and UN Habitat. All have long-standing relationships with Sweden.

The fundamental objective underlying the research was to determine the extent to which funding patterns—including mixtures of core and non-core contributions—have enhanced or detracted from the perceived and actual effectiveness of UN funds and programmes. The authors, as in much of their other ongoing work,⁹ sought to understand how to meet current and emerging global challenges while taking into account the UN's comparative advantages and disadvantages. The conclusion of the study contains specific measures tailored for Sweden. If realized, these measures would also help make the United Nations fitter-for-purpose in helping countries to meet the objectives spelled out in the 2030 sustainable development agenda.

⁷ *OECD DAC Multilateral Aid 2015* (Paris: OECD, 2015) and Creditor Reporting System.

⁸ These funds and programmes correspond to the list given in the 2016 *Report of the UN Secretary-General on the Quadrennial Comprehensive Policy Review (QCPR)*, UN document A/71/63–E/2016/8. The UN website (<http://www.un.org/en/sections/about-un/funds-programmes-specialized-agencies-andothers/index.html>) lists 11 Funds and Programmes: UNDP, UNICEF, UNHCR, WFP, UNODC, UNFPA, UNCTAD, UNEP, UN Habitat, UN Women and UNRWA. This study covers the first ten of these (excluding UNRWA which is not a global organization) plus UNAIDS, UNCDF and ITC, which come under the authority of the UN secretary-general and in which Sweden has a financial interest.

⁹ See, for example, Stephen Browne and Thomas G. Weiss, eds., *Post-2015 UN Development: Making Change Happen?* (London: Routledge, 2014) and *Supporting the 2030 Agenda for Sustainable Development: Lessons from the MDG Fund* (New York: FUNDS Project and UNDP, June 2016).

The authors examined the main features of multilateralism¹⁰ as defined by patterns of core and non-core funding for each of the UN's funds and programmes (including the UNCDF). In many ways, we were exploring the principal-agent (P-A) relationship, and the extent to which the agenda of the principals (i.e., UN member states) dominated the agenda. In reality, organizational governance makes a simple P-A analysis misleading, especially in the operational arena. Principals come from the North (usually the main donors) and the Global South (usually the program countries), with the agents (the managements of UN funds and programmes) attempting to balance the respective interests through an organization's strategic priorities. The category of "principals" is, however, complicated to the extent that emerging countries of the Global South are becoming donors and ceasing to be among the program countries. Moreover, to the extent that organizational priorities reflect an objective appraisal by managements of the development needs of program countries—and that donor priorities align with those of program countries—the distinction between "principal" and "agent" is attenuated and may in fact disappear. The challenge in weighing the impact of various types of non-core funding thus is to determine the extent to which derogations from or skewing of multilateral principles reflect donor proclivities or distortions by program countries or by UN funds and programmes.

A priori, the most frequently cited reasons for core financing for development purposes are the following:

- It supports organizations in their strategic planning, as well as in research and advocacy for global norms, widely accepted as a UN comparative advantage.¹¹

¹⁰ Multilateralism is the practice of coordinating national policies among more than two states in order to achieve goals of common interest; the numbers can vary between a handful to the OECD to the universal United Nations. Historically, multilateral arrangements have been designed to subsume one or more stronger powers in a cooperative relationship in which all member states are given a voice and voting capacity, which they would not otherwise have.

¹¹ See Richard Jolly, Louis Emmerij, and Thomas G. Weiss, *UN Ideas That Changed the World* (Bloomington: Indiana University Press, 2009).

- It can provide flexibility when needs change or unanticipated slowdowns arise.
- It can facilitate concrete forward planning, including avoiding breaks in the pipeline with shovel-ready projects.
- It can provide leverage, including to attract private sector funding for innovation.
- It can jump-start activities or provide seed money.
- It can be used to reimburse funds advanced for unforeseen purchases.
- It can help reduce transaction costs, including direct (time/energy of limited staff) and indirect (competition, waste, salaries of locals, etc.) costs.
- It can help address unpopular or silent or long-running crises that have little resonance for new appeals.
- It can subsidize experiments that have high potential pay-off but may require efforts spanning several budgetary years and may fail.
- It can be spent for prevention, which everyone (António Guterres included) agrees is the highest priority, but it is also the hardest to sell and justify because of the difficulty in demonstrating success in any meaningful way.

In addition, the advantages of core financing for humanitarian purposes include the following:

- It can help fill gaps when appeals fall short but expenditures are necessary.
- It can improve emergency responses (not necessarily only in disasters), including taking action at the right time and place to

take advantage of auspicious timing or to leverage earmarked funding.

- It tides over the period in protracted emergencies before local capacity becomes sufficient to absorb development activities and investment.

Earlier FUNDS research on field operations¹² indicated that non-core funding has at least four potentially deleterious consequences: not aligning with the national development priorities of program countries; concentrating on narrower technical concerns rather than the broader development objectives of the organization; adding to the organization's administrative burden; and putting the organization in direct competition with other UN organizations with which it is supposed to collaborate.

Desk research compiled the statistics for all organizations; the authors also used structured interviews to go beyond the numbers (see Annex 2), including Sweden's role and contribution in nine of them. All figures in the report, as in UN budgets, are in US dollars (USD). We kept in mind six characteristics that are driving government decisions to provide various mixtures of earmarked and non-earmarked funding: number of funding sources; levels of overheads; coverage or agenda (donor-driven or country-driven); eligibility (few or many recipient countries); reporting requirements; and the nature of evaluations (see Table 2). What was clear in desk research became even more obvious, namely the wide varieties in working definitions and classifications of contributions, which often make exact comparisons problematic.

¹² Asmita Naik, "Can the UN Adjust to the Changing Funding Landscape," *FUNDS Briefing #2*, March 2013.

Table 2: Type of Funding Source: Terms and Conditions

	Type of funding	Number of Contributors	Overheads	Coverage (Programming Agenda)	Eligible Programme Countries	Reporting	Evaluation
Core funding	Assessed (Least Earmarked)	Full membership	-	Entire organizational mandate (agreed corporate strategy)	Unrestricted	Annual report of organization	Standard
	Voluntary Core	Individual donors	-	Entire organizational mandate (agreed corporate strategy)	Unrestricted	Annual report of organization (normally)	Standard
Non-core funding	Soft Voluntary Non-core	Individual donors	5-8%	Part of organizational mandate	Countries selected by UN	Individual reports for donors	Standard or customized
		Clusters of donors (pooling)	7-8%	Part of organizational mandate	Countries selected by UN	Collective report to donors	Agreed with donors (collective)
	Hard Voluntary Non-core	Individual donors	5-8% (donor-determined)	Donor-interest priority	Countries selected by donors	Individual reports customized by donor	Standard or donor-driven
	Restricted Voluntary Non-core (Most Earmarked)	Individual programme countries	5%+	Perceived national interests and ownership	Contributor's country	Jointly determined by organization and donor	Jointly determined

Individual organizations have developed a variety of ways to cope with the inflexibility resulting from donor decisions to earmark in various degrees their contributions; and creative ambiguity and use of terminology may explain a large portion of the disparities. Table 2 depicts degrees of earmarking (first column) for the six characteristics just indicated. Thus, wholly non-earmarked funding, which provides full discretion to the UN organization in the use of the funds, includes assessed contributions of the whole membership, supports the global agenda of the organization, applies to all eligible countries, is reported through annual reports, and is externally monitored and evaluated. The most earmarked funding is the most restrictive. It derives from a single donor country, carries lower OH, supports projects that reflect a donor's agenda, is geographically targeted, requires individual reporting prescribed by the donor, and is subject to monitoring and evaluation (often although not always using indicators dictated by the donor). At country level, the "geography" column disappears. In this case, a multilateral approach features several donors (e.g. One Funds), supports a nationally-determined agenda, and is externally monitored and evaluated.

We have treated as a special case "restricted voluntary non-core" funding for which individual countries channel their own resources through particular UN organizations (especially UNDP, UNCTAD, and UNODC); in turn the recipient organization disburses these resources in that country. In UNDP, these funds formerly were labeled "local resources" (but now "government cost-sharing") and began in Latin America as a major procurement operation so that the UN could hire consultants and import equipment and supplies. While they help inflate the bottom line, we do not consider these sources to be truly multilateral; in the case of UNDP, we do not even view them as developmental, because they can actually detract from national capacity-building especially if extended repeatedly over many years. They do, to be fair, suggest that some developing countries see a concrete value in certain kinds of UN services and expertise because they are willing to pay for them.

While Table 2 involved assumptions and simplifications, it permits us to determine degrees of hardness or softness for each of the six characteristics. Earlier, donor countries traditionally had faced a binary choice for ODA, namely bilateral versus multilateral. Increasingly, however, they “opt for a combination of the two, generally called ‘multi-bi’ aid ... but without providing the IDO [international development organization] with the authority to spend these funds at its own discretion.”¹³

Parsing the exact meaning of “harder” or “softer” is important in determining and characterizing the effectiveness and enthusiasm of multilateral support for UN funds and programmes. Table 2 summarizes the varieties that we encountered; and we hope that the conversation will continue in order to standardize vocabulary for future research and policy making. Ideally, it should be possible to match each of these earmarked categories to the funding received by each organization. This parsing is possible in the case of assessed, voluntary core, and restricted voluntary non-core. The data do not, however, support an accurate division into “soft” and “hard” voluntary non-core in most cases, and the exercise is further complicated by the fact that the “softness” or “hardness” of earmarks do not necessarily determine the exact extent to which a contribution constrains the receiving organization. We provide qualitative indications of softness and hardness in the discussions on the organizations in Chapter 2; and we try to suggest the complex incentive structures that particular funding streams have, but in the context of an organization’s entire funding package. Additional field interviews would have helped refine and elaborate the findings.

It is also worth noting that this table depicts funding from the perspective of the donors, because it is about sources. Seen from

¹³ Bernhard Reinsberg, Katharina Michaelowa, and Vera Z. Eichenauer, “The Rise of Multi-bi Aid and the Proliferation of Trust Funds,” in *Handbook of the Economics of Foreign Aid*, ed. B. Mark Avin and Byron Law (Cheltenham, UK: Edward Elgar, 2015), 527-554 quote at 527. See also, Laurent Wagner, *How Do Earmarked Funds Change the Geographical Allocation of Multilateral Assistance?* (Paris: Agence Française de Développement, 2016), Research Papers No. 2016-28.

the point of view of the program countries for which UN assistance is intended, their “ownership” (alignment with their perceived development priorities) is, broadly speaking, strongest at the top of the table and becomes weaker as the degree of earmarking becomes harder. However, the “restricted” category is strongly aligned to the interests of individual programme countries in the final category because local funding is devoted to local expenditures for presumably high-priority tasks.

1.2 Methodology: Statistical Challenges

There is an ongoing effort by the UN System Chief Executives Board for Coordination (CEB) to confront the problem of funding definitions. Annex 3 reflects all the types and degrees of core and non-core funding that the secretariat believes are being reported by UN organizations. The inexactitude of definitions was pointed out in an earlier EBA study,¹⁴ and it also underlies some ambiguities in the annual report on funding from the Dag Hammarskjöld Foundation.¹⁵ Here it would be useful to enumerate briefly some of the major problems that we encountered when trying to standardize presentations.

The data collection for this study aimed to chart the funding landscape across the UN funds and programmes and the UNCDF, and to clarify the impact of Sweden’s contributions to the UNDS. Ideally, the data would show the distribution of each entity’s revenue across assessed and voluntary funding streams, including non-earmarked and earmarked contributions, and employ common definitions for each category to allow for straightforward

¹⁴ EBA, *Kartläggning av svenskt multilateralt bistånd under perioden 1997-2012*, Working Paper 2013.

¹⁵ UN and Dag Hammarskjöld Foundation, *Financing the United Nations Development System: Current Trends and New Directions* (Stockholm: Dag Hammarskjöld Foundation, June 2016). The 2017 version was published as this report was going to press, *Financing the UN Development System: Pathways to Reposition for Agenda 2030*, available at <http://www.daghammarskjold.se/wp-content/uploads/2017/09/UNDS-Financing-Report-2017.pdf>[daghammarskjold.se].

comparisons. Because no existing dataset provides this information, we did our best to assemble one.

The CEB has the most complete and relevant account of UNDS revenues, and its reports served as our point of departure for data collection. Its database is assembled through reporting submitted by each participating UN organization. For these purposes, it identifies four categories of revenue, the first four listed in Annex 3: assessed contributions; voluntary contributions—not specified to use; voluntary contributions—specified to use; and revenue from other activities.¹⁶ These labels form the basis for categorizing contributions in this report. However, CEB data are not perfect: not all member organizations submit their financial reporting. Of the organizations analyzed here, UNCDF and UNCTAD are not included in CEB data, but our estimates are reflected here. Further, the CEB data necessarily reflects the errors, omissions, and duplications of the reporting organizations.

Other data sets used in many UN and non-UN analyses have limitations that also render them independently insufficient. For example, the Quadrennial Comprehensive Policy Review (QCPR) provides a broad view of UNDS revenue. However, it only accounts for voluntary contributions. Resource transfers within the UN system are excluded in order to prevent double counting, so this dataset does not account for assessed contributions, which are channeled through the Secretariat.¹⁷ The Organization for Economic Co-operation and Development (OECD) compiles similar information in its Creditor Reporting System (CRS) database, tracing funds from donors to recipients. Its data are generated by the members of the Development Assistance Committee (DAC), and therefore they exclude contributions made by non-DAC donors. Given the agreed need to widen and diversify funding sources, these lacunae are already and will over

¹⁶ CEB, “Financial Statistics: Definition of Terms,” available at <http://www.unsceb.org/content/financial-statistics-definition-terms>

¹⁷ UN, “Annex to the Secretary General’s 2016 Report on the Quadrennial Comprehensive Policy Review: Technical note on definitions, sources and coverage,” available at <http://www.un.org/en/ecosoc/qcpr/pdf/SGR2016-Annex-TechnicalNote-FINAL-7Jan2016.pdf>.

time become even more of a handicap for policy and decision making.

In addition to the different priorities targeted by each reporting source in each database, even where consistent categories exist, there are often inconsistencies in the totals. For example, CEB reports that UNEP received USD 507.7 million in voluntary contributions in 2014, while the QCPR reports USD 351.1 million—a difference of 31 percent. Further, CEB reports that UNEP received no voluntary core funds in that year, while the QCPR reports that USD 97.1 million of UNEP's voluntary contributions were core.¹⁸ These are not the most extreme discrepancies, but they are representative of widespread problems.

Swedish officials are already familiar with many of the barriers to transparency and consistency. When asked about discrepancies between figures reported by the CRS and QCPR regarding Sweden's core and non-core contributions to specific UN organizations, one Sida official pointed to several possible explanations: receiving organizations report figures for each country's share of core and non-core contributions based on the country's share of total contributions, rather than by recording the amount of the actual transfers from the country; banks that execute the payment transfers may truncate descriptions of the payment type, so receiving organizations may not know the intended purpose or source of a contribution; banks may combine several payments into one transfer, thus collapsing data related to the individual contributions; some banks, but not others, charge handling fees on ODA transfers, which multiplies uncertainties when multiple banks are involved in a single payment; and Sweden's accounting practices (and presumably those of other countries, as well) do not necessarily preclude double-counting.

¹⁸ UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available along the right sidebar at <https://www.un.org/ecosoc/en/node/998613>; and UN System Chief Executives Board, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

These explanations should be supplemented with our own, including the possibility that donor and recipient organizations are using different financial reporting standards, and may be transitioning to new standards at any given time (see below). There always remains the possibility of clerical error. Finally, the application of the International Public Sector Accounting Standards (IPSAS) by UN organizations at different moments during the 2010-2014 period makes for some anomalies that immediately jump to the eye (e.g., the USD 35 million “deficit” in 2014 for ITC) and undoubtedly others that are less obvious.

In the end, we perused internal reporting documents for each fund and programme in order to cross-reference and supplement the aggregate data sources. In almost all cases, these internal reports provided additional contradictions in data and confusion due to the proliferation of financing categories and definitions, which various organizations apply in idiosyncratic fashions to meet their own staff’s or board’s priorities. Often, variations in labels are merely a matter of word choice. For example, what CEB identifies as “assessed contributions,” UNODC calls the “regular budget.” What CEB labels “voluntary contributions—specified to use,” UNCDF labels “other.” Elsewhere, additional significant differences in financing categories arise. ITC categorizes its voluntary contributions in terms of two windows: Window I includes soft-earmarked funds (contributions that support ITC’s major goals); Window II encompasses earmarked funds, including bilateral agreements that use the ITC as an intermediary.¹⁹ And UNCTAD does not present its revenue in terms of earmarking, opting instead for categories that emphasize the source and the destination of the funds. Given the variety of terms used for revenue streams, the QCPR includes a table mapping the various terms onto “core” and “non-core” insofar as possible. These terms, however, map imperfectly.

¹⁹ International Trade Centre, “Understanding Financial Resources, 2013,” 4-5, available at http://www.intracen.org/uploadedFiles/intracenorg/Content/About_ITC/Corporate_Documents/Financial_reports/ITC%20Understanding%20Financial%20Resources.pdf.

1.3 Structure of the Report

Chapter 2 sets out the context for the study. It refers to previous and ongoing attempts at UN reform and provides an overview of the changing climate for multilateral cooperation. Following the agreement of the 2016-2030 agenda, there is a new phase of introspection about the role and capacity of the UN and its funds and programmes and their fitness for purpose.

Chapter 3 constitutes the bulk of the report and provides in separate sections the financial profiles of the UN entities covered in this study. There is enough variation—in size, products, ambitions, funding profiles, organizational definitions, and fund-raising capacities—to justify a separate section on each organization. Too much detail would have been lost by fusing them into a single comparative essay. Sweden's especial role is highlighted in each case. The chapter also focuses specifically on its contributions to each of these organizations and attempts, within the limits of available time and resources, to identify the implications for operational programming of various types of contributions.

Chapter 4 puts forward nine recommendations based on the general findings in Chapter 3.

2. Context: The Challenges of UN Multilateralism

Several earlier analyses by the FUNDS project have identified the challenges—some call them “threats”—to UN development and humanitarian organizations.²⁰ These challenges are echoed in the ongoing processes of the QPCR and of the 2016 report of the Independent Team of Advisers (ITA) for the ECOSOC dialogue on the long-term positioning of the UN development system (UNDS), which are two of the most recent efforts to make the UN development system more fit for contemporary purpose. In his first main document on the topic in preparation for the July 2017 session of ECOSOC, António Guterres pointed to the requirement for substantial rethinking: “The 2030 Agenda is our boldest agenda for humanity, and requires equally bold changes in the UN development system.”²¹

Such a clarion call is, of course, encouraging but should be interpreted in the context of the traditional limits of reform within the UNDS. Some historical perspective on the difficulties of reform can be gleaned from a 1948 exhortation by FAO’s first director-general John Boyd Orr for a “coordinated drive” by the nascent UN development system in a letter to Robert Jackson, who then went on to quote it in his landmark 1969 *A Study of the Capacity of the United Nations Development System*.²² That report envisaged the continuation of pooled funding for operational projects through the UNDP, the successor to the Extended Programme of Technical Assistance (EPTA).

²⁰ See especially, Stephen Browne and Thomas G. Weiss, *The MDG Fund and the 2030 Agenda for Sustainable Development* (New York: FUNDS and UNDP, 2016), chapter 3.

²¹ UN, *Repositioning the UN Development System to Deliver on the 2030 Agenda*, 1.

²² Quoted in *A Study of the Capacity of the United Nations Development System* (Geneva: United Nations, 1969), footnote on 33.

In an important sense, all subsequent reform initiatives for the UNDS have been an attempt to slow down—while never actually reversing—the continual process of centrifugal dispersion. Other headline reforms have continued to focus in part on the role of UNDP. The 1991 report of the Nordic UN Project called for financing reform but also wanted “to transform UNDP from basically a funding mechanism into a stronger development institution,”²³ thus setting up the unfortunate dichotomy of a coordinator-funder acting simultaneously as a competitor for resources with the rest of the UNDS. This ambiguity needs urgently to be resolved, but the recent QCPR discussions were also unhelpful in this regard by favoring the status quo. The most recent comprehensive reform proposals emerged from the 2006 High-level Panel on System-wide Coherence. Its report, *Delivering as One* (DAO),²⁴ proposed, among many other things, “One UN Funds” to underpin the UNDS at the country level, an idea taken up by some donors (including Sweden) that survives. One Funds, however, represent a very small proportion of the UN’s total ODA flows, with the exception of a very few countries. Central funds—pooled or otherwise²⁵—encourage joint programming by multiple UN organizations and have become more common. However, in practice most joint UN programmes resemble multiple projects running in parallel without effective integration and with high transaction costs.²⁶

At different times, there have also been proposals to establish a central core fund for UN development organizations. This was the original intention of the EPTA and the Special Fund, which were subsequently merged to become UNDP. Over the years since its establishment in 1966, however, UNDP has expanded its own mandate to become a full-fledged development organization to

²³ The United Nations in Development: Reform Issues in the Economic and Social Fields, a Nordic perspective. Final report by the Nordic UN Project (New York: 1991).

²⁴ UN, *Delivering as One*, Report of the Secretary-General’s High-level panel on UN System-wide Coherence (New York: UN, 2007).

²⁵ The MDG Achievement Fund was supported by a single donor (Spain) but encouraged UN joint programming.

²⁶ UN, *Independent Evaluation of Delivering as One* (New York: UN, 2012).

pursue its own priorities and secure additional non-core funding. The closest that the UN has come to setting up a central funding mechanism for the UN funds and programmes has been the modest-sized Development Account supported by the regular budget, and the various pooling initiatives that are now managed by the Multi-Partner Trust Fund Office (MPTFO), which is appropriately supported by UNDP.

These initiatives, however, extend to a minor proportion of the total funding of the UNDS, which remains dispersed and lacking coherence. The slogan “fitter-for-purpose” implies a doubtful current level of fitness. Within the substantially altered context of the second decade of the twenty-first century, structures and performance will need to adapt far more than they have to date if the UN development system—and its funds and programmes—is to remain relevant, effective, and more than a relic of an earlier era. The Government of Sweden, as a pillar of the old, current, and future multilateral system, is in an unusual position to exert leadership, although there is widespread evidence of a limited appetite for change in the General Assembly. In fact, this short list of some previous reform initiatives suggests both the genuine yearning for serious change and the seeming impossibility of transforming a sclerotic system.

While reform is required and standing still is not an option, the position and status of the UNDS continues to evolve. The formulation of the MDG agenda in 2000 and the SDG agenda in 2015 focused on the areas of development managed by the UNDS. The wide-ranging SDG agenda will require the involvement of many more development partners beyond the UN system for its implementation. Three implications follow. The first is an even stronger imperative for the UNDS to pull together, which could be achieved by strengthening the role of UNDP as coordinator (and, as a necessary corollary, diminishing its role as competitor). The second is an enhancement of the roles for which the UNDS is best placed to undertake and a reduction or even elimination of those for which it has no comparative advantage; the establishment of norms and standards and the formulation and agreement of global conventions clearly have no competitor

whereas many UN operational activities have numerous ones.²⁷ The third is the need to ensure that adequate funding is channeled to those parts of the UNDS playing leading roles in the implementation of SDG priorities.

The MDGs helped to incite substantial increases in available resources, including earmarked resources through the UN. It remains to be seen whether the SDGs will result in a similar boost. But while ODA has grown, for many countries other sources have increased far faster and dwarf foreign aid in many contexts, accounting for less than 10 per cent of total flows. Remittances alone are more than three times ODA. Foreign direct investment is at least five times larger although unevenly distributed (with two-thirds flowing to just ten countries). Many countries have also benefited from rapid increases in the prices of their commodity exports. An increasing number of developing countries are also borrowing on foreign bond markets. Thus, one of the biggest changes in aid relationships results from the diminishing importance of ODA and its weight in policy discussions. ODA represents less than 10 percent of total flows, and development and humanitarian assistance through the UN less than two percent.²⁸ The UN's Third Financing for Development (FfD) Conference in Addis Ababa in 2015 acknowledged the reduction in importance of ODA compared with other sources.

In important respects, these trends are to be welcomed. More countries are becoming less dependent on aid because they are able to elicit resources from international financial markets, foreign

²⁷ Stephen Browne, *Sustainable Development Goals and UN Goal-Setting* (London: Routledge, 2017); Stephen Browne and Thomas G. Weiss, eds., *Post-2015 UN Development* (London: Routledge, 2014); and Richard Jolly, Louis Emmerij, and Thomas G. Weiss, *UN Ideas That Changed the World* (Bloomington: Indiana University Press, 2009). The emphasis on norm-setting was echoed in 2016 by the Dag Hammarskjöld Foundation, *Financing the United Nations Development System*, 16: "[T]here is a broad consensus that the UNDS has a clear role in providing leadership in normative and standard-setting work...Repeatedly, in many different fora, the international community has stressed the unique role the UN has to play in this regard."

²⁸ Stephen Browne and Thomas G. Weiss, *The MDG Fund and the 2030 Agenda for Sustainable Development* (New York: FUNDS and UNDP, 2016), chapter 3.

investment and remittances. What matters more than ever to progress is the capacity of individual countries to attract and manage responsibly the full range of resources at their disposal, within an “inclusive” rather than an “extractive” context.²⁹ Successful and inclusive management can be helped by the observance of UN norms ranging from anti-corruption to human rights and gender equity; and since the start of this century, almost all regions have bettered their Human Development Index (HDI) scores.³⁰

Overall convergence, however, masks critical inequalities. There has been no or only limited progress in some countries; the right conditions have evaded many, and civil war has destroyed the foundations in others. Aid in general, and multilateral aid through the UN in particular, can be crucial for countries that require resources to survive and eventually recover after human-made and natural disasters. In some poor countries, ODA still accounts for three-quarters of total external resource inflows and more than half of public revenues.³¹

At the other end of the scale, more than 30 developing countries have moved from low- to at least middle-income status, and their eligibility for aid has diminished and even disappeared in some cases. Indeed, a number of these developing countries have themselves become net donors rather than recipients. In 2014, the seven “focus countries” identified by the OECD/DAC secretariat (Brazil, China, India, Saudi Arabia, South Africa, Turkey and United Arab Emirates) provided an estimated USD 20 billion in ODA, equivalent to about 10 percent of total ODA emanating from DAC members.³² Multilateralism has thus seen a changing

²⁹ See Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (London: Profile Books, 2012).

³⁰ UNDP, *Human Development Report 2014—Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience* (New York: UN, 2014).

³¹ Neils Keijzer and Stephan Klingebiel, *Financing Global Development: What Role for Official Development Assistance?* German Development Institute Briefing Paper 7/2015 (Bonn: German Development Institute, July 2015).

³² OECD DAC, *Multilateral Aid 2015* (Paris: OECD, 2015). Recent data from William and Mary College show Chinese ODA running at up to USD 10 billion per annum, supplemented by at least twice as much in other official flows (see <http://aiddata.org/china>).

balance of power and influence, with emerging economies speaking up for the Global South and encouraging alternative multilateral channels—for instance the creation of the New Development Bank by the BRICS countries and their contributions to vertical funds.

While still heavily reliant on the traditional doors, funding for the UNDS has diversified somewhat its sources of finance; and given the changes in the development landscape, the system should be managed and directed differently from the past. UN funds and programmes should concentrate more resources on their operations in fragile and conflict-prone states, where it is especially important that the system works together in a closer and more disciplined manner. While concentrating its operations much less on middle- and higher-income countries, however, the normative activities of the UNDS will remain universally relevant. These two principal strands of UNDS activity—focusing operations on fragility but maintaining and expanding its universal normative function—require tailored, adequate, and appropriate funding. A fundamental question posed by this study, therefore, is whether these sets of demands on the UNDS—and the funds and programmes in particular—are being appropriately served by the current amounts and nature of funding.

According to the CEB, total funding for the UN system reached USD 48 billion in 2015, the highest ever level.³³ Peacekeeping operations accounted for about 19 percent, and global norm and standard-setting for 17 percent. Of the remaining 64 percent, or USD 30.9 billion, 12 billion was spent on development activities, 14.8 billion on humanitarian assistance, and 4 billion on technical cooperation.³⁴ These amounts have grown fast—humanitarian faster than development aid—particularly since the late 1980s (see Figure 2). Of the organizations in this study,

³³ CEB, “Total Revenue,” available at <http://www.unsceb.org/content/FS-K00-02>.

³⁴ UN, General Assembly, “Budgetary and financial situation of the organizations of the United Nations System,” UN Document A/71/583, (New York: UN October 2016), available at <http://www.unsceb.org/CEBPublicFiles/GA%20Report%20A%2071%20583.pdf>.

over 85 percent of total revenue was received by four UN funds and programmes (UNICEF, WFP, the UNDP, and UNHCR). Because other sources have grown faster, however, the UN now accounts only for some 20 percent of total ODA from DAC members³⁵ but continues to be a significant source of assistance to low-income and conflict-prone countries.

Increased earmarking and donor diversification have also been part of the picture. Moreover, donors have altered the ways that they exercise control. At the beginning of the 1990s, for instance, most of the UN's operational assistance for development (OAD) was core, which fostered the central mandates of UN funds and programmes; and they determined priorities and allocations. In the last quarter-century, however, core contributions have grown more slowly or stagnated—and fallen in some cases—while non-core contributions have grown rapidly. Between 1999 and 2014, while core funding grew by 20 percent, non-core funding increased by 190 percent (see Figure 2). Today, as noted in chapter 2 (see Figure 4), fully 80 percent of the resources of these organizations are non-core.

Non-core funding can be interpreted in a couple of ways—and embraced either enthusiastically or reluctantly as a result. On the one hand, it certainly has enabled UN funds and programmes to maintain and even expand operations, with more non-core compensating for falling core resources. In particular for humanitarian aid, where the rise has been the fastest, the UN system has been able to respond more fully than in the past—although the gaps between assessed needs and budgetary allocations have grown as well.³⁶

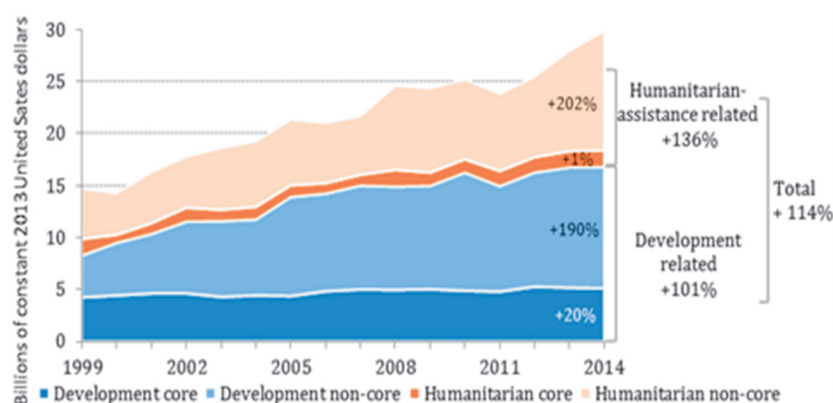
On the other hand, underlying the availability of earmarked funds undoubtedly is the waning confidence in the United Nations to determine its priorities independently, along with the desire by

³⁵ However, the OECD/DAC calculates that the UN receives just 11.5 percent of ODA (2015 data). The difference is due to the OECD/DAC's method of calculating donor contributions to the UN and other multilateral agencies.

³⁶ Humanitarian Policy Group, Tufts Feinstein International Center, and King's College London, *Planning from the Future: Is the Humanitarian System Fit for Purpose?* November 2016, 22-24, available at <http://www.planningfromthefuture.org>.

donor countries (and their parliaments and taxpayers) to disburse multilateral aid mainly for purposes prescribed by them and to keep close tabs on the effectiveness of individual activities.³⁷ As a proportion of their ODA, multilateral funding by DAC countries has remained stable at 28 percent since 2007, but the non-core share has increased from 23 percent to 31 percent. Moreover, as Figure 3 illustrates, the proportion of non-core funding in the UN—and especially in its funds and programmes—is greater than in other multilateral institutions.

Figure 2: Change in Funding for UN Development and Humanitarian ODA, 1999–2014 (percentage change)



Source: UN A/71/63–E/2016/8.

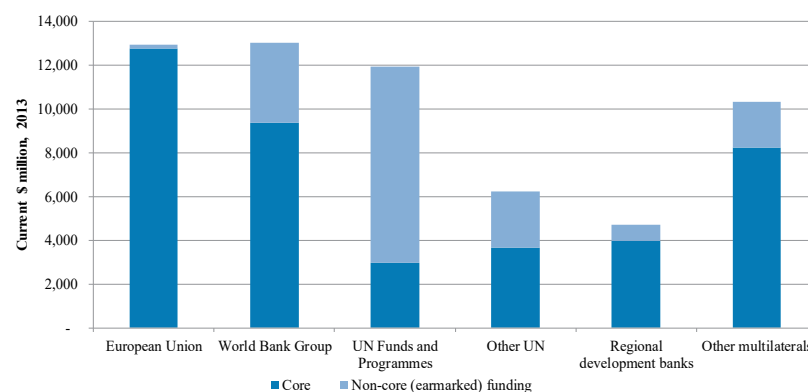
The growth in UN funding reflects the importance of humanitarian action and peacebuilding in current aid totals (perhaps the UN's perceived comparative advantages).³⁸ The trend

³⁷ In response to these pressures, the International Fund for Agricultural Development implemented a system of negotiated pledges, whereby donors collectively agreed on the organization's priorities and agenda, and what portion of the required budget each donor would provide. This process cultivated greater buy-in from donors (especially because voting rights reflected contributions) and put the onus for funding projects directly on them. While this system increased total funding to the organization, over time donors re-introduced earmarked contributions and the donor base actually shrunk.

³⁸ Stephen Browne and Thomas G. Weiss, eds., *Peacebuilding Challenges for the UN Development System* (New York: FUNDS, 2015).

is in line with data showing the extent to which fragile states are receiving an increasing percentage of all OECD flows—already 38 percent in 2011.³⁹ All labels are contested,⁴⁰ but backing for projects to strengthen institutions in “fragile” or other euphemistically-termed countries has become so widespread that two commentators have gone so far as to call it a “new development paradigm.”⁴¹

Figure 3: Core and Non-core Contributions from DAC Countries to Multilateral Organizations, 2013



Source: OECD DAC, Multilateral Aid 2015, 111.

The widespread practice of earmarking poses challenges of various kinds for UN funds and programmes, as we outline in the next chapter and in our recommendations. Fundamentally, it can

³⁹ OECD, *Fragile States 2014: Domestic Resource Mobilisation in Fragile States* (Paris: OECD, 2014), 24.

⁴⁰ For a discussion, see Tony Addison, “The Political Economy of Fragile States,” in *The Elgar Handbook of Civil War and Fragile States*, ed. Graham K. Brown and Arnim Langer (Cheltenham, UK: Elgar, 2012), 363–378. See also a special issue, “Aid to Support Fragile States: The Challenge of Chronic State Weakness,” *Third World Quarterly* 36, no. 7 (2015): 1269–1403; and Stephen Browne, “Aid to Fragile States: Do Donors Help or Hinder?” in *Foreign Aid for Development*, ed. George Mavrotas (Oxford: Oxford University Press, 2010), 152–178.

⁴¹ Heather Marquette and Danielle Beswick, “State Building, Security and Development: State Building as a New Development Paradigm?” *Third World Quarterly* 32, no. 10 (2011): 1703–1714.

alter the nature of many organizations—the humanitarian less than the development ones—because they risk becoming contractors for supply- and agenda-driven funding, thereby diluting the control over and interpretation of the intergovernmental mandates approved by their constitutions or governing bodies. Sweden as a major donor is something of an outlier in this regard. In comparative terms, Sweden scores well among the other major OECD/DAC donors in terms of its multilateral share of ODA, commitment to the UN, and in its preference for core funding (see Annex 4).

Most other donors have shown a growing preference for non-core (earmarked) funding and the UN funds and programmes have acquiesced in this trend to such an extent that they no longer even devote much staff time and energy to counter it; rather, they have shifted towards improving the quality of earmarked projects and programs. Spurred in part by the QCPR process, UN funds and programmes appear to be pursuing two types of funding reform. First, in order to restore credibility to their governance, they are trying to achieve closer alignment between their available resources and central programming mandates, as well as enhance the predictability of tied flows. A second reform consists of exploring “full-cost recovery,” whereby they endeavor to avoid the cross-subsidization of non-core resources with core funds. Under pressure from donors, overhead margins have been reduced on most earmarked funding—the 13 percent figure so common earlier in UN history has been reduced substantially to as low as 5-7 percent. At the same time, some organizations have, for the first time, introduced standard overhead margins, but others have sought to maintain equal overhead margins on core and non-core resources or are narrowing disparities.

While much has been made of “non-traditional donors,” they generally provide smaller percentages of their aid to the multilateral system than do DAC donors.⁴² Moreover, a part of the financing of UN funds and programmes, known as local resources or government counterpart funds, includes funding for the purchases of services by developing countries, some even among

⁴² OECD, *Multilateral Aid* 2015.

the least developed. While these services are viewed as worthwhile—and apparently worth paying for—they are not strictly comparable to even hard earmarked contributions from Western donors although that is how they appear in the statistics.

To round out the picture, some USD 2 billion per year is contributed by NGOs and private sources to the UN system, most to UNICEF and UNHCR. More than half comes from UNICEF's national committees (over USD 1 billion). UNHCR is also pursuing this private fund-raising strategy aggressively. The significance of these growing sources from the general public is not only that they strengthen the funding bases of humanitarian operations, but also that they provide flexibility; these small donations are either not earmarked or they are channeled into particular purposes identified by the organization.

As we saw above, a proportion of non-core contributions takes the form of pooled resources, both through local UN One Funds and centrally. The UN has encouraged pooling at the program level in order to reduce the degree of fragmentation in the system, both on the part of donors as well as UN implementing organizations, while building on the political reality of donor proclivity for earmarking resources for particular purposes. This mechanism provides an intriguing half-way house because donors earmark resources (by country or by theme), but such resources are then mixed with those of other donors, thereby diluting the inflexibility that usually accompanies earmarking. While joint programming supported by pooled funds is important, its amplitude is limited. "Since 2004, inter-agency trust funds make up about 8.5% of overall non-core of the UN system (or USD 1.8 billion per year)."⁴³ The clear necessity for UN organizations to guard their independence of action means that they are unwilling to yield operational autonomy, resulting in parallel projects with high transaction costs rather than single integrated programmes.

⁴³ Dag Hammarskjöld Foundation, *Financing the United Nations Development System*, 55. For an earlier interpretation of the rationale, see MPTFO, *Financing Development Together: The Role of Pooled Financing Mechanisms in Enhancing Development Effectiveness* (New York: UNDP and UNDG, 2013), available at <http://mptf.undp.org/document/download/12276>.

Even with local agreement within individual country teams to integrate operations more closely, pressure from the respective organizational headquarters can impede efforts to improve coherence.

3. Financial Profiles of UN Funds and Programmes – and Swedish Contributions

This chapter begins with an overview of the revenues of selected UN organizations, drawing some general conclusions from the analysis. It then continues with separate sections for each of those in this study. In light of the vagaries alluded to earlier, we judged it preferable to make separate, detailed depictions rather than try to use a template and thereby lose important distinctions and nuances.⁴⁴ The lead-in to each section describes in some detail the specific definitions and anomalies encountered by the authors in desk-research or interviews. The discussion here follows Figure 4, which is organized by the decreasing size of those UN organizations analyzed, which reveals that there are really two tiers: four large and the rest small. The share of UNICEF, WFP, UNDP, and UNHCR in total funding of USD 20.6 billion was 17.7 billion, which is 86 percent; they also account for 80.2 percent of non-core funding. While all conduct important activities, Sweden should concentrate and exert its funding influence on

⁴⁴ The organizational revenue data are based on the CEB's reporting on "Agency Revenue by Revenue Type," with a few exceptions. As noted, UNCDF and UNCTAD do not report their financial data to the CEB, so those figures were calculated separately. We also decided to exclude CEB's fourth category, "revenue from other activities." By definition, these resources are not considered as a contribution by the receiving organization; they typically include revenue derived from interest and fees as well as the sale of equipment. For the sake of comparability, Figure 4 reflects 2015, for which full data are available for all funds and programmes. As indicated, figures are in USD. Data concerning Sweden's contributions to each organization are collected from the Statistical Annexes in annual QCPR reports: *UN General Assembly and ECOSOC, "Statistical Annex" of Implementation of General Assembly Resolution 67/226 on the Quadrennial Comprehensive Policy Review of Operational Activities for Development of the United Nations System*, UN document A/71/63, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

those organizations with the most substantial budgets; its leverage would be heightened by persuading other like-minded donors. Exerting efforts in the smaller organizations could be satisfying, perhaps, but ultimately have little impact. The chapter shows the contributions of Sweden to each organization by amount and percentage, and ends with a summary of its UN funding.

3.1 General Findings

The overall impression gained from this report is of a system underpinned by a haphazard funding structure. The UNDS has grown through a process of accretion, adding or upgrading an increasing number of organizations and units within existing organizations. But neither at the beginning nor in the course of this expansion has there been any attempt to rationalize, or even attempt to develop meaningful criteria, to govern the allocation of core funds and guide the mobilization of non-core resources. The omission is all the more glaring because the major expansion in the system has come mainly through the creation of new funds and programmes under the authority of the General Assembly and the executive direction of the UN secretary-general. Through all the reform processes, there has never been any attempt at a significant reallocation of resources through the core budget (of assessed contributions); the main concern of the comptroller is to keep the increases for all organizations as low as possible, at the behest of some of the main donors (who are also and increasingly the major contributors to UN non-core funding).

The failure to align funding with priorities results from the absence of any attempt by the UN and its member states to independently assess the relevance and performance of the individual funds and programmes. One consequence is the continuation of huge imbalances in core allocations, which were originally made for reasons of expediency rather than logic. Of the four major funds, only UNHCR receives assessed core funding (albeit less than 14 percent of its total revenue, using 2015 data). Among the other funds and programmes, UNEP receives a relatively generous USD 223 million (34 percent) from assessed

core, while UNODC receives USD 21 million (8 percent). The five regional commissions (which were not a part of this study) and UNCTAD are also generously endowed from the core.

Reform is back in fashion. In July 2017, UN Secretary-General António Guterres stated that he would like to explore with ECOSOC “the possibility of a ‘funding compact,’ through which the system would commit to greater efficiency, value-for-money and reporting on system-wide results, against the prospect of more robust core funding support to individual agencies and improved joint funding practices.” He went on to say that “The UN development system, therefore, must itself be far more integrated in our response.”⁴⁵ Others have supported the idea of a more thorough examination of UN funding: “What is absolutely clear is that...a robust and probing debate is needed if [the UN] is to emerge with a serious financing reform package. To initiate this debate though, the data and facts around UNDS financing must be well presented and analysed, and bold ideas on repositioning the UNDS must be explored.”⁴⁶

Clearly, no effective new reform for the UNDS can ignore the need to examine the archaic and imbalanced assessed core funding patterns and our first recommendation is for a new independent international commission to review the definitions and rationalize the allocations of UN funding.

While assessed core resources are a General Assembly responsibility, individual organizations raise their own voluntary core funds and various types of non-core funds—indeed, all are allocating increasing energy and resources in pursuit of the same donors. In the context of this study, it is important to elucidate the different types of non-core funds, not merely by giving them a more uniform nomenclature, but more importantly to establish their respective degrees of “hardness” or “softness.” The tables in this chapter provide aggregated funding data for assessed core,

⁴⁵ “UN Secretary-General António Guterres’ Remarks to the Economic and Social Council on Repositioning the UN Development System to Deliver on the 2030 Agenda,” 7 July 2017, *South News*, no. 167, available at <https://www.southcentre.int/>

⁴⁶ Dag Hammarskjöld Foundation, *Financing the UN Development System*, (2017), 8.

voluntary core, and non-core funding. The final category is broken down into several types: soft non-core, pooled funds, hard non-core, and restricted non-core (otherwise known as “local resources” or “Government cost-sharing”). The following table shows this typology, with sources and uses, which we have attempted to apply throughout.

Table 3: Sources and Uses of UN Funding

Type of funding	Sources	Development support	Humanitarian support
Core (assessed and voluntary)	Treaty-based and voluntary contributions: all member states	Management of operational projects; leveraging of additional non-core resources; reporting and research; pilot projects; gap filling; normative work	Management of operational projects; reporting; pre-financing of emergency responses; leveraging of additional resources; gap filling
Soft non-core	Major bilateral donors	Thematic trust funds; contributions with broad geographic specifications	N.A.
Pooled funds	Bilateral donors through the MPTFO	One Funds for selected countries; joint programmes	Humanitarian operations in major crisis countries
Hard non-core	Bilateral and multilateral donors; vertical funds; philanthropic foundations	The majority of UN operational activities worldwide targeted by geography and theme	Specifically targeted humanitarian needs
Restricted non-core	Local resources or government cost-sharing	Within recipient country only, according to their choice	N.A

The types of funding in the left-hand column represent a continuum from softer to harder forms. Through interviews with individual organizations, the authors sought to determine the extent to which these major types of funding did or did not constrain the freedom of their management in the utilization of the resources, and conform or detract from their mandated strategic priorities. Generally, the harder (more conditional) the funding, the more restricted their management; yet there is no simple relationship between hardness and constraint. For example, softly earmarked funds may support thematic areas defined by a UN organization, but they may still carry “hard” conditions on their use within each theme. Funds defined as hard, in contrast, may be destined for a single geographic destination and purpose, but fill an essential gap, for example within a humanitarian appeal, thus supporting the organization’s strategic objectives.

Our closer examination of each organization has confirmed the 2016 finding from the Independent Team of Advisors that funding patterns are “the key determinant and lever of UNDS functions and organizational arrangements, characterized by increasing trends in earmarked, non-core resources ... limiting the ability of the system to align and integrate funding and functions to support the realization of inter-governmentally agreed development goals.”⁴⁷ Non-core funding has enabled UN funds and programmes to maintain and even expand operations, with more non-core compensating in many ways for ever diminishing core resources. However, quantity says nothing about quality, effectiveness, impact, or any organization’s comparative advantage. Our study has revealed that current funding practices expose critical strengths and weaknesses of UN funds and programmes:

- The largest, UNICEF, has a clearly articulated strategy which is outcome-oriented and enables it to attract substantial funding from an increasingly diverse pool of sources, although it too has become highly dependent on earmarked funding.

⁴⁷ Independent Team of Advisors, “Findings and Conclusions,” ECOSOC Working Paper, New York, 16 June 2016, 10

- By contrast, UNDP continues to struggle with the dichotomy of coordinator and competitor of the system, has unclear goals, and suffers from decreasing funds from almost all sources (including core) and growing dispersion of its activities. In general, the preponderance of its non-core funding has encouraged more rather than less overlap and duplication among the activities of all funds and programmes—exactly the opposite of the supposedly agreed direction of desired UN reform initiatives.
- The two major humanitarian organizations—WFP and UNHCR—are facing growing challenges, for which even their increased funding is permanently insufficient. Both have a need for more core resources to finance fixed costs, which UNHCR has nevertheless reduced substantially.
- In spite of receiving relatively generous core funding from assessed contributions, UNEP's resources fall far short of its putative status as the UN's environmental focal point especially in light of the growing emphasis on the environment and sustainability in the SDGs.
- At the other end of the scale are six small funds and programmes (excluding UNAIDS) with between 150 and 300 staff—UN Women, UNODC, UN-Habitat, UNCTAD, ITC, and UNCDF—with varying imbalances between mandates and available financial resources. UN Women and UNODC are critical normative UN organizations, but they receive minimal and insufficient core funds from assessed contributions. They have become heavily reliant on earmarked, non-core funding for a wide variety of ad hoc project activities that are favored by donors but, in the case of UN Women, overlap with those of numerous other funds and programmes. The declining resources of UN-Habitat and UNCDF have reduced them to

marginal roles, calling into question their continuing existence. By contrast, UNCTAD and ITC continue to benefit from comparatively generous assessed core contributions. However, UNCTAD's role as a principal trade negotiations forum has been almost wholly supplanted by WTO, and some of its operational activities duplicate those of ITC.

This list of findings suggests that the way that an individual organization views any one piece of the funding puzzle is shaped by how that particular piece fits into its overall funding package. For example, the largest funds and programmes may deem a particular funding option to be too demanding or involving too much compromise; such a judgment takes place in the midst of numerous other projects under their administration, and for which they exert far more direct control. For such organizations, cooperation and compromise may not be worth the effort to attract that funding no matter how universal an objective—for instance, one of the SDGs. UNDP is the exception; among the “Big Four,” it has the most amorphous strategy and continues to expand its programming reach. The opportunity costs of fund-raising are an essential, albeit understudied and underappreciated, “cost” of earmarking. The smallest UN funds and programmes are in no position to refuse earmarked contributions of any sort, which implies a loss of control over an organization's mandate and priorities but ensures survival. Thus, while there are no clear rules linking types of funding to constraints, interviews suggested the extent to which these different types of funding influence the respective managements in meeting corporate goals and responding to development needs. It should be noted that short-term opportunistic decisions can, in fact, become a long-term channeling of efforts and constitute a strategy.

In general, then, most earmarked funding introduces constraints and distortions. However, they can be mitigated where the organization has developed and approved a clear corporate strategy outlining its priorities for development assistance, with indications of resource needs (from all sources), while engaging in a dialogue with donors about the precise apportionment of funds

in order to match the needs of the strategy. In general, organizations with more focused development mandates can more easily define their strategic priorities (and often provide unambiguous results criteria). Thus, UNICEF (the children's agency), UNHCR (the refugee agency), UNAIDS, and ITC (aid for trade) can more easily define their strategies than organizations with a wide-ranging or more amorphous development vocations: UNDP, UNCTAD, or UN Women. The difficulties that UNDP has encountered in recent years in constantly reinventing its priorities and getting endorsement of its multi-year strategic plan are symptomatic of this problem. There is also the factor of organizational culture. An agency like the World Bank is prepared to refuse offers of earmarked funding (and, for example, it sets strict conditions for contributions to its trust funds). UNICEF is another example of an organization with confidence in its mandate that is prepared to assert the terms and conditions for its non-core funding.

Growing non-core funding adds to the administrative burdens of UN funds and programmes. The study found wide variations in how UN funds and programmes charge for overheads (which are variously termed "program support costs," "full-cost recovery," or, in the case of UNHCR, "tax". Most reported, however, that overheads were insufficient to cover their administrative costs, a situation that is aggravated by the departure from the original UN standard of 13 percent, and the tendency for individual organizations to compete for funds by lowering their overheads. Lower overhead rates put an increasing burden on the use of core funds and result in legitimate costs being concealed in other parts of project budgets, sometimes to the disgruntlement of donors, including Sweden.

There is, however, an alternative way of interpreting such an application of core funds. Since some donors (governments, foundations and others) have philosophical objections or administrative restrictions in supporting overhead costs, core funding for humanitarian and development activities can have a multiplier effect, or provide a different kind of "leverage." For instance, the United States provides over 2 billion to the WFP but

only some 0.2 percent to its core budget; in contrast, Sweden's 71.5 percent contribution to WFP's core expenses (65.2 million) could legitimately be considered a substantial multiplier⁴⁸—that is, 2 billion of commodities could not be delivered or used for development projects without the WFP Secretariat; but such staff would have no justification without the commodities.

Most of the funds and programmes receive funds from pooled resources, mostly managed by the Multi-Partner Trust Fund Office (MPTFO) supported by UNDP. Pooled funding is an important means of ensuring more joint programming within the UNDS, even though the transaction costs are sometimes high, as revealed by a 2012 DaO evaluation.⁴⁹ Pooling with multiple funders also responds to multilateral tenets of diluting the influence of individual donors and ensures a good match with development, and more especially humanitarian and post-conflict needs that are supported by the largest funds. The role of the MPTFO in soliciting and managing funds on behalf of the system recalls *the* essential function for which UNDP was created; it deserves increasing support.

Generally, our analysis reveals that Sweden remains an essential multilateral player, and it should reinforce its role of what many officials and organizations have characterized as a “model donor.” The description is made more flattering by virtue of the fact that a growing number of the other major traditional donors have increasingly curtailed their core funding in favor of multi-bi forms of support; and emerging powers emphasize bilateral not multilateral delivery. Sweden's MFA has largely upheld its multilateral stance in its decisions. Nevertheless, as a prominent and, by comparison, exemplary donor, Sweden can help influence patterns by other donors of more responsible financial support for UN funds and programmes in a number of ways.

Notwithstanding its role, Sweden has manifested some distinctive preferences in patronizing favored enclaves within the UNDS. The most obvious contemporary example is the UNCDF, which Sweden has helped to keep afloat through generous funding

⁴⁸ WFP, *WFP's Use of Multilateral Funding 2015 Report* (Rome: WFP, 2016).

⁴⁹ UN, *Independent Evaluation of Delivering as One* (New York: UN, 2012).

that almost no other donors have matched. It may be questioned whether such assistance could not be better provided bilaterally.

Figure 4: Overview of UN Funds and Programmes by Major Types of Funding, 2015

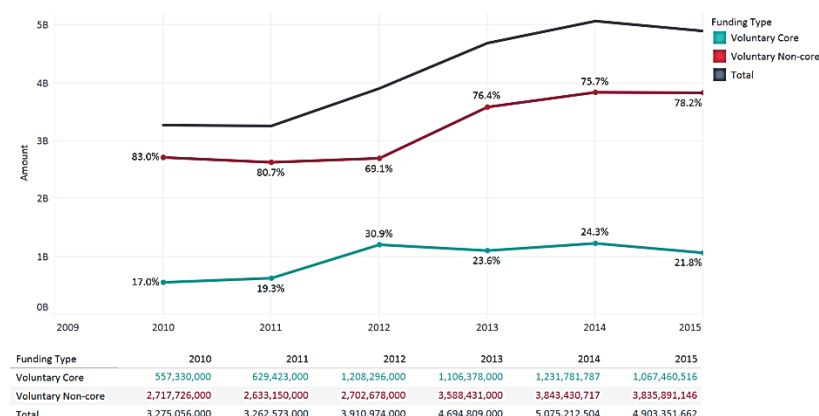


Sources: With the exceptions of UNCDF and UNCTAD, data compiled from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. UNCDF data compiled from its annual list of contributions, available at <http://www.uncdf.org/en/content/governance-and-funding>. UNCTAD data calculated as follows: assessed contributions include regular budget allocations from sections 12, 23, and 35. Voluntary non-core funds include contributions to UNCTAD's trust funds and pooled funding allocations. Disbursements to UNCTAD from sections 23 and 35 of the biennial budget, as well as trust fund and pooled funding contributions, are detailed in UNCTAD, Trade and Development Board, *Review of the technical cooperation activities of UNCTAD and their financing*, TD/B/WP/279 (5-7 September 2016), available at <http://unctad.org/en/pages/MeetingDetails.aspx?meetingid=963>.

3.2 UNICEF

UNICEF is the largest of the funds and programmes, and it experienced a steady growth in its revenue beginning in 2011 before it levelled off in 2015 (see Figure 5). The share of voluntary core resources was the lowest in UNICEF's history in 2015 at 21 percent. Voluntary core contributions doubled in 2012 over the previous year and have fluctuated slightly since then. The much larger growth in voluntary non-core contributions since 2012 has had a higher impact on the overall increase in revenue, because it now constitutes almost 80 percent of operating revenues.

Figure 5: UNICEF Revenue by Type, 2010-2015



Source: CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

UNICEF provided slightly different figures from those listed above in its "Compendium of Resource Partner Contributions 2015."⁵⁰ The cause of the difference is its inclusion of interest, procurement, and other revenue with core resources along with donor contributions, causing an inflation of core by USD 97 million. Otherwise, the UNICEF data match the figures presented by the CEB.

⁵⁰ UNICEF, *Compendium of Resource Partner Contributions* (New York: UNICEF, 2016), available at [https://www.unicef.org/publicpartnerships/files/CompendiumOfResourcePartnerContributions2015\(1\).pdf](https://www.unicef.org/publicpartnerships/files/CompendiumOfResourcePartnerContributions2015(1).pdf).

Non-core revenue is “other revenue” (OR) in UNICEF’s nomenclature. Because non-core contributions constrain institutional flexibility, UNICEF established a set of trust funds, funding pools that correspond to seven outcome areas detailed in the 2014-2017 Strategic Plan⁵¹ plus two cross-cutting thematic area. This is the softest form of earmarking: the thematic priorities are consistent with UNICEF’s agenda, contributions are fully comingled, and donors’ impacts not evaluated separately. Due to this significantly reduced burden, cost recovery fees for trust fund contributions are lower than the standard 8 percent: 7 percent for public sector donors and 5 percent for private sector donors.⁵² While UNICEF sees this category as the best alternative to core funding, the trust funds only accounted for 10 percent of all non-core revenue in 2015, and half of that was allocated to humanitarian relief.⁵³ Other forms of earmarking include revenue from UN pooled funding and vertical funds.

Sweden is one of UNICEF’s most flexible donors. In 2015, 36 percent of Sweden’s USD 173.8 million contribution was core. This 62.4 million was the second largest share of core funds to the organization in that year. Of the USD 111.5 million non-core contribution, 59.9 million, or just over half, was disbursed through the trust funds.⁵⁴ Although Sweden’s core contribution declined in 2015, it increased in 2016 by 100 percent over the 2015 figure for a total of USD 120 million. While this abnormally large allocation is likely not indicative of a new pattern, and corresponded to a one-time windfall, it is indicative of Sweden’s prioritization of UNICEF over other potential recipients (Table 4).

⁵¹ UNICEF, *The UNICEF Strategic Plan, 2014-2017*, UN document E/ICEF/2013/21, July 2013, available at https://www.unicef.org/strategicplan/files/2013-21-UNICEF_Strategic_Plan-ODS-English.pdf.

⁵² UNICEF, *A Guide to UNICEF Thematic Funding* (New York: UNICEF, 2014), available at https://www.unicef.org/publicpartnerships/files/A_Guide_to_UNICEF_Thematic_Funding_2014-17_14Feb2014.pdf.

⁵³ UNICEF, *Compendium of Resource Partner Contributions* (New York: UNICEF, 2016). Available at [https://www.unicef.org/publicpartnerships/files/CompendiumOfResourcePartnerContributions2015\(1\).pdf](https://www.unicef.org/publicpartnerships/files/CompendiumOfResourcePartnerContributions2015(1).pdf).

⁵⁴ Ibid.

Table 4: UNICEF, Sweden's Contributions, 2010-2015 (USD millions, % in parentheses)

	2010	2011	2012	2013	2014	2015
Assessed core	-	-	-	-	-	-
Voluntary core	557	629	1,208	1,106	1,232	1,067
<i>of which Sweden (%)</i>	<i>61 (11)</i>	<i>75 (12)</i>	<i>70 (6)</i>	<i>69 (6)</i>	<i>80 (6)</i>	<i>62 (6)</i>
Voluntary non-core	2,718	2,633	2,703	3,588	3,843	3,836
<i>of which Sweden (%)</i>	<i>65 (2)</i>	<i>101 (4)</i>	<i>91 (3)</i>	<i>137 (4)</i>	<i>111 (3)</i>	<i>111 (3)</i>
TOTAL voluntary	3,275	3,263	3,911	4,695	5,075	4,903
<i>of which Sweden (%)</i>	<i>126 (4)</i>	<i>176 (5)</i>	<i>161 (4)</i>	<i>206 (4)</i>	<i>191(4)</i>	<i>174 (4)</i>
Sweden's core/non-core	0.9	0.7	0.8	0.5	0.7	0.6

Source: UNICEF revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Funding and effectiveness: UNICEF is a hybrid development and humanitarian organization. Its core resources, which are all voluntary, support its staff and administration in the UN's largest field network, overseeing operations and relief, as well as its research and advocacy functions. Its non-core resources ("other resources regular") constitute about two-fifths of the total and support its seven thematic ("outcome") areas and its cross-cutting themes of gender equality and humanitarian action. Among the funds and programmes, UNICEF has the clearest ex ante strategic focus through its outcome areas and because of the co-mingling of resources within these funding pools, the non-core resources may

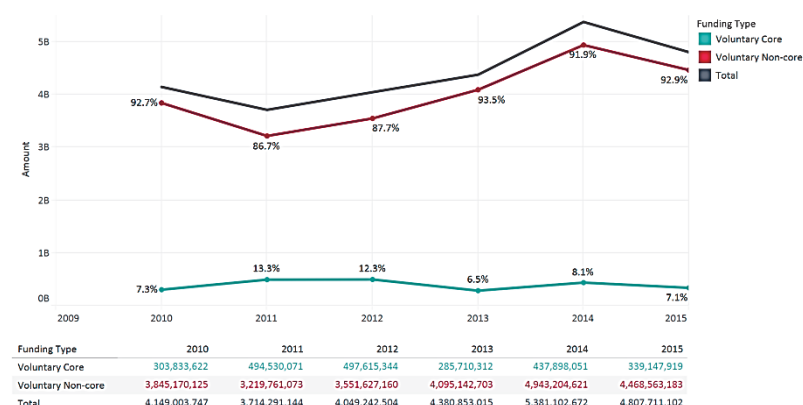
be considered softly earmarked (category 3 in Table 2). However, this category is a small proportion of total earmarked resources. At least one-third of its funds are for relief (“other resources emergency”), which are by nature more closely earmarked. UNICEF’s success in raising funds from the public through its national committees provides another large and invaluable source of income in which contributions are co-mingled. UNICEF is therefore an example of an organization that has succeeded in directing a significant proportion of its non-core funding into pre-identified needs.⁵⁵

⁵⁵ UNICEF is also concerned to resist conditionality attached to core contributions. When one of its major donors proposed to link its core contributions on the achievement of results defined by the donor, UNICEF could point to its own metrics as providing an adequate record of progress, as outlined in its annual reports.

3.3 WFP

WFP stands out among the other funds and programmes for the meagerness of its core revenue. In 2015, voluntary core funds comprised only 7 percent of its total revenue. This percentage is far lower than the 18-20 percent floor some organizations cited as a desirable and justifiable target, and the organizations that have larger shares of core funding are still seeking to increase that share (see Figure 6).

Figure 6: WFP Revenue by Type, 2010-2015



Source: CEB, “Agency Revenue by Revenue Type,” available at <http://www.unsceb.org/content/FS-A00-01>.

The gap between core and non-core funding has been widening since 2011, when a dip in non-core revenue resulted in a relatively low 73 percent discrepancy between the two types of funding. While non-core revenue has been increasing annually since then, core has largely stagnated.

Despite its unusually low core budget, WFP has the second largest overall revenue, and its nature should be considered in the context of its primarily humanitarian operations. Over 80 percent of the earmarked revenue in 2015 was for either “emergency operations” or “protracted relief and recovery operations.” Only 6.9 percent was for development, 1.2 percent for the Immediate Relief Account, and 6.4 for special operations (investments in

logistics and infrastructure necessary to improve the delivery of food aid). Only 4.3 percent of all non-core funds, or 3.9 percent of total revenue, was specified for use in designated country programming, special projects, or to cover administrative and security costs.⁵⁶

Revenue has generally been increasing since 2010 (with a slight decline in 2015), but the organization still experiences shortfalls that are exacerbated by ongoing and growing needs for assistance. In 2015, WFP reportedly received only enough revenue to address 40 percent of needs identified in its consolidated appeals. The result was reduced food rations and a focus on helping only the most vulnerable.⁵⁷ The situation going forward shows no improvement: the country operation in Somalia, for example, is projected to be USD 374 million short of anticipated needs by July 2017.⁵⁸ While the bulk of WFP's revenue in 2015 was earmarked in accordance with its core mandate, the constraints of earmarking are greater when there are significant shortfalls in overall needs since shortfalls in one emergency cannot be compensated by funds from another. WFP therefore works to discourage such high rates of earmarking.⁵⁹

⁵⁶ Details of WFP's 2015 revenue can be found at WFP, Executive Board, *Annual Performance Report for 2015*, UN document WFP/EB.A/2016/4, May 2016, 144-147, available at <http://documents.wfp.org/stellent/groups/public/documents/eb/wfp282360.pdf>.

⁵⁷ Ibid., 26.

⁵⁸ WFP, *Somalia: Drought Response*, Situation Report #1 (Rome: WFP, February 2017), available at <http://reliefweb.int/sites/reliefweb.int/files/resources/WFP%20Somalia%20Drought%20Response%20Situation%20Report%20%2301,%2023%20Feb%202017.pdf>.

⁵⁹ WFP, Executive Board, *Annual Performance Report for 2015*, UN document WFP/EB.A/2016/4, (Rome: WFP, May 2016), 26, available at <http://documents.wfp.org/stellent/groups/public/documents/eb/wfp282360.pdf>.

Table 5: WFP, Sweden's Contributions, 2010-2015 (USD millions, % in parentheses)

	2010	2011	2012	2013	2014	2015
Assessed core	-	-	-	-	-	-
Voluntary core	304	495	497	286	438	339
<i>of which Sweden (%)</i>	<i>66 (21)</i>	<i>81 (17)</i>	<i>83 (17)</i>	<i>79 (28)</i>	<i>82 (18)</i>	<i>62 (18)</i>
Voluntary non-core	3,845	3,219	3,552	4,095	4,943	4,469
<i>of which Sweden (%)</i>	<i>19 (-)</i>	<i>9 (-)</i>	<i>13 (-)</i>	<i>24 (-)</i>	<i>12 (-)</i>	<i>54 (1)</i>
TOTAL voluntary	4,149	3,714	4,049	4,380	5,381	4,808
<i>of which Sweden (%)</i>	<i>85 (2)</i>	<i>90 (2)</i>	<i>96 (2)</i>	<i>103 (3)</i>	<i>94 (2)</i>	<i>119 (2)</i>
Sweden's core/non-core	3.5	9.0	6.6	3.3	6.8	1.2

Source: WFP revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

WFP is one of the organizations to which Sweden consistently provides more core than non-core funding (Table 5). Sweden was also the largest contributor of core funds in 2015, providing USD 65.2 million, or 18 percent of the total. It is also one of only nine donors that contributed more than USD 1 million to the flexible Immediate Response Account. Sweden was the eighth largest government donor in 2015, although its core contribution was smaller than in 2014. This decline could be explained by

heightened in-country refugee costs, although its non-core contribution increased.⁶⁰

In addition to the fact that WFP refers to non-earmarked funds as “multilateral” contributions, there are some discrepancies between the CEB figures and the revenue reported in WFP’s Annual Performance Report for 2015-16. WFP reports that its total revenue in 2015 was USD 5.1 billion, while the CEB shows 4.8 billion.⁶¹ WFP explains in its report that this difference can be attributed to three factors: “differing treatment of the multi-year revenue,” “exclusion of contributions with bilateral funding window,” and “exclusion of contribution revenue adjustments such as unspent balances and write-downs.”⁶²

Funding and effectiveness: Although essentially a humanitarian relief and logistics organization, WFP is reliant on core funding for its substantial field office network and for immediate responses to unforeseen emergencies. Its modest voluntary core component is proportionately much less than that of UNHCR, the other mainly humanitarian organizations, which acts as a constraint on its capacity to manage the raising and the disbursement of funds. Although much of WFP’s non-core funding may be considered “softly” earmarked because it is mainly directed to emergencies identified in its appeals, the organization is administratively constrained through an over-reliance on earmarked resources, and less able to freely allocate resources between relief campaigns according to needs.

⁶⁰ Ibid.

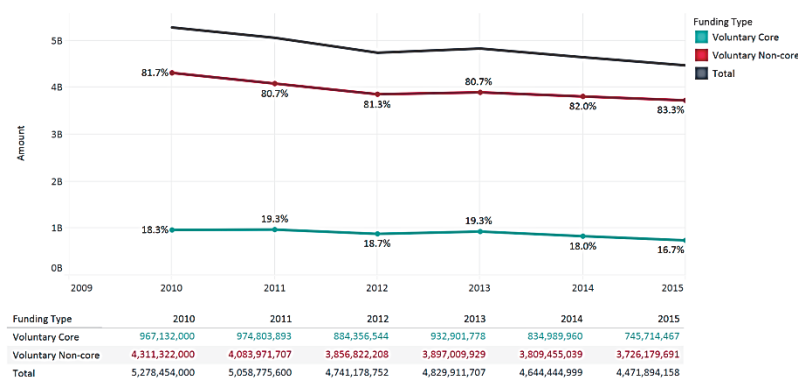
⁶¹ The data can be found at UN System Chief Executives Board, *Agency Revenue by Revenue Type*, available at <http://www.unsceb.org/content/FS-A00-01>.

⁶² WFP, Executive Board, *Annual Performance Report for 2015*, 26.

3.4 UNDP

UNDP is among the largest of the UN's funds and programmes. It relies primarily on voluntary non-core contributions, which have constituted roughly 80 percent of total revenue since 2010. Preliminary figures on UNDP's 2016 revenue suggests that the share of non-core will be even a few points higher in that year. Total revenue declined from USD 5.3 billion in 2010 to 4.5 billion in 2015, though the increase of non-core funds in 2016 also resulted in a higher total, perhaps reversing the overall downward trend (see Figure 7).

Figure 7: UNDP Revenue by Type, 2010-2015



Source: CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

Within non-core revenue, UNDP distinguishes between four funding channels.⁶³ Contributions to UNDP's thematic funds are the most flexible. UNDP established these funding windows, which allow the organization to dictate the function of those funds while providing donors the option to specify their priorities. Such contributions to thematic funds constitute the smallest share of non-core contributions. The second most flexible form of earmarking are UN pooled funds, including multi-partner trusts

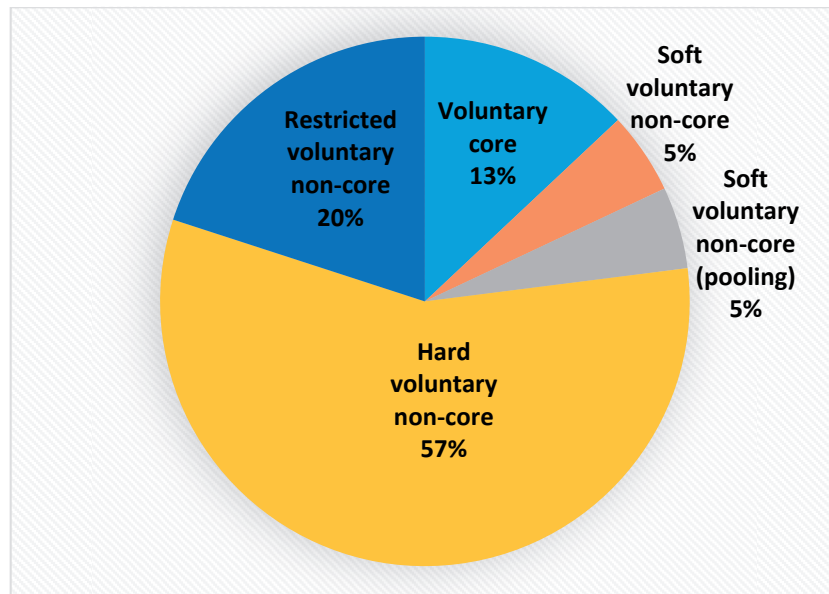
⁶³ For more information about the funding channels, see UNDP, "UNDP's Funding Channels," available at <http://www.undp.org/content/undp/en/home/ourwork/funding/funding-channels.html>.

funds and joint programmes. In order to maintain a clear distinction between pooled funds and other contributions, UNDP established the Multi-Partner Trust Fund Office (MPTFO) to administer these accounts. The third channel consists of what UNDP terms “earmarked funds.” These contributions are specified at the programme or project level. Donors may also indicate geographic specifications for these contributions, but they do not always opt to do so. Finally, vertical funds are the least flexible since they are intended for a specific project not determined by UNDP.

Of the four types, earmarked funds are the most prevalent. In 2015, earmarked funds accounted for 65 percent of all non-core revenue. Of that, one-third were local resources: contributions by government donors specified for use within their own territory. “Government cost-sharing” (as indicated, these were formerly known as “local resources”) constituted 19 percent of all revenue in 2015; but, as mentioned earlier, they do not conform to the authors’ convictions about the purpose of truly multilateral principles. Vertical funds made up the next largest share of non-core funding, at 24 percent. UN pooled funding was 8 percent, and the thematic funds received only 2 percent of all non-core contributions.⁶⁴ Figure 8 shows a breakdown of UNDP’s revenue according to the typology suggested in Table 2.

⁶⁴ UNDP, *Funding Compendium 2015* (New York: UNDP, 2016), available at <http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Funding%20Compendium%202015.pdf>.

Figure 8: UNDP Funding by Type of Source



Sweden has maintained its commitment to the most flexible forms of UNDP funding. Although Sweden's contributions have been in sharp decline since 2012, when total funds provided were USD 228.3 million, 44 percent of the total 2015 contribution of 133.5 million was for core funding (see Table 6). This core contribution made up 8 percent of all core funding received by UNDP that year. Sweden was also the fourth largest contributor to UNDP's trust funds, the most flexible form of non-core funding.⁶⁵

⁶⁵ Interview with the authors, March 2017.

Table 6: UNDP, Sweden's Contributions, 2010-2015 (USD millions, % in parentheses)⁶⁶

	2010	2011	2012	2013	2014	2015
Assessed core	--	-	-	-	-	-
Voluntary core	967	974	884	932	835	745
<i>of which Sweden (%)</i>	<i>88 (9)</i>	<i>105 (11)</i>	<i>109 (12)</i>	<i>85 (9)</i>	<i>73 (9)</i>	<i>59 (8)</i>
Voluntary non-core	4,311	4,084	3,857	3,897	3,809	3,726
<i>of which Sweden (%)</i>	<i>97 (2)</i>	<i>82 (2)</i>	<i>119 (3)</i>	<i>104 (3)</i>	<i>84 (2)</i>	<i>75 (2)</i>
TOTAL voluntary	5,278	5,059	4,741	4,830	4,644	4,472
<i>of which Sweden (%)</i>	<i>185 (4)</i>	<i>187 (4)</i>	<i>228 (5)</i>	<i>189 (4)</i>	<i>157 (3)</i>	<i>134 (3)</i>
Sweden's core/non-core	0.9	1.3	0.9	0.8	0.9	0.8

Source: UNDP revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Sweden is also committed to pooling through MPTFs, most of which are administered by the Multi-Partner Trust Fund Office (MPTFO), housed within UNDP. The authors decided to include this entity in their round of interviews because of its nature—"multilateral" because of its pooled approach although earmarked for geography or activity. Today the MPTFO manages over 140 different funds with a total value of about USD 10 billion,

⁶⁶ The Swedish contribution data include contributions made to UNCDF and UNV for years 2011-2013.

disbursing USD 700-800 per year. There are 120 different contributors (mostly governments) and 57 implementing partners, mostly of the UN system but also including African Union, World Bank, International Organization for Migration (IOM), and a few accredited NGOs. UNDP receives the highest shares of pooled funds among all UN entities, in part justified by its substantial field presence.

MTPFs were first established in 2004 to pool substantial resources to the post-conflict countries, Iraq and Afghanistan, and later Syria. The concept of double-pooling (with multiple donors and multiple implementing organizations, mostly in the UN system) grew quickly, particularly in response to humanitarian crises. The MPTFs also include the One Funds for individual countries stemming from the Delivering as One report of 2006. One of the recent funds to be established was in response to the Ebola epidemic.

There is little doubt about the value of pooled funding. It helps to boost resources in circumstances of protracted humanitarian need and reconstruction; it also helps to bring the UN system closer by opening possibilities for joint implementation. There is an informal target within the UN of the need to reach 15-20 percent of total development and humanitarian financing for the UN system in this way. However, pooled funds currently represent less than 10 percent of total UN financing and only 3 percent for development purposes. Donor support for pooling waxes and wanes. For example, after initial enthusiasm, donors became more skeptical of One Funds, but there has been a recent revival of interest because of the desire to support the SDGs.

Pooling has been made easier by the negotiation of common standards and conditions, which in turn simplify reporting because a single annual report suffices for almost all funds. The exceptions are those that are supported by the European Union and the World Bank, which have their own specific reporting requirements. The “loss of individual donor control” in pooled funds means that they almost amount to “core,” although each donor earmarks a contribution to a country or a problem or a theme.

Sweden has been a major contributor to pooled funds from the outset; it appears to like both the transparency (the MPTFO runs a comprehensive website with full details) and the potential contribution to a joined-up UN. The main source is Sida, which provides USD 70-80 million to 36 different funds, among them humanitarian funds for Sudan and South Sudan, Democratic Republic of Congo, Somalia, Afghanistan, Central African Republic, Tanzania One Fund and (thematically) UN Action against Sexual Violence. The MFA gives USD 15-20 million in most years. It is also the major contributor to the Peacebuilding Fund (PBF); and it also provides substantial funds for Rwanda, Ethiopia, Mozambique, and One Funds.

Funding and effectiveness: Among other things, core funding supports UNDP's functions of coordination and management of UN programmes at the country level through its extensive field network. Further reductions in core funding, however, begin to jeopardize this central function. The recent cuts in core have resulted in a commensurate reduction in posts and added to the burden of administering a growing proportion of non-core funded operations.

UNDP receives substantial (non-core) funding from other multilateral sources. Their requirements for financial transparency abrogate UNDP's single-audit requirements (since the European Commission and the World Bank insist on separate audits for all their spending). In the case of its implementation of Global Fund activities as the main recipient, UNDP has been criticized for doing too little to build local capacity in the health field in the interests of perpetuating its role.

With the decline in core funding, UNDP has actively sought to diversify its sources of earmarked funding which accounts for the major proportion of its total resources. The management positively encourages staff to mobilize resources, acceding to the choices of activity determined by donors. Being a highly decentralized organization, many projects are negotiated with donors at the country level, generating fees for country offices. The result has been a proliferation of activities some of which stray from

UNDP's strategic plan, leading to overlap with the activities with other UN organizations.

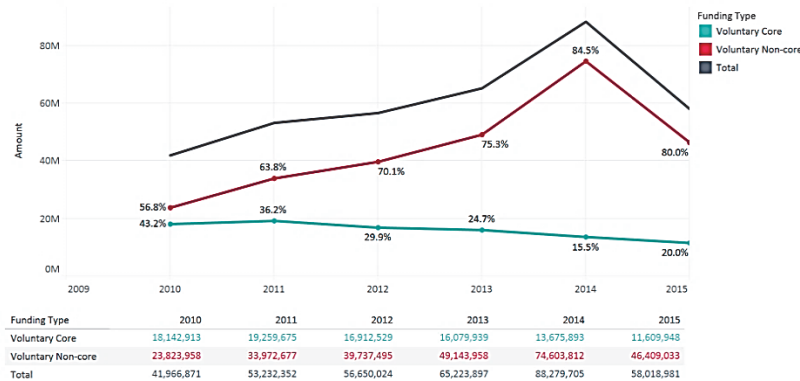
Country offices are also encouraged to negotiate "government cost-sharing" arrangements with host countries. They are common in Latin America, where governments channel funds through UNDP mainly to hire national technical staff and order equipment, utilizing the advantages of international procurement. The practice has been criticized for displacing rather than building local capacity, and we do not consider the practice to be consistent with multilateral principles.

A serious question for the future of UNDP is whether it should in future rely on core funding alone (in adequate amounts) to support its system-wide coordination function for which there is no substitute. This tack would mean eschewing all non-core funding that finances operations for which there are multiple possibilities among other UN organizations with which UNDP directly competes.

3.5 UNCDF

UNCDF was created in the 1960s as the UN's much smaller counterpart of the World Bank's International Development Association (IDA). Partly due to funding vagaries, it has been through several mutations of its mandate; and it currently concentrates on facilitating local financing in least developed countries.

Figure 9: UNCDF Revenue by Type, 2010-2015



Source: Authors' calculations are based on UNCDF's annual list of donors and their contributions, available at <http://www.ununcdf.org/en/content/governance-and-funding>. The "Voluntary non-core" category includes contributions for JPOs.

UNCDF is managed administratively by UNDP and has the smallest budget of all the organizations in this study at less than USD 60 million in 2015 (see Figure 9). UNCDF has a short list of rotating donors (ranging from 22 to 33 between 2010 and 2015), resulting in significant perturbations when any one major donor makes a change. As a result, UNCDF has had highly volatile annual revenue flows. For example, total revenue in 2011 was 27 percent higher than in 2010, 2014 was 35 percent higher than 2013, and the upward swing reversed the following year when revenue dropped by 35 percent. Although volatility is not new, 2014 was a particularly good year, more than a third larger than the next best year in our time series. This massive increase can mostly be attributed to the USD 9 million increases in overall

contributions by both Sweden and the European Union (EU), and a USD 6 million increase from the MasterCard Foundation. In 2015, Sweden and the MasterCard Foundation reduced their contributions to pre-2013 levels, and UNCDF lost five donors, resulting in a significant overall drop in revenue.

Despite the 2015 downturn, UNCDF has still experienced significant overall growth from 2010, owing largely to the increases in non-core funding (both in absolute terms and as a share of the total). In 2015, non-core contributions accounted for 80 percent of all revenue. At the same time, core funds are shrinking. In 2016, UNCDF reported core revenue of only USD 9.4 million, of which only two donors, Sweden and Switzerland, contributed almost two-thirds (USD 6 million).⁶⁷ In a small organization like UNCDF that seeks to innovate, core funds are important for supporting experiments, including the current venture in helping local communities to access alternative sources of financing.

To ensure that development occurs evenly and in places of highest need, UNCDF launched the Last Mile Trust Fund in June 2016 with USD 2.3 million in seed money from Sweden, and a bit of carryover after the expiration of the previous development framework (Partnership Framework for Global Initiatives on Inclusive Growth and Sustainable Development). Contributions to the Last Mile Trust Fund are considered to be the softest forms of earmarking: donors can contribute funds into the program through thematic windows established by the UNCDF.

Sweden has been a long-standing and strong supporter of the UNCDF (Table 7). In addition to helping establish the Last Mile Trust Fund in 2016, Sweden also provided staff support for the creation of an investment fund. More generally, it has also consistently been one of the top three overall donors since 2005, and has contributed up to 25 percent of all core funds. However, Sweden's core contribution has decreased since 2012 when it was USD 5.3 million. By 2015, Sweden's core contribution was USD 2.9 million.

⁶⁷ Interview with the authors, March 2017.

Table 7: UNCDF: Sweden's Contributions, 2010-2015 (USD millions, % in parentheses)⁶⁸

	2010	2011	2012	2013	2014	2015
Assessed core	-	-	-	-	-	-
Voluntary core	18	19	17	16	14	12
<i>of which Sweden (%)</i>	-	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	4 (29)	-
Voluntary non-core	24	34	40	49	75	46
<i>of which Sweden (%)</i>	5 (21)	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	15 (20)	7 (15)
TOTAL voluntary	42	53	57	65	89	58
<i>of which Sweden (%)</i>	5 (12)	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	19 (21)	7 (12)
Sweden's core/non-core	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	0.3	<i>n.a.</i>

Source: Authors' calculations are based on UNCDF's annual list of donors and their contributions, available at <http://www.ununcdf.org/en/content/governance-and-funding>. The "Voluntary non-core" category includes contributions for JPOs. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

UNCDF does not report on its finances to the CEB. For this reason, our data reflect the information provided in UNCDF's annual lists of donors and contributions.⁶⁹ The lists show the core (called "regular") and non-core (called "other") resources that donors provided, as well as allocations for Junior Professional Officers (JPOs). For our purposes, JPO resources have been included in calculations of voluntary non-core contributions.

⁶⁸ For years 2011-2013, the QCPR reported only aggregated financial data for UNCDF, UNV, and UNDP. Those figures can be found in Table 6.

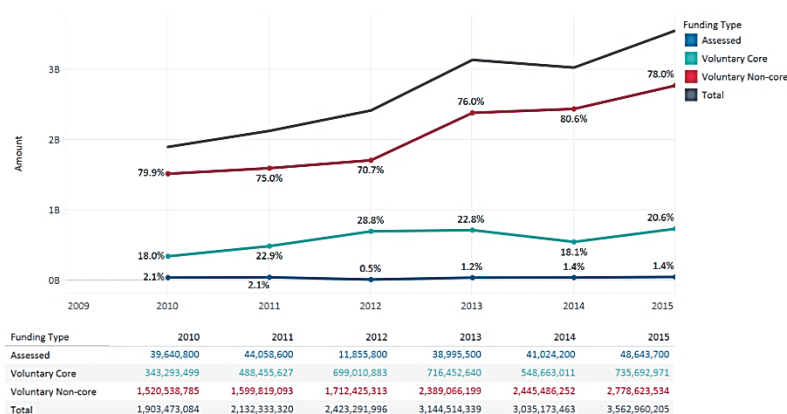
⁶⁹ These lists can be found along the right-hand sidebar on UNCDF's "Governance and Funding" web page, available at <http://www.uncdf.org/en/content/governance-and-funding>.

Funding and effectiveness: The strongest argument for core funding to UNCDF is based on consistency. If it can attract non-core, multi-year contributions to its new trust fund, it can go some way to meeting this goal. Most non-core contributions, however, are volatile; this reality is deleterious to the sustainability of UNCDF operations, its capacity to develop a multi-year development strategy, and its credibility as a donor to the LDCs. UNCDF's dependence on a few donors heightens the responsibility of each donor for the survival of the organization, suggesting that its continuation should be contingent on securing agreement from its donors for multi-year funding commitments.

3.6 UNHCR

UNHCR received just over USD 3.5 billion in assessed and voluntary contributions in 2015, placing it at the low end of the larger funds (including UNDP, UNICEF, and WFP). This sum is composed almost entirely of voluntary contributions, of which roughly 80 percent are earmarked. While voluntary earmarked contributions have increased substantially since 2010 (up to USD 2.8 billion from 1.5 billion), the share of total contributions has decreased slightly, with small fluctuations in intervening years (see Figure 10).

Figure 10: UNHCR Revenue by Type, 2010-2015

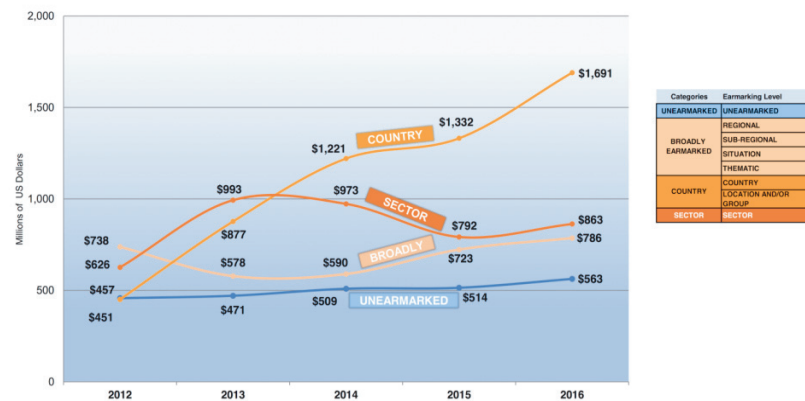


Source: CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

Although most of UNHCR's contributions are specified for a particular use, not all earmarks are equal. UNHCR distinguishes between tight and broad earmarking. Tight earmarks include those for a particular sector, country, or location; broad earmarks specify that the funds are to be applied at the regional, sub-regional, situation (such as the crisis in Syria, which has spillover effects into other countries), or thematic levels. Earmarking by country has comprised an increasing share of voluntary contributions since 2012, overtaking broad and sectoral earmarks and non-earmarked contributions (see Figure 11). In 2016, almost two-thirds (65

percent) of contributions were tightly earmarked. Fortunately, the size of UNHCR's overall budget provides the possibility of applying broadly earmarked and non-earmarked funds in such a way that they can be used generally to ensure the provision of priority services for all pressing humanitarian disasters. Because of the size and geographical range of operations, such giant humanitarian organizations as UNHCR are better positioned than smaller development ones to juggle earmarked contributions.

Figure 11: UNHCR: Trends in Types of Earmarking, 2012-2016



Source: "Earmarking Trends 2012-2016," table provided by UNHCR.

UNHCR has enacted significant structural changes in its organization and logistics in recent years to promote efficiency and capacity while lowering headquarters costs in the expensive environment of Geneva. By outsourcing staff to Budapest and Copenhagen, and by expanding partnerships with other organizations, UNHCR has reduced the share of its programme support and management expenditures from 31 percent in 2006 to 16 percent in 2015⁷⁰ at the same time that it increased capacity to mobilize larger quantities of aid.

Having increased its organizational efficiency, UNHCR was able to secure an agreement from its governing board for a 7

⁷⁰ UNHCR, *2006-2015 Ten Years of Reforms: Structural Impact* (Geneva: UNHCR, October 2016).

percent levy on all contributions in 2015. This figure is designed to ensure that donor contributions cover the actual administrative costs of earmarking. This fee functions as a full-cost recovery mechanism. However, it was not designed to offset the average costs of administering such funds, which have yet to be accurately calculated across regions of the world with vastly different challenges. Rather, it is modelled on the standard 6 percent fee that most of the same donor governments have agreed for actions by the International Committee of the Red Cross (ICRC). Revenue received through this levy in excess of administrative costs is reallocated to field operations. Even with the imposition of this fee, however, UNHCR has set a target of 20 percent for non-earmarked contributions; in 2016, the actual figure was 14 percent.

Table 8: UNHCR: Sweden's contributions, 2010-2015 (USD millions, % in parentheses)

	2010	2011	2012	2013	2014	2015
Assessed core	40	44	12	39	41	49
Voluntary core	343	488	699	716	549	736
<i>of which Sweden (%)</i>	-	82 (17)	81 (12)	88 (12)	90 (16)	80 (11)
Voluntary non-core	1,521	1,600	1,712	2,389	2,445	2,779
<i>of which Sweden (%)</i>	112 (7)	37 (2)	37 (2)	41 (2)	44 (2)	31 (1)
TOTAL voluntary	1,864	2,088	2,411	3,105	2,994	3,515
<i>of which Sweden (%)</i>	112 (6)	119 (6)	118 (5)	129 (4)	134 (4)	110 (3)
Sweden's core/non-core	n.a.	2.2	2.2	2.1	2.0	2.6

Source: UNHCR revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Because UNHCR is almost entirely funded through voluntary contributions, the terms imposed by donors have an enormous impact on its functioning. In 2015, the United States was the largest single donor, providing 40 percent of UNHCR's voluntary funding. While its USD 1.35 billion contribution was more than five times that of the next largest contribution (USD 262 million from the United Kingdom), the entire amount was earmarked, thus dictating the terms of 40 percent of UNHCR's financial capacity. While earmarks for humanitarian crises may not be inherently distracting from UNHCR's central mandate, such specifications limit opportunities for the organization to invest its

revenue in similarly relevant, and perhaps more efficient, preventative measures. Sweden, by contrast, was the single largest contributor of core funds in 2015, providing USD 79.8 million in “unrestricted” funds (out of its USD 110.3 million total contribution), which provided flexibility for its contribution (Table 8). UNHCR representatives pointed to Sweden as a “model donor” in this regard.⁷¹

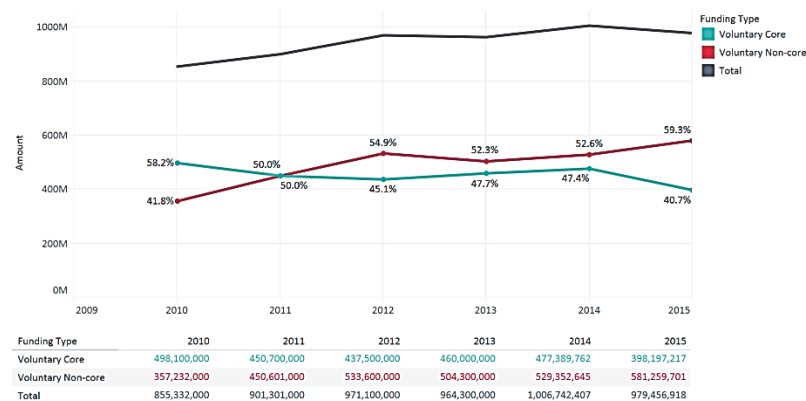
Funding and effectiveness: UNHCR has done well over the past ten years to reduce its administrative expenditures in high-cost Geneva, and to that extent it has also reduced its reliance on core funding. The newly-agreed levy of 7 percent on non-core funding will also help to meet its costs of administration. Being a humanitarian organization, it is bound to rely more heavily than development organizations on non-core funds raised to respond to humanitarian crises in specific locations. However, the continuing need for core funding derives from the chronic nature of many of today’s crises and the need to be able to sustain assistance over ever-longer periods of time, and from the need to respond rapidly to new crises as they arise without having to wait for the result of new funding appeals.

⁷¹ UNHCR, “Funding UNHCR’s Programmes,” in *UNHCR Global Report 2015*, 25-38, available at <http://www.unhcr.org/574ed5574.html>.

3.7 UNFPA

UNFPA receives no assessed contributions, and so relies entirely on voluntary funds. While the split between core and non-core contributions has been hovering around 50/50 for several years, UNFPA points to 2012 as the year in which core funding slipped below 50 percent for the first time (see Figure 12). Now that non-core funding constitutes 10 percent more than core contributions of overall revenue, the odds of reversing the trend of growing non-core funding appear slim. Even a major donor that is known for favoring core funding reported to UNFPA that it would never resort to contributing exclusively core funds, because “then we’d lose leverage over you.”

Figure 12: UNFPA Revenue by Type, 2010-2015



Source: CEB, “Agency Revenue by Revenue Type”, available at <http://www.unsceb.org/content/FS-A00-01>.

Core funding is essential to the functioning of the organization for many reasons, among which UNFPA staff emphasized two. First, core resources can be used to support countries that “graduate” to middle-income status, and thereby lose their access for priority funding among donors. While their economic situation may have improved, many of the cultural and social issues linked to reproductive rights remain the same as poorer developing

countries. Second, core resources allow organizations like UNFPA to engage in normative and advocacy work that is difficult to quantify or evaluate. For example, while it is difficult to demonstrate to donors the exact progress achieved towards the goal of ending child marriage, UNFPA works to change perceptions of the practice in all countries.

To help cope with the administrative burden of administering earmarked contributions, UNFPA (in coordination with UNDP, UNICEF, and UN Women) implemented an 8 percent cost-recovery fee on all non-core revenue. There are exceptions for UN transfers (subject to a 7 percent fee) and local resources (subject to 5 percent). This arrangement helps to reduce competition among the UN organizations, and to standardize relationships between recipient organizations and donors. But UNFPA has determined that 18 percent would more accurately offset its associated costs. Its staff claims to be at a disadvantage compared with UNDP and UNICEF, for example, which have more substantial funds at their disposal and therefore more scope for cross-subsidization between low- and high-cost programmes and projects.

Despite the increasing prevalence of earmarks, UNFPA's total revenue has seen moderate but fairly steady growth, with no more than 7 percent increases year-to-year. The organization is especially vulnerable to political changes and vicissitudes in Washington and was already bracing for reductions hinted by a hostile Trump administration and the US Congress. As this report was being drafted, the White House ordered the US contributions be cut to zero. Sweden's contributions are among the largest—the most core funds of any government donor in 2015, and the fourth largest share of non-core funds. Nonetheless, the QCPR⁷² shows dramatic fluctuations in the absolute value of annual contributions. In 2010, Sweden provided USD 66 million to UNFPA (Table 9). The following year, the amount rose to USD 80 million. Just two

⁷² UN General Assembly and ECOSOC, Statistical Annex of “Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system,” A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

years later, Sweden contributed USD 142 million. The amount fell to USD 75 million in 2014, and then climbed back up to USD 85 million in 2015. These large annual fluctuations, however, may be attributable to the transition to IPSAS accounting procedures,⁷³ which may have distorted the recording of annual funding allocations; the OECD's CRS database shows a similar total of contributions across those same years, but with a more even distribution.

⁷³ International Public Sector Accounting Standards (IPSAS) is a system of accrual accounting, adopted by UN organizations in recent years to bring them in line with modern public sector accounting practice. Unlike cash accounting, IPSAS matches revenues to expenses at the time in which the transaction occurs rather than when a payment is made or received. This method allows current cash inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of an organization's current financial condition. The changeover to IPSAS in UN organizations has introduced temporary distortions in data because revenues have been recorded later than previously—i.e., when the resources are spent rather than when they are received—and IPSAS has been introduced by different organizations in different fiscal years, thereby creating inconsistencies and anomalies in time-series data.

Table 9: UNFPA, Sweden's contributions, 2010-2015 (USD millions, % in parentheses)

	2010	2011	2012	2013	2014	2015
Assessed core	-	-	-	-	-	-
Voluntary core	498	451	438	460	477	398
<i>of which Sweden (%)</i>	<i>58 (12)</i>	<i>69 (15)</i>	<i>66 (15)</i>	<i>66 (14)</i>	<i>70 (15)</i>	<i>57 (14)</i>
Voluntary non-core	357	451	534	504	529	581
<i>of which Sweden (%)</i>	<i>8 (2)</i>	<i>11 (2)</i>	<i>19 (4)</i>	<i>77 (15)</i>	<i>5 (1)</i>	<i>28 (5)</i>
TOTAL voluntary	855	902	972	964	1,006	979
<i>of which Sweden (%)</i>	<i>66 (8)</i>	<i>80 (9)</i>	<i>85 (9)</i>	<i>142 (15)</i>	<i>75 (7)</i>	<i>85 (9)</i>
Sweden's core/non-core	7.3	6.3	3.5	0.9	14.0	2.0

Source: UNHCR revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Funding and effectiveness: UNFPA resembles some other funds and programmes in being active both in its normative and advocacy work as well as increasingly in country operations. Core funding supports the former role, including in middle-income countries that are not typically priorities for donors but whose policies for reproductive health and women's rights often resemble those of poor and fragile states. This work helps to maintain UNFPA's universal appeal and presence. However, one of its major donors now imposes conditions on its core funding, providing 70 percent initially, with the rest payable once it is

satisfied with UNFPA's performance, according to agreed metrics. Such conditions add uncertainty to the organization's forward planning.

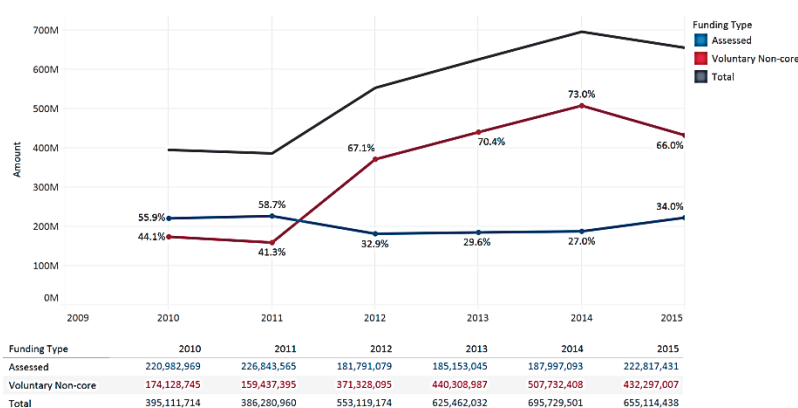
UNFPA acknowledges that it is much easier to "sell" non-core funding to donors, which have been imposing more and more conditions, thereby detracting from the management's ability to develop and adhere to its strategic planning. The same donor cited above is the largest contributor of non-core funding and, in addition to reflecting the donor's development interests, is demanding in terms of reporting requirements. Partly as a result, the Joint Inspection Unit (JIU) recently judge the UNFPA to be the UN's "most assessed organization" in terms of performance evaluations—over 100 in the previous calendar year.

UNFPA's non-core funding also provokes other system-wide problems. It leads to a proliferation of activities without reference to a broader UNDS program strategy for addressing the concerns of women. The authors find worrying overlaps in UNFPA's operations with those of both UN Women and UNICEF.

3.8 UNEP

UNEP receives a large share of its revenue in the form of assessed contributions. In absolute terms, its USD 222.8 million far outpaced the others in 2015—the next highest share of assessed funds was UNHCR’s USD 48.6 million. As a percent share, it was surpassed only by UNCTAD and ITC. As outliers in this regard, UNEP and ITC also share the good fortune of collecting assessed contributions from multiple sources. A large portion of UNEP’s assessed funds are provided by the Multilateral Fund for the Implementation of the Montreal Protocol and other conventions and protocols; in 2015 these sources accounted for USD 202.9 million, or 90.1 percent of UNEP’s assessed funds (see Figure 13).

Figure 13: UNEP Revenue by Type, 2010-2015



Source: CEB, “Agency Revenue by Revenue Type,” available at <http://www.unsceb.org/content/FS-A00-01>.

UNEP reports that it receives no voluntary core funds, but it does collect prescribed, though voluntary, contributions for its Environment Fund. These contributions are classified under the framework of UNEP’s Voluntary Indicative Scale of Contributions (VISCI). Launched in 2002, this framework establishes the expectation that all UN member states contribute to UNEP at the same level as their UN assessed contributions, which reflect the financial, social, and political resources of each country. Prescribed

contributions are capped at 0.01 percent of the organization's total budget for the least developed countries, and at 0.22 percent for other countries. There are, however, mechanisms for government donors to provide contributions in excess of their prescribed contributions.⁷⁴

At the end of 2012, the General Assembly voted to expand UNEP's governing board from 53 seats to fully inclusive membership of all 193 UN member states. In the context of that transition, and its authority as the UN's lead agency for environmental issues, UNEP has recommitted to the VISC framework, calling on all states to honor their stake in the organization as both donors and beneficiaries.⁷⁵ In spite of that plea, only 39 percent of member states made contributions to UNEP.⁷⁶ The Environment Fund received USD 82.2 million in 2015.⁷⁷

Of the roughly USD 330 million remaining earmarked revenue in 2015, a large, but indeterminate amount was allocated by the Global Environment Facility – probably about one-third.⁷⁸ UNEP

⁷⁴ UNEP, UN Environment Assembly, "Voluntary indicative scale of contributions," UN document UNEP/EA.2/INF/xx, May 2016. [http://staging.unep.org/about/funding/Portals/50199/Documents/2016/Resource%20Doc%20-%20UNEA%20VISC%20Note2%20by%20ED%20\(Eng\).pdf](http://staging.unep.org/about/funding/Portals/50199/Documents/2016/Resource%20Doc%20-%20UNEA%20VISC%20Note2%20by%20ED%20(Eng).pdf)

⁷⁵ UNEP, "About Our Funding: Environment Fund and VISC," available at <http://staging.unep.org/about/funding/SourcesofFunding/EnvironmentFundandVISC/tabid/131364/Default.aspx>.

⁷⁶ UNEP, "Recognition of Donor Contributions," in *Annual Report 2015*, (Vancouver: UNEP, 2016): 55. Available at <http://web.unep.org/annualreport/2015/en/recognition-of-donor-contributions.html>.

⁷⁷ UN General Assembly, "Fund of the United Nations Environment Programme Financial Report and audited financial statements for the year ended 31 December 2015 and Report of the Board of Auditors," Document A/71/5/Add.7 (New York: UN, September 2016): 70. Available at http://www.un.org/en/ga/search/view_doc.asp?symbol=A/71/5/Add.7

⁷⁸ Authors' estimate based on the data at UNEP, "Earmarked Contributions (Including GEF)," available at <http://drustage.unep.org/about/funding/our-funding/earmarked-contributions-including-gef>; UNEP, "Key Financials 2014 – 2015," in the *Annual Report 2015*. Available at <http://web.unep.org/annualreport/2015/en/key-financials.html>; and UN General Assembly, "Fund of the United Nations Environment Programme Financial Report and audited financial statements for the year ended 31 December 2015 and Report of the Board of Auditors," Document A/71/5/Add.7 (New York: UN, September

also receives other earmarked contributions in addition to these flows.

Despite the consistency between UNEP and the CEB about UNEP's lack of voluntary core funds, the QCPR suggests that UNEP received USD 222.8 million in 2015 and USD 188 million in 2014 in such funding.⁷⁹ The OECD CRS database also shows that UNEP has routinely received voluntary core funds. Because the QCPR data is derived from the CEB database, the cause of the discrepancy is unclear, although the CRS is compiled from donor-submitted data.

Sweden reported to the CRS that it contributed USD 4.7 million in voluntary core funds in 2015 (Table 10).⁸⁰ Since UNEP claims to receive no voluntary core funding, it is difficult to determine the exact nature of Sweden's impact and its role within UNEP in relation to other donors. One possible explanation for this contradiction is that UNEP may consider contributions to the Environment Fund to be earmarked, even if it functions as a conduit for core funds. The 2013 Multilateral Organisation Performance Assessment Network (MOPAN) report on UNEP explicitly states that Environment Fund revenues are not earmarked.⁸¹ If Sweden contributed to this fund, Sweden and UNEP may categorize the contribution differently. Additionally, such financial transfers are subject to the potential problems outlined in the Methodology, including ambiguous bank practices and clerical errors.

2016): 70. Available at http://www.un.org/en/ga/search/view_doc.asp?symbol=A/71/5/Add.7.

⁷⁹ UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available along the right sidebar at <https://www.un.org/ecosoc/en/node/998613>.

⁸⁰ CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

⁸¹ MOPAN, *United Nations Environment Programme: Institutional Assessment Report*, 2015-16, 7.

Table 10: UNEP, Sweden's Contributions, 2010-2015 (USD millions, % in parentheses)⁸²

	2010	2011	2012	2013	2014	2015
Assessed core	221	227	182	185	188	223
Voluntary core	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>of which Sweden (%)</i>	5	4	5	5	4	2
Voluntary non-core	174	159	371	440	508	432
<i>of which Sweden (%)</i>	10 (6)	8 (5)	10 (3)	10 (2)	20 (4)	8 (2)
TOTAL voluntary	174	159	371	440	508	432
<i>of which Sweden (%)</i>	15 (9)	12 (8)	15 (4)	15 (3)	24 (5)	13 (3)
Sweden's core/non-core	0.5	0.5	0.5	0.5	0.2	0.3

Source: UNEP revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Funding and effectiveness: The 2006 *Delivering as One* report⁸³ recommended upgrading UNEP as the UN's principal environmental pillar. The 2012 reform was a partial response, but it fell well short of the necessary changes. Non-core funding to UNEP has resulted in a wide dispersion of its resources, while the VISC contributions to UNEP's Environment Fund—which are akin to core funding—have stagnated.

⁸² Table 10 contains a contradiction between UNEP's core revenue and Sweden's core contributions, which is reflective of the general disparities in reporting from the CEB and QCPR.

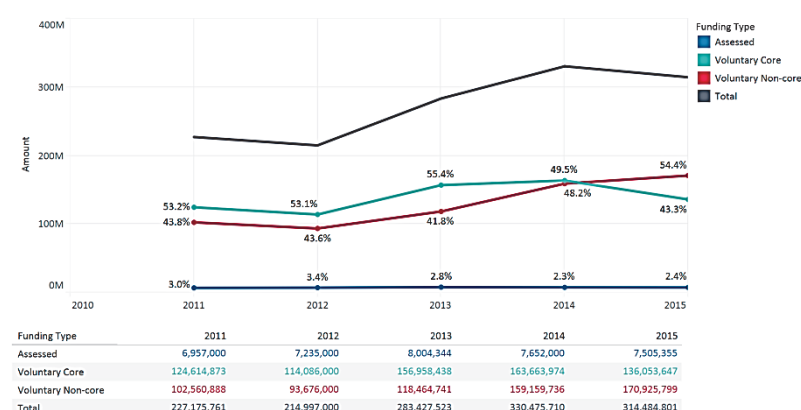
⁸³ High-Level panel on UN System-wide Coherence, *Delivering as One* (New York: UN, 2007)

Because of serious gaps and deficiencies in the reporting of UNEP's data, it is difficult to comment on the effectiveness of its funding or the skewing that results from donor policies. Nonetheless, UNEP can only fulfil its intended role as the UN's main normative agency for this issue if its Environment Fund has more adequate resources.

3.9 UN Women

UN Women was established in 2010 and became operationally and financially independent from the organizations that it supplanted in 2011. The collective revenues of these four organizations (the Office of the Special Advisor to the Secretary-General on Gender Issues and Advancement of Women, the Division for the Advancement of Women, the International Research and Training Institute for the Advancement of Women, and the UN Development Fund for Women) in 2010 totaled USD 177.8 million, 77.8 of which was voluntary core. These organizations received no assessed contributions, so the remaining 99.9 million was voluntary non-core (see Figure 14).

Figure 14: UN Women Revenue by Type, 2010-2015



Source: CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. The CEB data is missing one figure (assessed contributions for 2011), so this data point was inserted from UN Women's annual reports, which are otherwise consistent with the CEB figures: UN Women, "UN Women Annual Report 2011-2012," (New York: UN Women, 2012): 25, available at <http://www.unwomen.org/~media/headquarters/attachments/sections/library/publications/2012/un-women-ar-2012%20pdf.pdf>.

One of the few major consolidations in UN history, UN Women secured revenue in 2011 of an additional USD 7 million in assessed funds and increased its voluntary revenue for a total of USD 227.2 million. Revenue grew by 38 percent between 2011 and 2015, although voluntary non-core funds have overtaken voluntary

core as the largest share. This shift first occurred in 2015, but non-core now leads by 12 percentage points; and UN Women projects that the gap will continue to increase.

The role of core funding for UN Women is threefold: to fund the strategic plan, to provide for an institutional budget (to cover staffing, etc.), and to establish a basic capacity to mobilize non-core funds. When asked whether the prevalence of earmarked funds distracted the organization from identified crises or high-need issues, UN Women representatives argued that non-core should be complementary to core funds, rather than a distraction. Their available statistics do not provide clear answers to the impact of the balance between core and non-core resources. However, they argued that the newly introduced Flagship Programming Initiatives (FPIs)⁸⁴ are designed to protect against neglect of high-need areas. That being said, in 2016, UN Women established a target of USD 180-200 million in voluntary core revenue, and achieved only USD 139 million.⁸⁵

Although the statistics provided by UN Women accord with CEB reporting, they are short on details, including on the nature of earmarked contributions. UN Women was not able to provide a breakdown of earmark types (based on geography or theme) for 2015 beyond the fact that 8.2 percent of voluntary non-core contributions were specified for the two trust funds. This leaves the vast majority of the USD 170.9 million in voluntary non-core revenue unaccounted for. However, there are indications that this lack of metrics is changing.

In order to consolidate its disparate activities, the 2015 FPI includes twelve cross-cutting project areas that build on UN Women's programmatic experience and theories of change (consideration of the indirect benefits of cooperative investment among programming partners in, for example, women's agriculture for public health, women's financial independence, and of access

⁸⁴ UN Women, "Flagship Programming Initiatives," (New York: UN Women, 2015). Available at <http://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2015/un-women-flagship-programmes-booklet-en.pdf?vs=357>.

⁸⁵ These figures were provided to the authors during interviews.

to primary and secondary education). These initiatives represent an attempt by UN Women to re-assert itself as the driver of the programmatic agenda. However, it is too soon to assess the impact of this reform. At the time of writing, some initiatives remain under-funded; but it was unclear whether this shortfall was due to the newness of the framework or the inability of UN Women to attract donors to support the needs it has identified.

UN Women reports that Sweden has been a “good strategic ally.” It has provided over USD 30 million annually since 2013—the highest contribution per capita (Table 11). In 2015, 75 percent of Sweden’s USD 33.1 million was earmarked. Further, Sweden’s core contribution has declined both in absolute terms and as a share of its total contribution since 2013 (down to USD 8.3 million in 2015 from USD 19.3 million). Despite the increased earmarking, UN Women noted that Sweden specifies its priorities within the agenda established by the organization.

Table 11: UN Women, Sweden's Contributions, 2011-2015
(USD millions, % in parentheses)

	2011	2012	2013	2014	2015
Assessed core	7	7	8	8	8
Voluntary core	125	114	157	164	136
<i>of which Sweden (%)</i>	<i>8 (6)</i>	<i>8 (7)</i>	<i>19 (12)</i>	<i>10 (6)</i>	<i>8 (6)</i>
Voluntary non-core	103	94	118	159	171
<i>of which Sweden (%)</i>	<i>11 (11)</i>	<i>12 (13)</i>	<i>16 (14)</i>	<i>25 (16)</i>	<i>25 (15)</i>
TOTAL voluntary	228	208	275	323	307
<i>of which Sweden (%)</i>	<i>19 (8)</i>	<i>20 (10)</i>	<i>35 (13)</i>	<i>35 (11)</i>	<i>33 (11)</i>
Sweden's core/ non-core	0.7	0.7	1.2	0.4	0.3

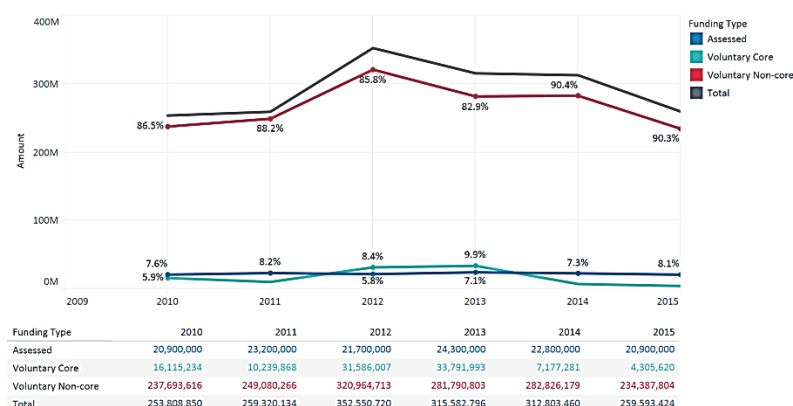
Source: UN Women revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Funding and effectiveness: UN Women's core funding supports the familiar areas of planning and staff, but its allocation from the assessed UN budget is so small as to be derisory, making contributions to its voluntary core budget essential. One staff member characterized its non-core funding as "confetti programming," and the FPIs were established to help concentrate non-core funding on areas complementary to UN Women's core activities. The FPIs are new and yet to attract sufficient funding or prove their worth. UN Women needs to develop a clear strategy for non-core funding to establish its position within the UN family and avoid competition with the operational activities of UNFPA and UNICEF.

3.10 UNODC

The data presented in Figure 15 on UNODC's finances are aggregated from the CEB⁸⁶ and UNODC's annual report.⁸⁷

Figure 15: UNODC Revenue by Type, 2010-2015



Data for voluntary contributions extracted from CEB reporting on "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Assessed contributions from UNODC, "UNODC Annual Report, Covering activities during 2015," (Vienna: UNODC, 2016): 120, available at http://www.unodc.org/documents/AnnualReport2015/Annual_Report_2016_WEB.pdf.

While most of the data in the UNODC's annual report are derived from the CEB, there were no entries for assessed contributions to UNODC from 2010 to 2013 in the CEB database. Because the entries for 2014 and 2015 do not match those listed in UNODC's 2015 annual report, we have opted to use only the UNODC figures for assessed contributions for all years. However, assessed contributions are not the only contradiction between the two sources. The CEB reports higher voluntary core contributions in 2012 and 2013 than UNODC: USD 31.6 and USD 33.8 million, respectively, versus USD 9.9 and

⁸⁶ UN System Chief Executives Board, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

⁸⁷ UNODC, *UNODC Annual Report, Covering activities during 2015* (Vienna: UNODC, 2016), 120, available at http://www.unodc.org/documents/AnnualReport2015/Annual_Report_2016_WEB.pdf.

USD 9.5 million. The remaining figures are either identical between the two sources or sufficiently similar so as not significantly to affect our analysis.

UNODC has had between USD 250 and USD 350 million in total annual revenue in the past six years, the overwhelming majority of which came in the form of voluntary non-core contributions (90 percent in both 2014 and 2015). In 2015, there were only five donors of voluntary core funding, and the amount of voluntary core funds has been subject to high levels of volatility, with an overall decrease from USD 16.1 million in 2010 to USD 4.5 million in 2015. UNODC has also suffered a 26 percent decrease in total revenue from 2012 to 2015.

UNODC presents its earmarked contributions by theme and geography. Among thematic earmarks in 2015, roughly 40 percent of revenue was allotted for drug prevention, treatment, reintegration, and alternative development. The next largest part was roughly 30 percent for countering organized crime and illicit drug trafficking. The remaining 30 percent was distributed across nine other themes (including anti-corruption). Geographic regional earmarking accounted for 63 percent of total resources, and an additional 5 percent was globally distributed; the remainder was not tied to geography.⁸⁸

A sizeable share of geographical earmarks are composed of local resources—developing countries that contribute funds to multilateral organizations for use within their territories. In 2014, Colombia was the single largest “donor,” providing USD 64.7 million to address drug trafficking in Colombia. Local resources accounted for 28.4 percent of all government contributions in 2015. Compared with the local resources received by UNDP, the contributions by individual countries more closely resemble genuine government cost-sharing in which UNODC and the country jointly determine and jointly fund country-based activities.

⁸⁸ Ibid., 126.

Overhead costs on earmarked contributions are 13 percent for member states, including for local resources. UN agencies are assessed a 7 percent fee.

UNODC's annual reports present information about donor pledges rather than actual disbursements received. For that reason, we have drawn on the QCPR report for donor data. The QCPR figures exclude inter-agency contributions.

Over 90 percent of UNODC's voluntary pledges were made by governments and the EU in 2015; Sweden made the eighth largest pledge among government donors⁸⁹ and provided roughly 15 percent of all core funds—USD 643,000 out of USD 4.3 million.⁹⁰ Sweden has been a volatile record since 2010; the QCPR reports that Sweden's total contributions have been as high as USD 12.4 million in 2013 and as low as USD 4.7 million in 2015 (Table 12).⁹¹ However, UNODC reports that Sweden's contributions in 2016 were more than double the 2015 contribution.

⁸⁹ Ibid., 128.

⁹⁰ UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available along the right sidebar at <https://www.un.org/ecosoc/en/node/998613>.

⁹¹ Ibid.

Table 12: UNODC, Sweden's Contributions, 2010-2015 (USD millions, % in parentheses)

	2010	2011	2012	2013	2014	2015
Assessed core	21	23	22	24	23	21
Voluntary core	16	10	32	34	7	4
<i>of which Sweden (%)</i>	<i>1 (6)</i>	<i>1 (10)</i>	<i>1 (3)</i>	<i>2 (6)</i>	<i>1 (14)</i>	<i>0.6 (15)</i>
Voluntary non-core	238	249	321	282	283	234
<i>of which Sweden (%)</i>	<i>6 (3)</i>	<i>10 (4)</i>	<i>8 (2)</i>	<i>11 (4)</i>	<i>11 (4)</i>	<i>4 (2)</i>
TOTAL voluntary	254	259	353	316	290	238
<i>of which Sweden (%)</i>	<i>7 (3)</i>	<i>11 (4)</i>	<i>9 (3)</i>	<i>12 (4)</i>	<i>12 (4)</i>	<i>5 (2)</i>
Sweden's core/non-core	0.2	0.1	0.1	0.2	0.1	0.2

Source: UNODC revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Funding and effectiveness: With a mandate spanning drug control, human trafficking, terrorism, transnational crime, and corruption, UNODC's assessed annual budget of barely USD 20 million is not only inadequate but has also stagnated. Alongside these resources, voluntary core funding has declined drastically at a time when the global challenges of concern to UNODC have become more acute and widespread. In comparison with other UN organizations and the responsibilities of UNODC with respect to the SDGs—and especially Goal 16—total core funding is inadequate to support its advocacy, information, custodianship of its key conventions, and the maintenance of a field presence. As for its non-core funded operations, which are partially supported through local cost-sharing, the resources do not match the

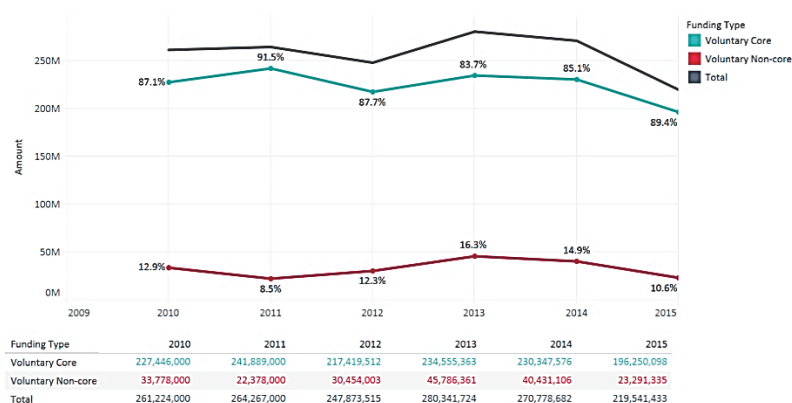
enormity of the tasks on the ground. UNODC's trust fund for human trafficking, for example, amounts to barely USD 2 million. The disparity between the dimensions of its mandate, on the one hand, and available resources, on the other hand, undoubtedly help explain the organization's poor scores in successive global perception surveys undertaken by FUNDS.⁹²

⁹² <https://www.futureun.org/Surveys>

3.11 UNAIDS

UNAIDS has, by far, the highest share of voluntary core contributions because of its constitution as a joint programme of 11 UN co-sponsors (including the World Bank). The organization thus receives no assessed funds but maintained between 83 and 92 percent voluntary core funds between 2010 and 2015. UNAIDS made a point of underlining its commitment to refusing non-core proposals that would undermine its independence or skew programming in an undesirable direction merely because of the availability of resources.

Figure 16: UNAIDS Revenue by Type, 2010-2015



Source: CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

Total revenue decreased 19 percent from 2014 to 2015 (see Figure 16). The influx of refugees to some major traditional donor countries meant fewer available resources for UNAIDS. The decrease in contributions appeared late in the calendar and budgetary year; and the abrupt loss of income necessitated cutting some 100 staff positions. Contributions in 2016 increased by 1 percent but were insufficient to restore 2014 levels.

Roughly one-third of all its revenue is channeled back to the eleven co-sponsoring organizations: UNHCR, UNICEF, WFP, UNDP, UNFPA, UNODC, UN Women, ILO, UNESCO, WHO,

and the World Bank. These funds are merely passed through UNAIDS and thus carry no overhead or cost recovery, which clearly is an attractive feature for donors. Other earmarked revenue carries an 8 percent fee.

Table 13: UNAIDS, Sweden's contributions, 2010-2015 (USD millions, % in parentheses)

	2010	2011	2012	2013	2014	2015
Assessed core	-	-	-	-	-	-
Voluntary core	227	242	217	235	230	196
<i>of which Sweden (%)</i>	<i>38 (17)</i>	<i>44 (18)</i>	<i>41 (19)</i>	<i>39 (17)</i>	<i>35 (15)</i>	<i>25 (13)</i>
Voluntary non-core	34	22	30	46	40	23
<i>of which Sweden (%)</i>	<i>3 (9)</i>	<i>0.3 (1)</i>	<i>1 (3)</i>	<i>5 (11)</i>	<i>4 (10)</i>	<i>4 (12)</i>
TOTAL voluntary	261	264	247	281	270	219
<i>of which Sweden (%)</i>	<i>41 (16)</i>	<i>1 (-)</i>	<i>42 (17)</i>	<i>44 (16)</i>	<i>39 (14)</i>	<i>29 (13)</i>
Sweden's core/non-core	12.7	146.7	41.0	7.8	9.8	6.5

Source: UNAIDS revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Sweden has been the second largest contributor of both core and total funds since 2010, with one exception (the Netherlands provided USD 1 million more in core funds in 2011, displacing Sweden to third place). In 2015, Sweden provided 12.7 percent of all core contributions, and a similar percentage of total funds (Table 13). However, Sweden's contributions to UNAIDS

declined steadily between 2013 and 2015, from USD 41.8 to USD 28.9 million. The trend reversed in 2016, when Sweden's contribution increased to USD 35.6 million.⁹³

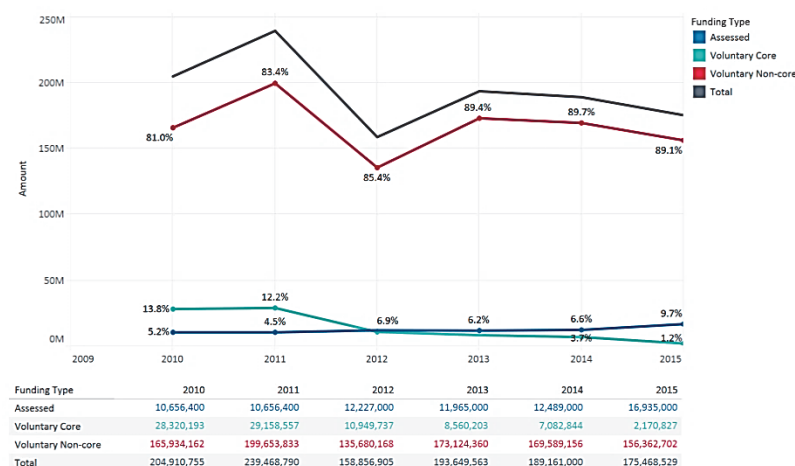
Funding and effectiveness: UNAIDS is an unusual UN programme, and its financial position reflects that its predominantly voluntary core resources support a wide and expanding field presence. Notwithstanding a recent decline, its growing presence in the Global South is a necessary platform for its outreach and advocacy, for which it has an essentially complementary role to that of such other sources as the Global Fund. UNAIDS is a good example of a core-funded UN agency (actually a cooperative programme) that is primarily about propagating and advocating norms and standards and disseminating information. In this role, the value of core resources is crucial. While it is vulnerable to reductions in core resources, as happened in 2015, its policy of resisting more earmarking is appropriate in order to maintain its strategic priorities.

⁹³ UN General Assembly and ECOSOC, Statistical Annex of “Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system,” A/71/63, (New York: United Nations, December 2015). Annual reports are available along the right sidebar at <https://www.un.org/ecosoc/en/node/998613>.

3.12 UN-Habitat

In addition to its modest allocations from the UN regular budget (sections 15 and 23), UN-Habitat has two main streams of voluntary funding: contributions to the UN-Habitat and Human Settlements Foundation (UNHHSF), and earmarked technical assistance activities in specific countries. The UNHHSF has two windows: general purpose and special purpose funds.

Figure 17: UN-Habitat Revenue by Type, 2010-2015



Source: CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>, with the exception of the figures for assessed funding in 2010 and 2011. Those were missing from the CEB data, and are taken from Section 15 of the UN biennial budget, available at <http://www.un.org/en/ga/fifth/70/ppb1617sg.shtml>.

All of UN-Habitat's voluntary core contributions are received through UNHHSF's general purpose window, and this annual total has declined (see Figure 17). In 2011, the organization received USD 29.2 million, or 12.2 percent of its revenue, in voluntary core funds;⁹⁴ in that same year, UN-Habitat imposed austerity measures to offset the low levels of core contributions, including a hiring freeze and other cost-reduction strategies.⁹⁵ By

⁹⁴ CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

⁹⁵ UN General Assembly, "United Nations Human Settlements Programme Financial report and audited financial statements for the biennium ended 31

2015, voluntary core funds constituted only USD 2.2 million, or 1.2 percent of total revenue. The steepest annual decrease came in 2012, when voluntary core funds were USD 10.9 million, less than the assessed funds for that year.⁹⁶ In recognition of the downward trend, UN-Habitat lowered its voluntary core fund-raising target from USD 70.2 million for the 2012-2013 biennium to USD 45.6 million for 2014-2015.⁹⁷

The bulk of UN-Habitat's non-core funding, is for technical assistance. In 2015, USD 125.2 million was contributed by governments and private donors for that purpose, and another USD 23.3 million was mobilized through inter-agency transfers or other sources. In contrast, USD 36.8 million were earmarked funding to the UNHHSF, USD 27.4 of which came from government and private donors. These contributions have also been declining in recent years.

According to CEB data, UN-Habitat's total contributions have declined from USD 205.9 million in 2010 to USD 175.5 million in 2015.⁹⁸ In addition to an overall decrease in funds, UN-Habitat also suffers from high levels of volatility among each donor's annual contributions. Given the high concentration of contributions among a few government donors, unpredictable funding is highly disruptive. In 2009, the Resource Mobilization Unit reported that high levels of volatility combined with low

December 2013 and Report of the Board of Auditors," UN document A/69/5/Add.9, 2014), 30, available at http://www.un.org/en/ga/search/view_doc.asp?symbol=A/69/5/Add.9.

⁹⁶ CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

⁹⁷ The UN-Habitat Governing Council reported in January 2015 that it had approved enough appropriations to meet that goal, but the UN Board of Auditors shows a vast discrepancy between the USD 45.6 million budgeted and the USD 12.9 million received; and even this amount is higher than the CEB's reported USD 9.3 million.

⁹⁸ CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>.

levels of core funding interfered with UN-Habitat's "transparency, accountability, and efficiency."⁹⁹

Locating consistent data about UN-Habitat's financial activity is problematic. The organization does not regularly publish an annual report.¹⁰⁰ The 2015 and 2013 reports (none in 2014) include a list of donors but not the level or types of contributions. The 2012 report includes some more detailed information, but there was no report for 2011. Finally, the 2010 report provides the most comprehensive account of funding priorities and trends, but it is only available in French and Spanish, perhaps reflecting the funding decline.

⁹⁹ UN-Habitat, Resource Mobilization Unit, "Implementing the Resource Mobilization Strategy," (February 2009), available at http://mirror.unhabitat.org/downloads/docs/6613_57477_RMU.pdf.

¹⁰⁰ These reports can be found at UN-Habitat, "Collection: UN-Habitat Annual Reports," available at <https://unhabitat.org/collection/un-habitat-annual-reports/>.

Table 14: UN-Habitat, Sweden's Contributions, 2010-2015
(USD millions, % in parentheses)

	2010	2011	2012	2013	2014	2015
Assessed core	11	11	12	12	12	17
Voluntary core	28	29	11	9	7	2
<i>of which Sweden (%)</i>	-	3 (10)	2 (18)	2 (29)	3 (42)	<i>n.a.</i>
Voluntary non-core	166	200	136	173	170	156
<i>of which Sweden (%)</i>	3 (2)	5 (3)	7 (5)	9 (5)	-	<i>n.a.</i>
TOTAL voluntary	194	229	147	182	177	158
<i>of which Sweden (%)</i>	3 (2)	8 (3)	9 (6)	11 (6)	3 (2)	1 (1)
Sweden's core/non-core	<i>n.a.</i>	0.5	0.3	0.2	<i>n.a.</i>	<i>n.a.</i>

Source: UN-Habitat revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Similarly, data about Sweden's contributions to UN-Habitat are inconsistent. The information available on UN-Habitat's website shows only the breakdown in contributions for the top-ten donors in each category: core and non-core. UN-Habitat reports that Sweden contributed less than USD 800,000 in 2015, and so it was not in the top-ten donors; and it not possible to see whether these were core or non-core funds. However, it is possible to see that Sweden was in the top-three donors of voluntary core funds between 2010 and 2014, with slight fluctuations in its annual contributions, ranging from USD 2.3 million in 2013 to USD 3

million in 2011.¹⁰¹ The QCPR data for three out of the six years (2012-2014) are identical, but they are markedly different for the other three years.¹⁰² Further, the data that Sweden reports to the OECD CRS database bear little resemblance to either of these other sources.¹⁰³ UN-Habitat suggests that Sweden contributed a total of USD 47.5 million over the six-year period. For the QCPR, the figure was USD 35.4 million; and for the CRS, it was USD 29.7 million. Table 14 relies on data from the QCPR.

Funding and effectiveness: UN-Habitat suffers from insufficient core resources if it is to strengthen its advocacy role, which a recent MOPAN report confirms.¹⁰⁴ Despite the growing emphasis on sustainability throughout the UN system, UN-Habitat's funding situation has deteriorated. Some nine-tenths of its resources are voluntary non-core, but they are only enough to maintain very modest operational projects across its 16 "urban themes." The latest annual report with detailed funding data dates from 2010; and there has only been one comprehensive report on project evaluations (2012-13). As with UNEP, the absence of information in the public domain makes it hard for the authors to assess the organization's impact and effectiveness. Both organizations would benefit from more transparency and reporting, which should demonstrate results.

¹⁰¹ UN-Habitat, "Government Donors," available at <https://unhabitat.org/donor-relations/government-donors>.

¹⁰² UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available along the right sidebar at <https://www.un.org/ecosoc/en/node/998613>.

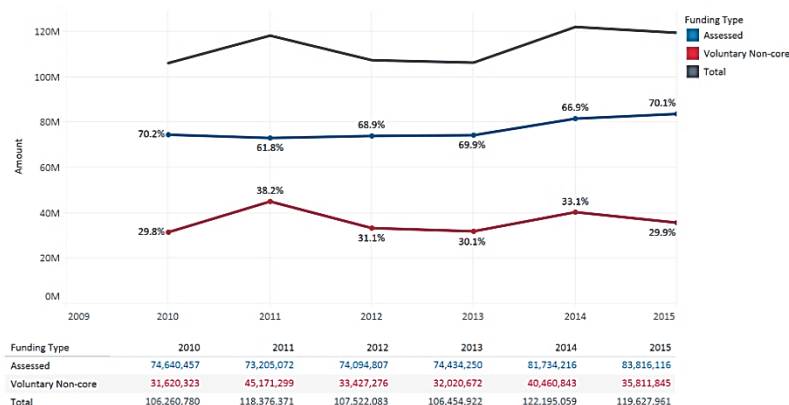
¹⁰³ OECD, Creditor Reporting System database. Available at <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>.

¹⁰⁴ "The limited availability of untied core funding limits the normative and other core functions of UN-Habitat, including attention to cross-cutting issues. Improved conversion of member commitments into effective funds flow is important to allow budgets to be operationalized in line with the strategic plan rather than tied to donor priorities." Multilateral Organisation Performance Assessment Network (MOPAN), "United Nations Human Settlements Programme: Institutional Assessment Report, 2015-16", page 35 [http://www.mopanonline.org/assessments/unhabitat2015-16/Mopan%20UN%20HABITAT%20report%20\[interactive\]%20\[final\].pdf](http://www.mopanonline.org/assessments/unhabitat2015-16/Mopan%20UN%20HABITAT%20report%20[interactive]%20[final].pdf)

3.13 UNCTAD

UNCTAD has a relatively small operational budget, ranging from USD 106 to USD 122 million since 2010 (see Figure 18). However, this figure does not account for the complexities of UNCTAD's revenue streams.

Figure 18: UNCTAD Revenue by Type, 2010-2015



Authors' calculations use data from section 12 of the UN biennial budget, and UNCTAD's annual "Review of the technical cooperation activities of UNCTAD and their financing", available at <http://unctad.org/en/Pages/Meetings/TDB.aspx>.

UNCTAD does not report to the CEB, so we have assembled data from various available sources. The most descriptive document is the *Review of Technical Cooperation Activities of UNCTAD and Their Financing*. This information is compiled annually for the Trade and Development Board and details UNCTAD's projects, revenue, and expenditures.¹⁰⁵ Technical assistance revenue arrives by one of two streams: contributions to UNCTAD's trust funds

¹⁰⁵ The most recent report is UNCTAD, Trade and Development Board, *Review of the Technical Cooperation Activities of UNCTAD and Their Financing*, UN document TD/B/WP/279, (Geneva: UNCTAD, June 2016). Available at http://unctad.org/meetings/en/SessionalDocuments/wpd279_en.pdf. Reports from other years can be found at <http://unctad.org/en/Pages/Meetings/working-party.aspx> by clicking on the September meeting of the Working Party on the Strategic Framework and the Programme Budget for each year and then navigating to the Documents tab.

and access to multi-partner trust funds (in 2015, primarily DaO mechanisms). We combined these categories under the label of “voluntary non-core.”

UNCTAD claims to receive no voluntary core funds,¹⁰⁶ but it receives allocations from the UN regular budget. The annual report from the Trade and Development Board includes information about revenue from budget sections 23 (Regular Programme of Technical Cooperation) and 35 (Development Account), but we have also included revenue from section 12 (Trade and Development). Together, those categories comprise our category for “assessed contributions.” These details can be seen in Table 15.

Table 15: UNCTAD Revenue by Type (Detail), 2010-15

UNCTAD Revenue by Type (Detail) 2010-2015, USD

Funding Type	2010	2011	2012	2013	2014	2015
UN Regular Budget, Section 12	69,246,350	69,246,350	71,565,950	71,565,950	72,500,250	72,500,250
UN Regular Budget, Sections 23 and 35	5,394,107	3,958,722	2,528,857	2,868,300	9,233,966	11,315,866
Voluntary Trust Fund Contributions	30,738,733	44,376,829	32,808,385	31,232,262	39,415,269	34,689,442
Pooled Funding Mechanisms	881,590	794,470	618,891	788,410	1,045,574	1,122,403
Total	106,260,780	118,376,371	107,522,083	106,454,922	122,195,059	119,627,961

Source: Author calculations based on UN General Assembly, “Proposed programme budget for the biennium 2016-2017” Part IV, Section 12, (New York: UN, April 2015). Available at <http://www.un.org/en/ga/fifth/70/ppb1617sg.shtml>; UNCTAD, “UNCTAD Technical Cooperation Activities: Thematic Clustering of Trust Funds,” (Geneva: UNCTAD, September 2015). Available at http://unctad.org/en/PublicationsLibrary/dommisc2011d1_en.pdf.

Even after supplementing and reinterpreting the report about technical assistance, the details of UNCTAD’s revenue are complicated. The organization also receives support from UNOG for conference and other services—UNCTAD’s primary activity—but the amounts are not specified.

In spite of these ambiguities, we calculate that roughly one-third of its measurable revenue comes in the form of voluntary non-

¹⁰⁶ This point was clarified in an interview with authors, March 2017. However, the QCPR data shows that UNCTAD has received some core funds (between USD 1 and USD 4 million) each year since at least 2003, with the possible exception of 2008. These figures can be found in the “statistical annex on funding data,” available at ECOSOC, “2016 Resolution on the QCPR,” available at <https://www.un.org/ecosoc/en/content/2016>.

core contributions. These contributions are earmarked for one of seventeen thematic clusters of specific trust funds. Further, contributions can also be indicated for global, interregional, or country levels within each fund.¹⁰⁷ Introduced in 2007 in an effort to consolidate and centralize earmarked contributions, these trust funds reflect existing donor preferences rather than UNCTAD's strategic thinking or comparative advantages. UNCTAD is considering further reform in its trust fund categories based on four broad themes.

Another limitation to the multilateral nature of UNCTAD's financing and programming is the prevalence of self-financing (local resources) through the organization. For example, Equatorial Guinea was the largest single contributor in 2015, providing some USD 2 million in earmarked funds specifically for the installation of UNCTAD's Automated System for Customs Data (ASYCUDA) in that country. Of the USD 34.7 million in trust fund contributions in 2015, USD 26.2 million came from government donors, of which two-thirds (USD 18.3 million) was designated as local resources. Therefore, roughly half of all voluntary funding that passes through UNCTAD is invested directly back into the countries of origin, usually for ASYCUDA and the Debt Management and Financial Accounting System (DMFAS), both software systems developed by the secretariat.

Of the 82 government donors in 2015, 62 made contributions to UNCTAD for self-financing. These contributions are project-based, and do not necessarily represent long-term or sustainable commitments to UNCTAD. Of the remaining donors, only four gave at least USD 1 million: Switzerland, the Netherlands, Germany, and Sweden (in descending order of importance). Even these four donors' annual contributions are volatile. Sweden, for example, contributed USD 1.6 million in 2012, USD 1.5 million in 2013, USD 3.8 million in 2014, and USD 1.1 million in 2015.¹⁰⁸

¹⁰⁷ UNCTAD, *UNCTAD Technical Cooperation Activities: Thematic Clustering of Trust Funds* (Geneva: UNCTAD, September 2015), available at http://unctad.org/en/PublicationsLibrary/dommisc2011d1_en.pdf.

¹⁰⁸ These figures are reported in UNCTAD, Trade and Development Board, *Review of the Technical Cooperation Activities of UNCTAD and Their Financing, Annex*

Similar levels of volatility characterize the other major non-self-financing donors as well, and are reflected in the volatility of UNCTAD's overall revenue. Because of the ambiguities of data, we are unable to provide a table of Sweden's contributions to UNCTAD.

Funding and effectiveness: Unlike other UN funds and programmes (except ITC), UNCTAD receives most of its funding as assessed contributions that support staff in information, research, and meetings—its *raison d'être* is the “C” in its acronym. UNCTAD has also attracted modest non-core resources for its operational activities, which are small and distributed across 17 “thematic clusters.” Rather than responding to strategic ex ante needs, operational activities seem mainly to have been retrofitted onto its wide-ranging activities, a clear reflection of donor-driven priorities.

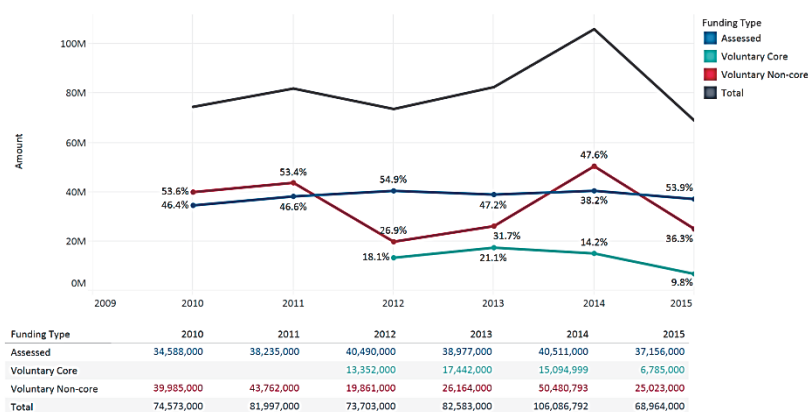
Thus, UNCTAD has three distinct parts. Its core resources fund its original “conference” functions of inter-governmental deliberations, which are supported by research and information. These activities have been sustained by a growing core in spite of the ascendancy of the WTO as the primary global trade forum. The second consists of UNCTAD's non-core funding from program countries for the purchase and installation of its two software systems. Other non-core funding from a few of the major donors supports a range of ad hoc development projects; but this third organizational part has steadily diminished in importance as donors have withdrawn funding and it is now a questionable distraction (managed in part by core resources) from the other two functions.

II: Statistical Tables, UN document TD/B/WP/279/Add.2, (Geneva: UNCTAD, August 2016). Available at http://unctad.org/meetings/en/SessionalDocuments/wpd279_add2_en.pdf. They are consistent with QCPR reporting with the exception of 2015, for which the QCPR reports a Swedish contribution of USD 7 million.

3.14 ITC

ITC is mainly an information and operational organization (calling itself “100% aid-for-trade”). Its principal global good is a series of interactive data-bases providing policy-makers and small entrepreneurs with comprehensive information on trade, markets and standards. ITC has established six focus area that frame its operations: trade and market intelligence, business environment, trade and investment support institutions, international value chains, inclusive and green trade, and regional economic integration (including South-South cooperation).¹⁰⁹

Figure 19: ITC Revenue by Type, 2010-2015



Source: CEB, “Agency Revenue by Revenue Type”, available at <http://www.unsceb.org/content/FS-A00-01>.

ITC is a joint programme of the UN and WTO, both of which contribute core funds equally. In addition, ITC receives non-core funding which exceeds its core funding in some years. ITC’s total resources have exceeded USD 70 million in most recent years, with a spike in 2014 when it reached USD 106 million (see Figure 19). ITC benefited in that year from an unusual EU fund designed to build livelihoods in countries sending migrants to Europe.

¹⁰⁹ For detail about the focus areas, see ITC, “ITC’s six focus areas,” available at <http://www.intracen.org/itc/about/mission-and-objectives/>.

Voluntary contributions are provided to ITC through two windows: Window 1 supports ITC's main program areas; and Window II is more specifically earmarked by geography and theme by donors. Window I is mingled with core resources; since 2012, ITC has begun labelling it as "voluntary core funding," and Window II as "voluntary non-core."¹¹⁰

ITC reports overheads (program support costs) as a separate revenue stream in its annual reports, but these fees are not reported to CEB. An overall difference results of about USD 5 million annually. An overview of ITC's financial data from its annual reports can be seen in Table 16.

Table 16: ITC Revenue by Type (Detail), 2010-15

Type	2010	2011	2012	2013	2014	2015
Assessed Contributions	34,820,000	38,680,000	41,110,000	39,230,000	40,930,000	37,420,000
Window I	16,580,000	17,210,000	13,280,000	17,350,000	17,590,000	15,900,000
Window II	22,300,000	26,990,000	19,860,000	25,840,000	26,400,000	34,630,000
Program Support Costs	4,370,000	4,950,000	4,540,000	4,140,000	5,180,000	5,590,000
Total	78,070,000	87,830,000	78,790,000	86,560,000	90,100,000	93,540,000

Source: ITC annual reports, available at <http://www.intracen.org/itc/about/working-with-itc/corporate-documents/annual-report>.

ITC is transparent in reporting its relatively high programme support costs: it charges a standard rate of 13 percent (governed by the comptroller in the UN Secretariat), although UNDP pays only 10 percent, and the EU and European Investment Fund pay 7 percent (the standard rate for UN organizations).

Among voluntary donors, Sweden has provided the largest amount of flexible funding since at least 2010—a steady annual contribution of more than USD 4 million. Until 2015, the entire

¹¹⁰ These categories blur CEB's distinction between core and non-core contributions by splitting earmarked funds into two groups and combining them with core funds. This ambiguity can also be seen when comparing CEB's data with ITC's own annual reporting. For 2010 and 2011, ITC reported all voluntary contributions to CEB as non-core. Starting in 2012, ITC appears to have reported its Window I contributions as core funds to CEB; for this reason, it appears that ITC had received no core funds until 2012.

contribution was channeled through Window I. In 2015, USD 1.1 million was moved to Window II, although the Window I contribution of USD 3.7 million in that year still comprised roughly 25 percent of all Window I revenue (Table 17).

Table 17: ITC, Sweden's Contributions, 2010-15 (USD millions, % in parentheses)

	2010	2011	2012	2013	2014	2015
Assessed core	35	38	40	39	41	37
Voluntary core	n.a	n.a	13	17	15	7
<i>of which Sweden (%)</i>	-	-	4 (17)	4 (24)	4 (27)	-
Voluntary non-core	40	44	20	26	50	25
<i>of which Sweden (%)</i>	4 (10)	5 (11)	-	-	-	3 (12)
TOTAL voluntary	n.a.	n.a.	33	43	65	32
<i>of which Sweden (%)</i>	4	5	4 (12)	4 (9)	4 (6)	3 (9)
Sweden's core/non-core	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: ITC revenue data from CEB, "Agency Revenue by Revenue Type," available at <http://www.unsceb.org/content/FS-A00-01>. Swedish contribution data from UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

Funding and effectiveness: ITC is fortunate to enjoy a dependable base of core resources, underpinned by the regular budgets of the UN and WTO. Its other annual funding sources, however, fluctuate considerably, thereby affecting the predictability and sustainability of its operations; fully half of ITC's staff costs come from voluntary contributions, adding to insecurity of tenure.

International trade is a development domain in which several UN organizations compete for non-core resources. ITC's activities

duplicate in part with those of UNCTAD (for trade information) and UNIDO (for trade standards) and to some extent with WTO (for all aspects of trade policy and negotiations, although WTO is outside the UN system). As in other development areas where there is substantial overlap among the activities of different UN organizations—we have mentioned women in development, water and sanitation—donors should move away from traditional line items in favored organizations toward integration of activities and allocations of non-core funds according to organizational effectiveness.

3.15 Summary: Sweden as a Donor to UN Funds and Programmes

This chapter has shown Sweden's core and non-core contributions to each UN fund and programme. A summary of its contributions to the organizations in this study is provided in Table 18. Between 2010 and 2015, Sweden allocated 55 percent of its total contributions to the funds and programmes as core contributions.¹¹¹ It is often listed among the top-three government donors of core funds to the organizations in the study, providing a high percentage of each organization's total core revenues. Sweden is also known to favor more flexible funding mechanisms even for its earmarked contributions. It is, for example, the fourth largest contributor to UNDP's trust funds (the most flexible form of earmarked revenue). UN Women also stressed Sweden's cooperation with the organization to ensure that its earmarked contributions align with the organization's agenda rather than distract from it.

In addition to providing significant core funds, Sweden also encourages UN funds and programmes to expand their core fund-raising efforts, and some UN organizations are assiduously pursuing non-traditional donors. Sweden has also encouraged

¹¹¹ We have opted to construct Table 18 using data from the QCPR since both CEB and QCPR data are generated by UN organizations, and this choice allowed us to maintain that consistency for comparisons. It is worth noting that there is variation between the QCPR and CRS databases. In some cases, the disparities are significant: the QCPR reports that Sweden's non-core contribution to UNEP in 2014 was USD 19.8 million, while the CRS reported USD 8.1 million for the same figure. There are other cases where a decimal was misplaced in one or the other report. Finally, there are some complicated cases in which disparities could be attributed to any number of reasons, as when the CRS reports that UNCDF received between USD 150 and USD 225 million annually from Sweden, and the QCPR shows the range from USD 5 to USD 19 million. However, we do not mix the datasets when drawing conclusions, and we believe that conclusions based on either one set or the other are generally representative. For example, the QCPR data indicates that 57 percent of Sweden's contributions to the 13 organizations in our study in 2015; the CEB data suggests that it was 55 percent.

other donors to minimize restrictions on their contributions, especially on core where “conditionality” is nevertheless on the increase.

Sweden has also provided staff, who can be strategically valuable, both in junior professional officer (JPO) posts and in more permanent positions. For example, UNCDF is in the process of developing the framework for a fourth financial stream—an investment fund based on a successful Swedish model, which is under development by a seconded Swedish staff member. Sweden has a history of investing in initiatives that can show impact, even without support from other donors. UNCDF is the smallest organization in this study and has few donors (roughly thirty in the past few years); yet Sweden contributed USD 19 million in 2014 (22 percent of UNCDF’s total budget for the year). Another small organization, UNODC, receives funds from Sweden to produce its annual report, a task for which its core funds are insufficient.

Like all donors, Sweden has its favored UN organizations. However, Sweden should remain vigilant about the criteria for its donor-initiated support for individual funds and programmes. For example, the UNDP’s modest water and sanitation activities have been almost entirely funded and staffed by Sweden. And Swedish nationals are placed in strategic positions in favored organizations as part of financial commitments. These policies benefit the organizations and Swedish nationals, but care should be taken to ensure that such decisions are primarily driven by multilateral principles. There is a further danger to the multilateral character of UN organizations when Sweden is one of a very few donors helping to perpetuate the existence of some organizations.¹¹²

¹¹² Besides Switzerland as the host country, Sweden is the last remaining donor to the UN Research Institute for Social Development (UNRISD).

Table 18: Swedish Contributions to UN Funds and Programmes, 2010-2015, USD millions¹¹³

Year	ITC			UNAIDS			UNCTAD			UNDP*			UNCDF*		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	0.0	4.2	4.2	37.8	2.6	40.4	0.0	1.2	1.2	88.0	97.0	185.0	0.0	5.2	5.2
2011	0.0	4.5	4.5	43.5	0.4	43.9	0.0	1.2	1.2	104.8	81.9	186.6			
2012	4.4	0.0	4.4	41.1	0.7	41.9	0.0	1.6	1.6	109.4	118.9	228.3			
2013	4.5	0.0	4.5	38.9	5.3	44.2	0.0	1.5	1.5	84.6	103.8	188.5			
2014	4.4	0.0	4.4	34.6	4.4	39.1	0.0	3.8	3.8	72.9	84.0	156.9	3.5	15.5	19.0
2015	0.0	2.8	2.8	25.0	3.9	28.9	0.0	7.0	7.0	58.8	74.7	133.5	0.0	7.0	7.0

Year	UNEP			UNFPA			UN-Habitat			UNHCR			UNICEF		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	4.9	9.6	14.5	58.3	7.9	66.2	0.0	3.1	3.1	0.0	111.9	111.9	61.4	64.9	126.4
2011	4.2	8.1	12.3	69.4	10.9	80.3	3.0	5.4	8.5	82.2	36.5	118.7	75.0	101.1	176.2
2012	4.9	10.1	14.9	66.3	19.4	85.7	2.4	7.5	9.8	81.5	36.8	118.3	70.0	91.4	161.3
2013	4.8	10.1	14.9	65.8	76.5	142.3	2.3	9.1	11.4	87.6	41.3	128.9	69.4	137.0	206.4
2014	4.2	19.8	24.0	70.3	5.2	75.5	2.9	0.0	2.9	89.9	44.3	134.2	79.8	111.3	191.1
2015	2.5	7.6	10.1	57.4	28.1	85.5	0.0	-0.4	-0.4	79.8	30.7	110.5	62.4	111.5	173.9

Year	UNODC			UN Women**			WFP		
	Core	Non-core	Total	Core	Non-core	Total	Core	Non-core	Total
2010	1.3	6.3	7.7				66.2	19.5	85.6
2011	1.4	9.6	11.1	7.5	11.5	19.0	81.2	9.2	90.5
2012	1.4	8.0	9.4	7.5	12.5	20.0	82.6	12.7	95.3
2013	1.6	11.0	12.6	19.3	15.9	35.2	78.8	24.3	103.1
2014	0.9	10.7	11.7	10.0	24.8	34.8	81.6	11.9	93.5
2015	0.6	4.1	4.7	8.3	24.8	33.1	62.3	53.9	116.2

Source: UN General Assembly and ECOSOC, Statistical Annex of "Implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system," A/71/63, (New York: United Nations, December 2015). Annual reports are available at <https://www.un.org/ecosoc/en/node/998613>.

* UNDP figures include revenue for UNCDF and UNV for years 2011-2013.

** UN Women began receiving revenue in 2011.

¹¹³ We have relied on data from the QCPR, because it includes the ITC and data from 2010. Although Sweden generates the data for the CRS, we opted to use the QCPR for its more comprehensive view.

4. Nine Recommendations

The foregoing analysis reveals highly variegated patterns of resource mobilization across the UN's funds and programmes. These patterns reflect history and expedience and not necessarily any master or logical design or strategy. No consistent rationale seemingly has been applied to funding the UN development system, which has grown by accretion over many decades. The following nine recommendations for Sweden's financing of UN funds and programmes emerge from our analysis of individual organizations and general findings.

Recommendation 1: Sweden should sponsor a new Independent International Commission on UN Funding (IICUNF).

UN reform, coming in the context of the new post-2015 agenda, requires a coherent funding foundation and integrated delivery rather than the haphazard, non-strategic, and ad hoc nature of financing for UN funds and programmes that is clear from our analysis as well as from many others by the authors and many other commentators over the years. This clearly recognized obstacle to UN reform should be urgently addressed by a new international commission supported by member states, including Sweden, and private philanthropies. The overall aim would be to concentrate more support on the undisputed areas of comparative advantage of the UNDS, namely its activities in conflict-prone and fragile states, and its work for all countries on the normative aspects of development. The terms of reference could include the following:

- Establish rational criteria to apportion the UN assessed biennial budget for UN funds and programmes (including the five regional commissions) according to minimum core needs based on their establishment costs, normative mandates, and

performances. All the funds and programmes fall under the authority of the General Assembly and ECOSOC, and managerially under the authority of the UN secretary-general. But for those receiving assessed contributions from the central UN budget, there has never been any attempt to devise a strategic funding strategy to apportion core resources according to need and performance. The core funding for the essentially totally “voluntary” organizations (UNICEF, UNDP, WFP, and UNHCR) has always been left to the whim and the vagaries of traditional donors.

- Establish thresholds for core resources for the voluntary organizations as a target for donors based on clearly identified needs, including a revision of overhead rates.
- Identify the operational overlaps among the funds and programmes for non-core funded activities that are incentivized and facilitated by donor earmarking. A related task would be to draw up guidelines, based on organizational performance, to encourage donors to allocate non-core resources to the most effective organizations.
- Examine the funding implications of closing or merging funds and programmes for which there is clear evidence of overlap and duplication.
- Develop a timetable for the progressive merger of the governing boards of New York-based funds and programmes.
- In the case of UNDP (which a staff member described it a “connector” rather than a “donor”), establish the volume of core resources necessary to support its infrastructural role as UN field coordinator and manager of trust funds on behalf of UNDS; a necessary, albeit contested step, would involve reviewing how non-core UNDP sources of funding could be

phased out entirely and redirected to other technically competent funds and programmes.

- Examine the VISC system as a universal way to finance UNEP's Environment Fund.
- Establish criteria for the use of pooled funding that should be encouraged both for humanitarian and development purposes.
- Establish standard definitions and nomenclature for sources of funding for UN funds and programmes.

In the past, Sweden has been influential in sponsoring commissions that have had a definite impact—the 1993 Björn Tore Carlsson *Quo Vadis, UNDP*,¹¹⁴ the Palme Commission on Disarmament and Security, and the Carlsson-Ramphal Commission on Global Governance.¹¹⁵ Independent commissions are a means to elevate issues and solutions that are difficult to formulate within a universal, intergovernmental context; but once such alternative views are in circulation, the quality of the conversation in intergovernmental bodies can change. The most visible recent example was the normative and operational impact of the 2001 report from the International Commission on Intervention and State Sovereignty (ICISS) and the “responsibility to protect” (R2P).¹¹⁶ While the work of the Nordic Project in the early 1990s had only a limited effect and visibility, the current context—in particular, the Trump administration’s menaces to cut US funding along with the Guterres administration’s announced commitment to reform—may find a more receptive audience.

¹¹⁴ Björn Tore Carlsson, *Quo Vadis, UNDP? A Discussion Paper on the United Nations Development Programme* (Stockholm: Swedish Ministry for Foreign Affairs, 1993), cited in Stephan Klingebiel, *Effectiveness and Reform of the UN Development Programme* (London: Frank Cass, 1999).

¹¹⁵ *Common Security: A Programme for Disarmament* (London: Pan Books, 1982); and *Our Global Neighbourhood* (Oxford: Oxford University Press, 1995).

¹¹⁶ The Responsibility to Protect (Ottawa: International Development Research Centre, 2001). For the perspective of one of the co-chairs, see Gareth Evans, “Commission Diplomacy,” in *The Oxford Handbook of Modern Diplomacy*, ed. Andrew F. Cooper, Jorge Heine, and Ramesh Thakur (Oxford: Oxford University Press, 2013), 278-302.

The commission's work could be part of the Financing for Development (FfD) process, but it should not be back-stopped by DESA. Rather, an independent temporary research directorate should be recruited specifically for this purpose.

Recommendation 2: Sweden should press for clearer and more uniform definitions and nomenclature for the various UN funding categories.

The number and variety of ways that UN funds and programmes currently categorize their sources of income have been a constant refrain in this and in other EBA reports. Often there are historical reasons that justify them, but just as often obfuscation seems the objective. The authors are hardly the only ones who see a crying need to standardize terminology so that the numbers produced for the CEB encompass the same types of items across the various organizations, and that the data provided by donors (including Sweden) be comparable. Longitudinal data at present provide broad brush-strokes, but parliaments and taxpayers should have a far more granular and accurate depiction of contributions over time.

There should be wider discussions—in the OECD/DAC, the International Aid Transparency Initiative, and CEB—to agree to standard and uniform definitions and nomenclature of funding sources. While greater clarity would be important about the sources of funds—official, private, or philanthropic—at a minimum, agreement about the exact meanings of the following five funding types (as suggested in Table 2) are essential:

- *Assessed contributions* are a treaty commitment to provide a specific percentage of an agreed regular budget.
- *Voluntary core contributions* have the equivalent flexibility of assessed contributions; they are not earmarked in any way and are fully flexible (that is, no geographic, temporal, or thematic restrictions).

- *“Soft” voluntary non-core contributions* are loosely earmarked. They are applied to wide-ranging themes, principal focus areas or geographic regions (or even situations arising from a crisis in one region but spilling into others) that provide a certain measure of flexibility for organizations to determine where they could be most helpful or have the highest pay-off. Such voluntary non-core contributions can approximate voluntary core contributions for large agencies that can put together a “package” for almost any situation. Some funds and programmes have identified an essential core activity that is financed by “dedicated” voluntary non-core contributions. Pooled funding should be included in this category.
- *“Hard” voluntary non-core contributions* are tightly earmarked and deserve this label in the development (as opposed to the humanitarian) context. They are geographically, temporally, or thematically so specific that they can only be used for an activity determined by the donor that reflects its preferences.
- *Restricted voluntary non-core contributions* are provided by program countries for local use. Local costs, for instance as part of UNDP’s voluntary non-core, should be identified; but they should be discounted in determining genuine ODA figures. UNDP has rebranded these local resources as “government cost-sharing,” but the phenomenon remains the same: resources channelled through UNDP by a government to take advantage of higher contractual salaries and duty-free imports. Although there were arguments advanced on the merits of UNDP’s getting in the middle, the continuation of local funding by several governments over many years suggests the delay of local capacity development. These sums help UNDP’s bottom-line, but they are in fact the hardest earmarking of all. In the case of UNCTAD and UNODC, these “cost-sharing” resources are designed to pay for specific technical services

provided by each organization (rather than rechanneling funds). These resources are “hard earmarked.” Another example is ITC, which charges users for some of its trade data and information. While these payments are a concrete indication of a country’s positive evaluation of UN expertise and services, they qualify neither as “multilateral” nor as “ODA”.

Recommendation 3: Sweden should request all UN organizations to improve their messaging around the importance of core funding.

To safeguard their core funding, UN funds and programmes need to become better advocates, especially when skeptical parliaments in donor countries and national development agencies are demanding to see results before agreeing on aid budgets. Some of these organizations are clearly better at developing metrics to record progress than others; and it is far easier to count numbers of vaccinations than to measure something much vaguer like “capacity building.” The need for showing results is nevertheless primordial for all UN organizations.

The task is hardest for the funds and programmes with relatively broad mandates, like UNDP (which is constantly trying to redefine itself), UNFPA, and UN Women. The establishment of norms and standards, of which organizations become the custodians, would be an important part of defining their roles and establishing benchmarks.

For smaller organizations providing technical services the case for core should be made on the basis of objectivity, specialization, and universality (working with all programme countries in need). Too often small organizations concentrate on resource mobilization to prospect and secure non-core funding from donors. Supply-driven aid availability makes careers; and staff of such organizations have trouble saying “no.”

Several UN organizations have already understood the importance of making the case for core based on the above justifications. The best example of a humanitarian organization was provided by UNHCR—in July 2016 with figures for 2015. Along with a report on staff reform from 2006 to 2015, UNHCR thus made a persuasive case.¹¹⁷ Another good example was provided by UNICEF.¹¹⁸

These presentations should be one of the bases on which considerations of core support should be made by all donors. Sweden should also request from OCHA a global presentation with specific examples for Sweden's core humanitarian funding across funds and programmes, and for a similar one on development from DESA.

Recommendation 4: Sweden should prioritize its non-core support to UN funds and programmes which, in its judgment, are the most effective in articulating clear and credible corporate strategies.

Non-core funding has enabled UN funds and programmes to maintain and even expand operations, with more non-core compensating for falling core resources. However, quantity says nothing about effectiveness. As suggested above, our research determined that the more rigorous and comprehensive the corporate strategies of an organization, the more effective non-core funding was likely to be. There is an obvious analogy with the broader development effectiveness debate. When countries are able to develop and clearly articulate realistic development goals and abide by them, as well as employ them as a framework for financial support from domestic and external sources, the more likely they are to meet them. Similarly, where the agreed corporate strategies of UN funds and programmes are clear and credible, as

¹¹⁷ UNHCR's *Use of Unearmarked Funding in 2015* (Geneva: UNHCR, July 2016); and *2006-2015 Ten Years of Reforms: Structural Impact* (Geneva: UNHCR, October 2016).

¹¹⁸ UNICEF, *Report on Regular Resources 2015: Accelerating Results for Every Child* (Geneva: UNICEF, 2016).

well as founded on their comparative advantages and used as the basis for funding from all sources (consolidated budgeting), the more effective is likely to be the financing. Strategic programming needs to be ex ante (e.g., UNICEF), rather than ex post (e.g., UNCTAD).

UN funds and programmes have acquiesced in accepting a growing proportion of non-core funds, but they should be rigorous in their strategic programming and more insistent that donors contribute funds that fall within those strategic frameworks.

Recommendation 5: Sweden should lead discussions on more predictable financing of essential normative activities.

As mentioned in Chapter 1, UN organizations have an unrivaled convening capacity as well as a comparative advantage in norm- and standard-setting—the central conclusion after ten years of research by the independent UN Intellectual History Project.¹¹⁹ Core funding plays an essential role in subsidizing such functions, but overall support for universal programming is insufficient in several of the UN funds and programmes. Donor funding gravitates to concrete operational activities, and such funding is typically non-core. CEB presentations of data devote an entire column to “normative activities,”¹²⁰ but there is neither a definition

¹¹⁹ The seventeen books and oral histories are summarized at www.unhistory.org. Readers may in particular be interested in the two key overviews: Richard Jolly, Louis Emmerij, and Thomas G. Weiss, *UN Ideas That Changed the World* (Bloomington: Indiana University Press, 2009); and Thomas G. Weiss, Tatiana Carayannis, Louis Emmerij, and Richard Jolly, *UN Voices: The Struggle For Development and Social Justice* (Bloomington: Indiana University Press, 2005).

¹²⁰ CEB, *Budgetary and Financial Situation of the organizations of the United Nations System, Note by the Secretary-General*, UN document A/71/583, 28 October 2016, Table 3.

for them nor an agreement about the many different expenditures that are lumped under the heading by various UN organizations.¹²¹

Sweden should propose discussions within appropriate forums—perhaps in the context of refining and monitoring the SDGs—about how normative agendas are to be financed in light of the ever-growing portion of earmarked funds. It is unacceptable for a universally-agreed agenda to have financing for only a certain set of norms chosen by a select group of donors.

Recommendation 6: Sweden should press for standard ways of measuring and justifying overhead costs.

Charging fair overheads and recovering full costs are a legitimate part of doing multilateral business. By whatever name they are called, program support costs (overhead, tax, full-cost recovery) vary widely among UN funds and programmes; they also vary from activity to activity. Moreover, what gets put in which basket necessarily reflects subjective judgments. Studies over the years to identify cost-recovery items have been entirely inconclusive, and their results remain contested.¹²² Less contested is the result of increasing the number of donors and projects and types of funding: proliferation and fragmentation of all types has increased transaction costs and the cost of aid.¹²³

There is no doubt that each organization requires resources to cover the additional costs entailed in administering non-core projects whose management costs are inadequately covered by the earmarked funding from certain donors. Also, the detailed

¹²¹ This is also a conclusion by Bruce Jenks, “Global Norms: Building an Inclusive Multilateralism,” *Development Dialogue Paper no. 21*, Dag Hammarskjöld Foundation, February 2017.

¹²² See, for example, CEB, “A Harmonized Cost-Recovery Rate for UN Inter-Agency Pooled Funds,” UN document CEB/2015/HLCM/FB/9, 16 June 2015.

¹²³ Arnab Acharya, Ana Tereza Fuzzo de Lima, and Mick Moore, “Proliferation and Fragmentation: Transactions Costs and the Value of Aid,” *Journal of Development Studies* 42, no. 1 (2006): 1-21.

reporting requirements from major donors appear to occupy an increasing portion of limited managerial time and skills.

Donors have increasingly called into question the formerly sacrosanct 13 percent attached automatically as an overhead to UN earmarked projects. Our interviews revealed that individual funds and programmes are currently running a “race to the bottom” to see who can be competitive with the lowest overheads. Legitimate costs are then buried elsewhere or taken from core contributions.

The fact that non-emergency projects may require higher overheads is hard to dispute. Yet establishing a standard way to measure and monitor such necessary administrative costs would go a long way toward assuaging complaints that Sweden’s taxpayers are subsidizing earmarked contributions from other donors. Nonetheless, such “subsidies” could also be considered leverage to multiply Swedish contributions; this reality should not be hidden but spelled out.

The additional reporting and auditing costs for specific donors should be a separate, direct-cost in the budgets for all non-core contributions.

Recommendation 7: Sweden should increase its contributions to pooled and core funding for humanitarian relief.

Pooling is under-appreciated as a mechanism for financing UN development activities. The “loss of donor control”—or the increase in autonomy by UN funds and programmes—through the use of pooled funds should be considered as a possible option to bridge the gap between the requirements of UN organizations and of donors. The experience of the MPTFO suggests that, depending on the modalities, many pooled funds can almost amount to “core” even though each donor earmarks a contribution for a designated country or problem or theme. It is also apparent that the MPTFO operates the way that UNDP was intended at its establishment in 1966—that is, as a central source of funding and coordination, not an executor of projects that more

properly call upon the expertise of more specialized secretariats. Managing this large facility has been made easier by the negotiation of common standards and conditions, which reduces transaction costs because there is a single annual report for all donors.

Humanitarian relief is a distinctive category. The Central Emergency Response Fund (CERF) and the Peacebuilding Fund (PBF) are reserve pools of resources funded by sympathetic donors that wish to earmark currently available funding that could be set aside to respond in the future to the requirements for unforeseen emergency relief and timely post-conflict peacebuilding. These types of “earmarked” funds are so flexible that they could even not be so labelled. However, pooled funding reserves for UN emergencies are insufficient compared with contemporary needs and the likelihood of continued catastrophes.

Despite the inevitably *ad hoc* nature of much humanitarian relief funding, the major humanitarian organizations still require minimal core funding in order to maintain and manage their extensive field networks, to launch effective appeals as emergencies arise, and to have resources at the beginning of emergencies. They are also required after the initial media coverage has faded, especially as many “emergencies” seem not to end but become protracted.

The three large humanitarian agencies—UNHCR, WFP, and 40 percent of UNICEF—benefit from these reserve pools, which should be increased. Centrally pooled humanitarian funding allows judicious choices to be made about the allocation of resources to the most appropriate organizations.

While the big three have large overall budgets and many regional and country activities that facilitate the assembly of “packages” to cover essential programming, their core needs are never sufficiently financed. Sweden is already a generous donor to the core budgets of WFP and UNHCR. These contributions should be sustained and preferably increased further, with Sweden encouraging these two organizations to make their case for increased core funding to other donors.

Recommendation 8: Sweden should withdraw its non-core funding from UNDP with the aim of encouraging it to emphasize its original central funding and coordination role within the UNDS rather than its role as an operational competitor within the system.

While UNDP should encourage donors to expand their pooled contributions, it should reduce, or withdraw completely from, its highly variegated and dispersed non-core financed activities, many of which compete directly with those of other more specialized units within the UNDS, and for which UNDP was originally established to support. This back-to-the-future recommendation could be moved along if Sweden and other donors progressively were to withdraw non-core funding for UNDP. In distinguishing UNDP's coordination and executing (or operational) functions, Secretary-General Guterres prepared the groundwork in a statement for ECOSOC: "The current 'firewall' between these two functions is insufficient to guarantee the level of impartiality that would generate confidence within and outside the system to ensure that Resident Coordinators can effectively lead."¹²⁴ In ongoing reform discussions, the ambiguity of UNDP's dual role and the failure of previous discussions about erecting an effective barrier between its coordination and delivery functions, a proposal now is circulating to place the management of the functions of the UN RC network under the authority of the UN deputy secretary-general, who also chairs the UNDG. This scenario could (and in the opinion of the authors should) imply the use of UNDP's core resources to enhance the UN RC coordination functions. The remainder of UNDP would be responsible for managing the MPTFO, among other limited functions, and not the range of competitive operations now so widespread, which can be seen as harming its oversight and coordination responsibilities. There is no competition for UNDP's coordination function; but all of its

¹²⁴ UN, *Repositioning the UN Development System to Deliver on the 2030 Agenda*, 14.

operational activities compete directly with numerous UN organizations.

Recommendation 9: Sweden should consider withdrawing funding from its favored enclaves in individual UN organizations.

To a greater or lesser extent, every major bilateral donor uses the multilateral system as a conduit for some of its aid preferences, whether geographical or thematic, whether dictated by parliaments or government, whether reflecting former colonial links or current trade preferences. Although a pillar of the multilateral system, Sweden is no exception and has provided targeted funding to individual UN organizations for a host of reasons, sometimes unspecified. For example in UNDP, it has been almost the sole supporter of a water programme, at one point entirely staffed by Swedish nationals located in New York. Sweden is also the most prominent donor in the UNCDF, whose precarious existence is in question. Sweden should consider withdrawing support from UN funds and programmes that do not attract a substantial number of other donors. Such funding could become part of its bilateral aid program. In order to minimize the erosion of Swedish commitments to multilateralism and strategic system-wide coherence, Sida should work more closely with the MFA to reflect better Swedish priorities in its non-core funding decisions.

Annexes

Annex 1: Interviews and Contacts, October 2016-April 2017

EBA

Per Trulsson, programme manager
Sonia Daltung, former director

Reference Group

Torgny Holmgren, chair
Henrik Hammargren
Tobias Axerup
Piera Tortora
Magnus Magnusson
Silke Weinlich

UNA Sweden

Jens Petersson, Deputy Secretary-General
Karin Johansson

MFA UN Policy Department

Ulrika Modéer, State Secretary for International Development
Jakob Strom, director
Tobias Axerup, deputy director
Erik Johnsson
Julia Fielding
Anna Hamrell

Sida

Anders Rönquist, Head, Multilateral Coordination
Katarina Zinn, Multilateral Coordination Unit

UNODC

Jean-Luc Lemahieu, Director, Division for Policy Analysis and Public Affairs (DPA)

Gillian Murray, Deputy Director, DPA, and Chief, Public Affairs and Policy Support Branch
Gautam Babbar, DPA
Igor Kondratyev, Officer-in-Charge, Co-Financing and Partnership Section, DPA

UNHCR

Dona Tarpey, Head, Donor Relations and Resource Mobilization Service
Daria Rouholamin, Associate Donor Relations Officer
Emilie Wiinblad Mathez, Senior Donor Relations Officer
Bates Assilbekova, Donor Relations Officer (Policy)

UNCTAD

Raul Javaloyes, Senior Economic Affairs Officer
Robyn Scherrer-Keen, Economic Affairs Officer

CEB Secretariat

Laura Gallagher, Inter-Agency Officer, Finance and Budget Network

UNAIDS

Joel Rehnstrom, Director, Financial Management and Accountability

ITC

Gerry Lynch, Director, Division of Program Support
Iris Hauswirth, Chief Strategic Planning OED
Matthew Wilson, Chief Adviser, OED

UNDP

Magdy Martínez-Solimán, Assistant Administrator and Director, Bureau for Policy and Programme Support
Sumathi Jayaraman, Director Strategy and Innovation, Bureau of External Relations and Advocacy
Michael O'Neill, Assistant Administrator, Bureau of External Relations and Advocacy
Paloma Durán, Director, SDG Fund, Bureau of External Relations and Advocacy

MPTFO (UNDP)

Jennifer Topping, Executive Coordinator
Henriette Keijzers, Deputy Executive Coordinator
Yiva Christiansson, Fund Portfolio analyst
Sumathi Jayaraman, Director, Strategy and Innovation

UNFPA

Arthur Erkin, Director, Division of Communications and Strategic Partnerships
Nick Hartmann, Director, Partnerships Group
Diane Sheinberg, Partnerships Adviser
Lina A. Fernandez, Team Leader, Performance Analysis and Projections, Partnerships Group,

UNCDF

Esther Pan Sloane, Head of Partnerships, Policy and Communications,
Herte Gebretsadik, Partnerships Development Specialist

UNICEF

David Matern, Senior Adviser, Public Partnerships Division
Fernanco Gutierrez-Eddy, Senior Adviser Government Relations, Public-Sector Alliances and Resource Mobilization

UN Women

Joelle Tanguy, Director, Strategic Partnerships Division
Asger Ryhl, Director, Nordic Office (Copenhagen)
Abigail Neville, Donor Relations and Reporting Manager, Strategic Partnerships Division

Annex 2: Questionnaire (Used as Guidelines for Interviews)

1. Name of UN organization

2. Names of those met

3. Date

4. What is the overall breakdown of funding today?

- ☐ Core funding
- ☐ Voluntary core funding
- ☐ Voluntary non-core
- ☐ Other (please specify)

5. What has been the evolution in these categories over the last ten years (annual data or five-year intervals)?

- ☐ Core funding
- ☐ Voluntary core funding
- ☐ Voluntary non-core
- ☐ Other (please specify)

6. What are the most common forms of non-core earmarking (with some idea of breakdowns)?

- ☐ Geographical: individual country

- ☐ Geographical: groups of country
- ☐ Geographical: regional
- ☐ Thematic: sectors (agriculture, mining, industry, etc)
- ☐ Thematic: Cross-cutting (gender, etc)
- ☐ Both geographical and thematic
- ☐ Other

7. What have been the changes over time in the types of non-core funding?

8. Who are the major donors by type of funding (last five years)?

9. How important is the Swedish contribution by type?

10. What are the special advantages of assessed/core funding (assessed and voluntary)?

- ☐ Makes funds available up-front for new emergencies
- ☐ Can be flexibly reallocated
- ☐ Favours longer-term programme planning
- ☐ Fully supports overheads
- ☐ Less administrative and reporting burden
- ☐ Supports advocacy
- ☐ Provides seed-money for new initiatives
- ☐ Supports other underfunded parts of mandate (e.g. middle-income countries, long-running projects)
- ☐ Supports development of norms and standards
- ☐ Supports activities which are harder to sell to donors (e.g. prevention)
- ☐ Other advantages

11. What are the specific advantages of non-core funding?

- ☐ Supports additional technical personnel
- ☐ Helps increase overall funding levels
- ☐ Supports new and innovative activities
- ☐ Supports activities with attributable and recordable results (RBM friendly)
- ☐ Maintains supportive relationship with individual donors
- ☐ Allows for more innovative funding sources and types
- ☐ Others

12. What are the specific disadvantages of non-core funding?

- ☐ Low coverage of overheads
- ☐ Separate (onerous) reporting requirements
- ☐ Heavy on administration
- ☐ Not synchronized with budget cycle
- ☐ Volatile from year to year
- ☐ Time-limited
- ☐ Not in line with central mandate
- ☐ Not adequately scrutinized by governing body
- ☐ Other

13. Why would Sweden have a preference for core funding of the following UN funds and programmes?

- ☐ UNDP
- ☐ UNCDF
- ☐ UNICEF
- ☐ UNFPA
- ☐ UN Women
- ☐ UNHCR
- ☐ ITC
- ☐ UNAIDS
- ☐ WFP
- ☐ UNODC
- ☐ UNEP
- ☐ UN-Habitat

Annex 3: CEB Definitions of UN Revenue Sources¹²⁵

Type of Revenue	Definition	Example
Assessed Contributions	Revenues reported under this category will reflect contributions received as an assessment, a contributory unit or as otherwise required in a treaty document, a Convention or other basic instrument of the Organization.	Revenues from Member States.
Voluntary Contributions – Non-specified	Revenues reported under this category will reflect all revenues received which the organization feels do not qualify as being specified as to use under its own Financial Regulations and Rules. Normally, these will be reported as such in the organizations Financial Statements.	In most cases revenues from Member States.

¹²⁵ The first four categories are reported in the CEB's Total Revenue data. The next two categories (In kind Donations and Local Resources) are designations that provide additional information about the *type* of revenue. The final seven categories each represent a sub-set of the third category (Voluntary Contributions – Specified) and provide more information about the *source* of the revenue. The table is color-blocked to indicate the three distinct groupings of categories.

Voluntary Contributions – Specified	Revenue reported under this category will normally reflect all revenues received by the organization which are specified as to the nature and use of the funds under its own Financial Regulations and Rules.	Any type of donor: Member States, Private Sector, UN Organization, Universities, Cities, NGOs, etc.
Revenue from other activities	These will include all other revenues not considered “contributions” under the organization’s accounting policies.	Generated interests, fees, miscellaneous income, etc.
In kind Donations	In kind revenue is defined as those revenue transactions recorded for donations or goods and / or services, in accordance with IPSAS 23 “Revenue from non-Exchange transactions” and the accounting policies of the organization.	
Local Resources from domestic sources (excluding IFI credits/loans)	Local resources are contributions received from programme countries for use in their own national development framework. It excludes resources received from IFIs under a tri-partite arrangement between a programme country, a UN organisation and an IFI.	
Revenues from Agency Thematic funds	Some organizations distinguish Agency thematic funds as a type of Voluntary Contribution – Specified. Agency Thematic Funds are single-entity funding mechanisms designed to support specific high-level outcomes within an UN entity’s strategic plan. The UN entity is	Depends on the financial policies of each Organization. For some agencies, there is no specificity for Thematic funding. For some other Agencies, Thematic

	the fund administrator, takes a lead role in making fund allocation decisions and is also the fund implementer. These are reported only if an agency uses this type of funding modality.	funding benefit from a reduced cost-recovery rate.
Revenues from UN inter-agency pooled funds	UN inter-agency pooled funds are multi-entity funding mechanisms designed to support a clearly defined broad programmatic scope and results framework through contributions that are co-mingled, not earmarked to a specific UN entity and held by a UN fund administrator. In the UN inter-agency funds, the UN also takes a lead role in making fund allocation decisions as well as fund implementation. UN inter-agency pooled funds thus operate as pass-through mechanisms, and include Joint Programmes, One Funds and multi donor trust funds (MDTFs).	CERF, ERF, CHF, PBF, One Funds, and other global and country level MDTFs, and JPs. This is reported only when an agency uses this type of funding as a fund implementer – we need to take care to avoid double counting across agencies.
Revenues from global Vertical Funds	Global vertical funds focus ‘vertically’ on specific themes, but are not directly administered by a UN entity and do not have a UN lead role in the fund allocation process. Though a form of pooled funding, from the UN perspective the funding received is earmarked to particular projects, with the UN’s role solely as a fund implementer.	Global Climate Fund, GEF, GFATM, Montreal Protocol, GAVI etc.

Revenue from European Commission	This reflects all revenue recorded in the accounts for the Calendar year from the European Commission.	Only one possible entry: EC.
Revenue from UN organizations, excluding inter-agency pooled funds	This reflects the total of revenues recorded in the accounts from all UN organizations, excluding the funding received from a UN organisation that operates as a fund administrator for a UN inter-agency pooled fund. It includes funding received through the UN-to-UN agreement and as Managing Agent in a UNDG Joint Programme.	Any Organization which belongs to the UN system.
Revenue from International Financial Institutions (IFIs)	This reflects total revenue recorded in the accounts as received from the World Bank, IMF and regional Development Banks. It includes resources received from IFIs under a tri-partite arrangement between a programme country, a UN organisation and an IFI. It excludes resources received from IFIs in their capacity as a Trustee of a global vertical fund, which are recorded separately.	World Bank, African Development Bank, Inter-American Development Bank, Asian Development Bank, etc.
Revenue from non-state donors	This reflects total revenue recorded in the accounts from other (Non-UN) international organizations, foundations and NGOs and the private sector.	Any entity not listed above: Foundations, Private sector, cities, universities, Non-UN, etc.

Source: CEB Secretariat

Annex 4: Sweden as a Multilateral Donor¹²⁶

Sweden is one of thirty members of the Development Assistance Committee (DAC), the OECD's group of donors committed to certain development principles, which commit to providing annual development financing statistics. Among these thirty donors, Sweden is a frontrunner in terms of its annual contributions and its strategic practices.

Figure A.1 provides the authors' presentation of DAC members' development activities across five measures, with the goal of demonstrating each donor's commitment to UN multilateralism and supporting the comparative advantage of the UN development system.¹²⁷ First, the GNI score reflects each donor's 2015 gross ODA as a percentage of that year's gross national income (GNI). Second, the multilateral score rates ODA contributed to multilateral organizations in 2015 as a percentage of total ODA in 2015;¹²⁸ the higher the percentage, the higher the score. Third, the UN score reflects the percentage of multilateral contributions that were allocated to UN organizations in 2015. Fourth, the core score considers the percentage of 2015 contributions to the funds and programmes in this study that was not earmarked for a specific purpose. Finally, the volatility score presents a ranking of predictability of annual contributions from 2010 to 2015, as measured by a coefficient of variation.¹²⁹ Each measure is given a score between 1 and 5, with five indicating

¹²⁶ An earlier template for this comparative analysis was developed for Stephen Browne and Thomas G. Weiss, *Supporting the 2030 Agenda for Sustainable Development: Lessons from the MDG Fund* (New York: FUNDS and UNDP, 2016).

¹²⁷ This aggregate metric cannot account for all nuances, such as the relatively small difference to organizations of receiving core or softly earmarked contributions, but it gives an overview of each donor's development activities.

¹²⁸ The CRS measures contributions to multilaterals in seven main categories: UN agencies, funds, and commissions; European Union institutions; the International Monetary Fund, the World Bank Group, the World Trade Organization; regional development banks; and other multilateral institutions (including vertical funds).

¹²⁹ The volatility score for each donor is based on their contributions to the funds and programmes.

highest performance, or most supportive of the UNDS. The values are provided in Figure A.2. The scores for each measure are added together to create a composite score, out a total possible 25.

Sweden was assigned a top score of 5 on one measure—the GNI score. A score of 5 was given to each donor that had met in 2015 the 0.7 percent of GNI benchmark adopted by the General Assembly in 1970. Sweden’s total ODA expenditures in 2015 were exceptionally high due to in-country refugee costs: ODA reached USD 7.1 billion, and represented 1.4 percent of Sweden’s GNI.¹³⁰ While 2015 was an outlier, Sweden remains committed to allocating 1.0 percent of its GNI to ODA.

¹³⁰ OECD, Creditor Reporting System database. Available at <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>.

Figure A.1: DAC Donors Compared

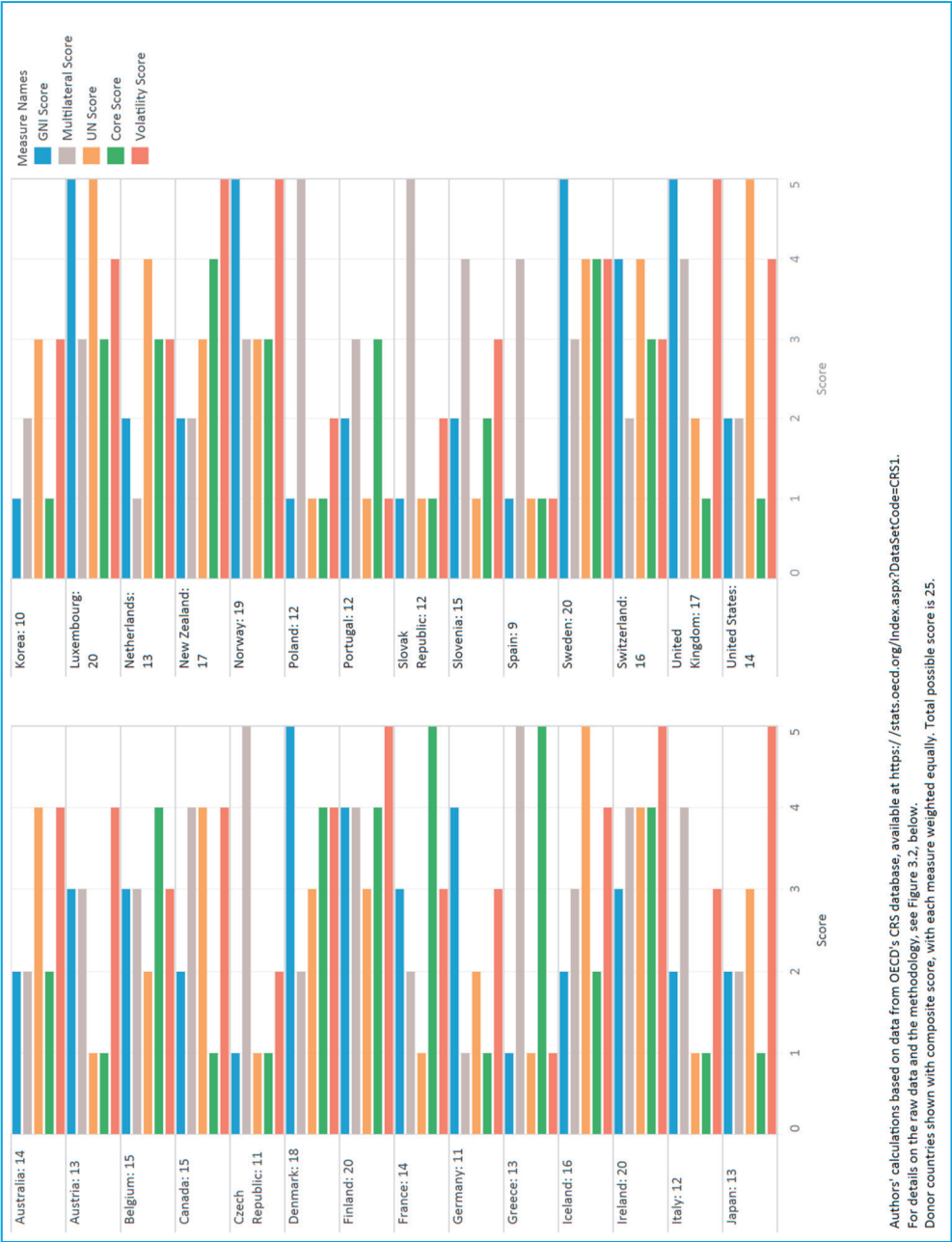
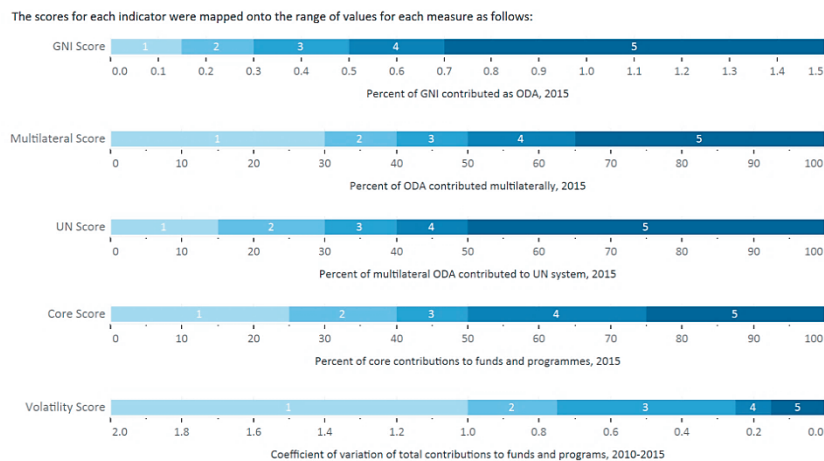


Figure A.2: Methodology for “DAC Donors Compared”



While the GNI score was the only category for which it received the highest grade, Sweden (along with Ireland and Finland) merited our highest composite rating among DAC donors; its score of 20 out of 25 reflects the overall strength of Sweden’s multilateral practices in relation to the UN funds and programmes. There are other donors that score higher for the percentage of their contributions reserved for core funds, or for the percent of annual ODA dedicated to multilateral organizations. However, when the measures are viewed holistically, Sweden stands out. Other donors, for example, reserved a higher percentage of their contributions in 2015 to core funds for the organizations in our study, but they had significantly lower ratings on the other measures. For instance, Greece had the highest ratio of core to non-core contributions, but it also contributed the lowest percentage of its multilateral ODA to the UN system and had the most volatile investment patterns during the years studied.

Sweden is often also customarily compared with the Nordic like-minded countries. Sweden provided the largest contribution of ODA both in 2015 and in aggregate between 2010 and 2015 among Denmark, Finland, Iceland, and Norway. It also contributed the largest share of GNI in 2015 (1.4 percent), an amount temporarily boosted by a sharp increase in in-country refugee expenditures. The figure has been at least 0.97 percent

since 2010.¹³¹ Sweden also allocates a relatively high share of its multilateral contributions to the UN; at 42.9 percent in 2015, it is exceeded only by Iceland's 60.5 percent.

¹³¹ OECD, Development Co-operation Report 2016 (Paris: OECD, 2016), 263, available at http://www.keepeek.com/Digital-Asset-Management/oecd/development/development-co-operation-report-2016_dcr-2016-en#page1.

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