Adequate and predictable funding to multilateral development organizations is key to promoting global sustainable development. Funding volumes and practices matter. They affect the scale and scope of solutions that can be offered. They reveal the extent to which multilateral organizations are owned by member states when looking at who shares the risks and costs of multilateral activities, and they demonstrate the level of trust placed in an organization. Through resource politics, states exercise influence and control over an organization. This influence can serve to support and strengthen multilateral organizations by helping them to be efficient, effective, and innovative. Or, it can also undermine international organizations by making their work harder, hampering development effectiveness, and eroding multilateral assets.

The UN development system (UNDS) illustrates both kinds of financial engagement, often in parallel. Over the last three decades, member states collectively multiplied their contributions; new, private actors emerged as significant donors. This growth in funding allowed the UNDS to expand significantly in scale and scope. At the same time, the practice of earmarking funding and the dependence on a small number of Western member states have been placing constraints on the UNDS. Despite a broad acknowledgment of the negative repercussions, efforts to curb earmarking practices and broaden the donor base have so far been mostly in vain. Adopting the UN Funding Compact in 2019, member states and the UNDS for the first time formulated a potential systemic approach to bring about a more predictable, flexible, and multilateralism-friendly funding so that the UNDS becomes fit for supporting member states in their transformations toward sustainable development.1

This chapter begins by describing the current funding patterns of the UNDS, analyzes the main drivers, and assesses repercussions. It then takes stock of responses by individual organizations as well as by the system as a whole. The chapter concludes with some reflections about the inherent challenges in finding remedies to the unsustainable funding structures that endanger the system’s multilateral assets.

Main funding patterns

The UN development pillar, or “system,” comprises more than 30 funds, programs, specialized agencies, and other entities that play a role in sustainable development.2 While UNDS entities have specific thematic mandates and also substantially differ in their sizes and profiles—some
focusing more on direct support and service delivery, others more on capacity-building and policy advice—they are all supposed to represent and further the UN’s international standards and normative commitments, including human rights. The majority of entities have mandates to further sustainable development, yet there are also some parts of the UNDS that have partly or fully humanitarian mandates. Institutionally, the UNDS is marked by weak central authority and high fragmentation. In a typical developing country, there are on average a dozen UN entities that coordinate their activities, more or less successfully. The majority of the UNDS’s activities are funded by voluntary contributions. There is not a centralized funding mechanism; instead, individual entities mobilize most of their resources themselves. When analyzing the funding of the UNDS over the last two decades, three patterns emerge, namely a strong increase in resources, a dependency on Western contributors, and a shift toward earmarked funding.

First, the UNDS has over the years greatly benefited from an increase in resources. As Figure 11.1 shows, resources have more than doubled over the last 15 years and were at $33.6 billion in 2017, the last year for which data are available. Humanitarian resources grew at a faster pace than development-related resources and now make up 46 percent of contributions. This growth is also mirrored in the distribution of resources among UNDS entities. Overall, funds are concentrated in a relatively small number of organizations. The World Food Programme (WFP), the United Nations Children’s Fund (UNICEF), the Office of the United Nations High Commissioner for Refugees (UNHCR), and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), with large humanitarian portfolios, account for more than half of overall funding in 2017. The United Nations Development Programme (UNDP), the World Health Organization (WHO), the Food and Agriculture Organization of the United Nations (FAO), and the United Nations Population Fund (UNFPA), all with a development focus, together received around 30 percent. The other 35 entities accounted for the remaining 17 percent.

The mostly steady increase in resources has allowed the UNDS to be the largest collective development actor with funding in 2017 equal to about 23 percent of total official development assistance (ODA). The UNDS has been receiving roughly one-third of all ODA contributions to multilateral development organizations as registered by the OECD (see Figure 11.2 for a comparison with other funding channels). This testifies to the trust that contributors place in the

![Figure 11.1](https://via.placeholder.com/150)

**Figure 11.1** Real change over time of funding for UN-OAD, 2002–2017.

*Source: Secretary-General (2019), Funding Analysis of Operational Activities for Development—Addendum 2, p. 4 (graph and data were shared by Andrew Macpherson who gave permission to reprint).*
Funding the UN

UNDS and the value that they see in funding it. Yet considerable as it may be, the funding cannot match the UNDS’s potential tasks. UN Charter Article 1 states the overall mission: “to achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all.” Various UN organizations have broad mandates in many policy areas, and the idea that all developing countries are eligible for UN assistance has led to a worldwide field presence. The 2030 Agenda requires vast resources for implementation, although it is clear that development aid can only play a catalytic role; private investments and other funding are essential. With climate change-related disasters on the rise and humanitarian needs chronically underfunded, resource requirements for both are substantial.

The Funding Compact, focusing on the development side only, indeed aims to raise additional funds for the UNDS, albeit in a very specific form. To do justice to the integrated challenges inherent in the Agenda 2030 and the Sustainable Development Goals (SDGs), funding targets exist for three funds that finance collective work of UNDS entities: the UN Peacebuilding Fund (PBF), the Joint SDG Fund, and the Special Purpose Trust Fund that facilitates UN coordination structures. In particular, the Joint SDG Fund aims to foster a new approach by UN country teams whereby they help unlock innovative finance for governments and national partners.

Second, a handful of donors from the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD/DAC) dominate the funding of the UNDS. They do so not only directly but also through funding other multilateral institutions that have grown into important UN funding sources. While there has been a diversification of sources over the last decades, it is taking place at a slow pace and has not fundamentally changed the reliance on a small number of Western donors. In 1982, states contributed more than 90 percent of all UNDS funding; today, their share is down to 74 percent. The remaining share is contributed by private actors and nongovernmental organizations (at 13 percent), the European Union (EU, at 7 percent), and global funds (6 percent). Only a few UN organizations benefit from this influx of non-governmental funding. UNICEF and WHO received around 20 percent of their total revenue from non-state contributors; and together with UNHCR, they accounted for over 80 percent of the UN’s non-state funding. While this funding lessens the dependence on governments, some of it may come with its own challenges—e.g., in terms of influence of actors such as the Bill and Melinda Gates Foundation, or further fragmentation of the multilateral development system through the creation of global funds. Within the group of government funders, a relatively small group of countries pays the largest shares. As highlighted by the UN Secretary-General in his 2019 funding report, seven countries accounted for over two-thirds of all government contributions to the UNDS. When looking only at development activities, half of all funding was contributed by the United States, the United Kingdom, and Germany. Other long-standing supporters of the UNDS include Sweden, Japan, Norway, Canada, the Netherlands, Switzerland, and Denmark.

Funding from developing countries has been increasing, yet remains marginal when taking a system-wide perspective. In 2017, funding from non-OECD members amounted to 11 percent of overall UNDS contributions. China comes first, followed by the Russian Federation, Colombia, Saudi Arabia, and Qatar. These top five countries contributed 51 percent of the total funding for UN operational activities originating from non-OECD/DAC countries. In particular, the drastic increase in Chinese resources from roughly $50 million in 2008 to $320 million in 2017 points to the potential for more resources from the wealthiest members of the Global South. Indeed, China has begun to invest resources especially in smaller UN organizations with Chinese leadership. Yet, when compared with Chinese contributions to the World
Bank or the Asian Infrastructure Investment Bank (AIIB) and its bilateral spending on South–South cooperation, resources invested in the UNDS seem modest.\textsuperscript{12}

The rise of emerging powers in the Global South so far has bypassed the UN, at least in terms of financial contributions. Given that the UNDS is widely considered a trusted partner of developing countries, the growth in South–South cooperation could have also led to an influx of resources, the more so as the UNDS for decades has actively championed South–South cooperation both at the intergovernmental and field levels.\textsuperscript{13} Moreover, the modest sums indicate that many developing countries still interact with the UNDS more as a resources-transfer mechanism for their benefit rather than seizing responsibilities and greater ownership of a set of organizations with key responsibilities for the implementation of universal norms, standard-setting, and global public goods. Overall, the concentrated funding patterns increase the dependency and potential vulnerability of UN organizations. On the one hand, funding grants power and influence, which can become problematic in multilateral organizations that need to be impartial and should be able to balance particular interests. On the other hand, changes of government and policies in important donor countries can lead to sudden and significant funding shortfalls, as witnessed by organizations such as UNFPA, UNESCO, or UNIDO in recent years.

Third, the increase in resources reflects mainly the growth in earmarked contributions. At an all-time high in 2017, 79 percent of all resources for operational activities (humanitarian and development-related) and 73 percent of all development-related resources were tied to specific purposes. Earmarked or non-core funding has three characteristics: it is voluntary, it preserves the national identity of a grant, and it by-passes statutory governance bodies of multilateral organizations.\textsuperscript{14} As Figure 11.1 shows, core funding has been rising at a much slower pace than earmarked funding. Core contributions mean funding provided without restrictions to the budgets of an organization, controlled by the respective intergovernmental governing body of that organization. Core contributions come in two forms: mandatory contributions, which are a legal obligation of membership according to an agreed scale of assessment, and voluntary contributions, the size of which is determined by the donor individually.\textsuperscript{15}

Earmarking in the UNDS has a long tradition. Already in the 1950s and 1960s, funding rules at many UN organizations changed in order to allow earmarked contributions. These changes were initiated by actors willing to provide more financing to the UN in order to expand its activities into new areas.\textsuperscript{16} Until the 1990s, however, the majority of resources were in the form of core funding. From 1992 on, a stagnation and sometimes decline in core resources set in, which accompanied a sharp increase in earmarked resources. By 1997, the majority of all contributions to the UNDS were earmarked. Such contributions have outgrown core resources for the majority of organizations. For the five largest operational organizations, earmarked resources have been exceeding core contributions by a large margin. In 2017, UNICEF, WFP, UNDP, UNHCR, and WHO each received between 74 and 87 percent of their total revenue through earmarked contributions.\textsuperscript{17} Smaller, more thematically or geographically focused agencies like UNFPA (62 percent), UNRWA (45 percent), and UN Women (57 percent) have maintained higher levels of core funding but have also recently witnessed an increase in earmarked funding.

As Figure 11.2 shows, the inverse proportions and the dominant share of earmarked resources distinguish the UNDS from other multilateral development actors such as the World Bank, regional development banks, and the EU. While also registering an increase in earmarked funding, these organizations so far are more solidly grounded in core funding.\textsuperscript{18} By earmarking, contributors narrow the room for maneuver by a multilateral organization.
and increase their own ability to control the delegated activities. They can use the assets of UN organizations (e.g., impartiality, broad country presence, expertise, and convening power) for their own bilateral priorities. They also receive more detailed information on how funds are spent and results. Several factors may explain why the UNDS receives such high levels of earmarked funding. Contributors have been pointing to UN organizations’ broad thematic portfolios and (perceived) deficits in organizational transparency and performance. Furthermore, unlike in multilateral development banks, high shares of core funding do not translate into larger voting rights; instead, earmarking seems to be the preferred (and sometimes the only) way to ensure (perceived) control in a multilateral setting.

Varieties of earmarked funding

In much of the academic literature, earmarked funding has traditionally been treated as one category and juxtaposed to multilateral core funding. However, earmarked funding comes in many forms and differs along a variety of dimensions. It has evolved over the years, often as a flexible means to work around existing structures. In order to identify specific instruments of earmarked funding that at least share some important characteristics and collect comparable data about the system’s earmarked portfolio, the UNDS now distinguishes between four instruments (which in themselves carry significant variation, as argued elsewhere19): UN inter-agency pooled funds, single-agency thematic funds, local resources, and project-/program-specific contributions.20 They are worth parsing.

Inter-agency pooled funds (also known as “multi-partner trust funds”) bring together several donors and several UN organizations. They are typically, but not necessarily, administered by the Multi-Partner Trust Fund Office (MPTFO), which is hosted by UNDP. Some of these instruments are defined by sectors (country-based humanitarian pooled funds), others by their purpose of improving coordination (One UN Funds, Joint Programs), and yet others by their function of promoting global thematic priorities (Global Funds).
Agency-specific thematic funds can be multi- or single donor, but they benefit a single UN entity. They represent an attempt to reconcile the request by donors for the thematic specifications of allocations with the need for greater flexibility in how and where UN organizations spend funds. Examples include UNDP’s Funding Windows on climate, governance, crisis recovery, and poverty eradication as well as UNFPA’s Maternal and Newborn Health Thematic Fund.

Figure 11.3 shows that these two types of pooled funding so far account for a small portion of total UNDS resources. Both inter-agency and thematic funds are explicitly mentioned in the UN Funding Compact with the aim of doubling their shares in the overall UNDS development-related funding mix to 10 and 6 percent respectively by 2023. Pooled funding has gained more traction in humanitarian affairs, where it amounts to some 11 percent. The Grand Bargain, the humanitarian predecessor of the Funding Compact that was agreed in 2016 at the World Humanitarian Summit, had defined a global target of 30 percent of humanitarian contributions non-earmarked or softly earmarked by 2020.

Local resources are source-based. While all UN member states and private actors may contribute to other forms of funding, in this case the government of a developing country itself contributes funding for UN activities within its own borders and also specifies their use. This practice is particularly common in Latin America. Local resources in fact accounted for more than half of developing countries’ contributions to the UNDS in 2017, although the share of China’s local resources has been going down over the last five years.

Project- and program-specific funding is often described as contributions by one donor and for activities by one organization, usually but not exclusively at country level. There is little transparency for this type of funding, and various stakeholder compositions are possible and in fact common. For many years, this type of funding has been making up the largest portion of non-core contributions to the UNDS. The UN considers it the most restrictive and therefore harmful form of funding—for both development and humanitarian affairs. As a small disincen- tive, the Funding Compact, therefore, imposes a 1 percent levy on project- and program-specific funding, which will help fund the UNDS’s coordination structures.

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**Figure 11.3** Contributions to UNDS.

Why the substantial increase in earmarking?

Most frequently, the rise of earmarked funding is explained by looking at the supply side—e.g., the policies of donor countries, mostly from OECD/DAC countries. Observers stress that several issues came together to facilitate the increase in earmarked resources from the 1990s onwards. Despite hopes for a peace dividend, and in the absence of the obvious foreign political rationales, ODA declined, at the United Nations and elsewhere. The downward trend was reversed by a reorientation of development policy toward thematic priorities. In particular, the Millennium Development Goals (MDGs) helped mobilize resources; the focus on thematic priorities led to a significant increase in resources for the UNDS.

At the same time, increasingly critical national constituencies demanded more efficiency and visibility for their contributions to multilateral organizations. With greater aid volumes, scrutiny of these funds and the need for accountability also increased. OECD/DAC countries were dissatisfied with the perceived inefficiencies and shortcomings of multilateral organizations or with their restricted mandates. This concern translated into funding for highly specialized, newly founded vertical funds such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), and the vaccine alliance GAVI. It also led to more earmarked funding that encouraged more transparency, accountability, and communication about efficiency and results. New mult-donor trust funds also enabled a more coordinated approach among groups of donors to support a common cause.

The factors that brought about the increase in earmarking also helped to perpetuate its rise. Such international factors as donors’ wishes to exert more influence and ensure their thematic priorities in organizations with multilateral governance were important. Domestic and bureaucratic factors have also been crucial: many governments have divided the financial responsibilities for the diverse UN organizations across line ministries. Often, there is little knowledge about the other ministries’ activities and insufficient coordination. Vested interests exist in the respective organizations or programs/projects, hampering whole-of-government approaches. Some donor countries take a large part of their funding decisions at the country level; others have big ODA shares tied to programmatic priorities determined at the center. There is often a strong path-dependency to allocation decisions, including the division between bi- and multilateral channels or among multilateral channels. Finally, in many donor countries, domestic actors ask for greater accountability and demonstration of concrete results. This requirement often goes hand in hand with a demand for quantifiable outputs, rather than wider societal or political outcomes that are much harder to pin down, as Paul Yanguas has argued. For humanitarian affairs, it is widely accepted that earmarked funding allows the mobilization of funding for new crises and rapid reactions in emergencies. Yet, earmarking allows donors to pick and choose and exert influence on the work of multilateral organizations and their implementation partners.

Yet, we should not assume that UN entities have been innocent bystanders in the rise in earmarked contributions, although their role is harder to pin down. Multilateral organizations have generally embraced the additional voluntary contributions that allowed them to evolve, stay relevant, and expand the scope and scale of activities. In fact, UN organizations have played an active part in mobilizing earmarked resources, a process facilitated by a decentralization of decision-making authority to the country level where strong incentives for field offices exist to sustain themselves financially. Coordination mechanisms inside and across entities—notwithstanding some positive examples—have so far not enforced a firmer corporate stand against earmarked funding proposals that fall outside an organization’s thematic priorities or are too restrictive. Given the lopsided ratio of core to non-core resources, core resources are used increasingly to actively leverage non-core contributions.
Consequences of earmarking

Earmarking is not per se detrimental to UN development cooperation. As described, UN organizations have long actively pursued this form of funding as a welcome source for increasing revenue and scope. Even today, their stance on earmarking remains ambivalent, as they balance the (perceived) need for additional resources with the problematic aspects of earmarking. Earmarked funding can be credited with energizing the UN, making it more results-oriented and conscious of efficiencies. It has been key to quickly mobilizing resources particularly in the humanitarian but also in the development realm.

While often described as turning the UN into an “implementer” or “service contractor,” UN field staff often see the relatively close involvement of donors that accompanies earmarking in terms of dialogue and partnerships. When donors pool their resources, either in a trust fund or some joint program, this creates a form of UN “mini-lateralism” with benefits such as risk-sharing, greater efficiency, and enhanced respect for UN global norms. Such arrangements promote one of the UN’s original aspirations; namely, in the words of Charter Article 1, “to be a centre for harmonizing the actions of nations in the attainment of […] common ends.” In fact, pooled funding presents the only opportunity to finance joint or collective activities by UN organizations, which has become even more necessary for the Agenda 2030’s pursuit of SDGs, which calls for integration and scale.

However, these generally positive attributes should be viewed in the larger institutional and political context. In general, UN organizations plan, both at headquarters and in the field, on the basis of both core and earmarked resources. As long as the latter align with an organization’s values and program, they can be considered generally supportive. However, earmarking can and often does have very disruptive effects, particularly for those organizations or field offices that almost exclusively rely on earmarked resources. Each earmarked contribution requires the negotiation of a contract and reporting results, which can re-direct attention away from core tasks and consume limited personnel capacities. The fragmented nature of earmarked revenue requires field offices to piece together the implementation of medium-term programs from a multitude of short-term earmarked contributions that arrive in unpredicted and unpredictable ways during the entire program period. The unpredictability and potential inflexibility of incoming resources also affects staffing and staff structures; it creates strong incentives for staff to become entrepreneurial in the competition for resources, both within and across UN organizations. Individual entrepreneurship—and the desire of every staff member to be their own project manager—in turn undermines the UN’s attempts to deliver as one and presents a serious obstacle to any reforms.

These issues could be dismissed as simply administrative annoyances. However, as such terms as “bilateralization,” “commercialization,” and “privatization” of UN development politics suggest, the implications of earmarking go beyond purely administrative issues. Given nearly three decades of a high ratio of earmarked funding, earmarking by now profoundly shapes almost all aspects of how UN organizations think and operate. The rationale behind multilateral organizations lies in the delegation of responsibilities as a way to increase member states’ capacity for collective action. As Devi Sridhar and Ngaire Woods state,

The general proposition is that multilateralism offers governments a chance to delegate authority to an international institution to take the political heat off themselves or to tie their hands in a way that is conducive to long-term goals but not to short-term political interests.

Many forms of earmarking in fact undermine this proposition, by reducing the decision-making autonomy of international organizations.
This starts with resource allocation: earmarked funding patterns, over which UN entities have limited influence, tend to reflect donor interests and arguably prevent the UN’s providing some sort of multilateral corrective to bilateral priorities. This reinforces donor darling/aid orphan dichotomies, but it also leaves the UN with ineffective ways to address cross-country challenges and emergencies. One major factor explaining why the WHO, despite increases in overall revenue in the preceding years, was slow to respond to the Ebola crisis in 2014 was that its core budget stagnated for years. For example, in 2011, the WHO let go of some 300 staff because of budgetary constraints; meanwhile, earmarked resources could not be used for the Ebola response. Similar problems related to the lack of flexibility in resource allocation exist at each budget level—whether global programs, country programs, or individual projects. These problems manifest themselves in the form of under- and over-funded areas for UN agencies receiving resources that are not well aligned with their strategic plans, restricting their ability to shift resources to respond to needs and improve results, as a recent analysis for the WHO showed.

The influx of earmarked funding has also directed UNDS activities toward operations and service delivery and constrained organizations in their ability to bolster the normative, convening, and knowledge functions that could be described as the UN’s unique core functions. UNICEF, for example, officially embraced children’s rights as its mandate in the 1990s following the 1990 Children’s Summit, which implies working for legal and institutional changes; however, on the ground, service-delivery functions continue to play an important role. Results can be measured more easily and thereby help with further resource mobilization. However, such an approach may be adequate in emergency situations, but it fails to push for more structural and transformative changes. A recent study finds that around 20 percent of all development resources are spent on normative functions across the UNDS. Earmarking thus seems hard to reconcile with an approach by which the UN would work more normatively at the country level, focusing on policies and advocacy and doing so informed by its global norms and agreements, as the editors suggest in a more globally oriented, collective action-based UN development cooperation.

The strong dependence on earmarked funding creates a donor orientation in all phases of the programming, implementation, and evaluation cycle that is difficult to square with the UN’s multilateral assets. Projects funded by earmarked resources tend to have specific targets that might be rather piecemeal. From the perspective of the UN, such targets create a “tyranny of the urgent.” In the aid effectiveness literature, results orientation and performance measurement have been connected to unintended consequences such as “tunnel vision,” “myopia,” and “measure fixation.” Dealing with contingencies, learning, and adjustments along the way becomes more difficult in a setting where donors expect prompt and visible results. Anticipating donors and their political needs, UN organizations design programs and projects for measurable outputs, which are not necessarily aligned with longer-term, sustainable outcomes. An evaluation by the UN’s independent Joint Inspection Unit (JIU) concluded that earmarking, in combination with results-based management practices, has produced UN “leadership that is responsive but not responsible.”

Relatively small, donor-driven projects can also undermine ownership by host governments that might have neither the patience nor capacity to deal with a large number of insufficiently integrated projects that each have their own logic. Such projects will probably not catch the attention of political leaders unless they are linked to political priorities. They are then also significantly less likely to be scaled up or taken over by the government. The UN’s own surveys have registered dissatisfaction by developing countries with earmarking, though their attitudes are not totally negative (which might be explained by improvements in UN programming that resulted in better alignment of projects to country programs).
At the global level, earmarking engenders its own kinds of disruptions to the UN’s multilateral governance.\textsuperscript{42} With the ever-growing proportion of earmarked resources, the UN’s center of gravity has shifted to the country level, where the majority of these resources are raised, negotiated, and spent. Decreasing core budgets means that governing bodies become less influential, to the frustration of many developing countries. While donors—including non-state donors such as private actors and philanthropic foundations—can wield the informal power of their purses, developing country officials feel sidelined despite their formal voting rights. The practice of earmarking has also given rise to persistent discussions about perceived injustices about the cross-subsidization of non-core resources through core resources, potentially disincentivizing traditional and new donors from assuming collective responsibility through core contributions. Such issues absorb diplomatic and administrative capacities, driving micro-management through UN governing bodies. More importantly, perhaps, they stifle the multilateral ambition of member states. They erode the multilateral fabric that consists in the belief that collective action can occur, that putting the national interest behind the common good is appropriate, and that strong institutions are a value in themselves.\textsuperscript{43}

\textbf{Fight-back or surrender? Responses to earmarking}

In spite of a now widely shared understanding of the undermining effects of current funding practices, persistent appeals for more reliable and sustainable funding have been mostly in vain. Several attempts by individual member states and groups of them as well as by UN organizations have failed to bring about positive change on a larger scale. Over the last two decades, UN organizations have sought to reduce and mitigate restrictively earmarked funding in favor of more softly earmarked contributions. Among the first to adjust their resource mobilization strategies was the WHO, which already in 1999 sought closer collaboration and long-term strategic agreements with donors to reduce uncertainties in revenue streams.\textsuperscript{44} Similar strategies of fostering partnerships—both informal and contract-based—with donors have been and continue to be pursued across the UNDS. Bilateral strategic dialogues and meetings between small donor clubs such as the Utstein group and organizations form part of this.

Other responses across the UNDS range from attempts for greater standardization in the management of non-core contributions through standard contracts and reporting to efforts that unlock new funding sources, which include both funding from governmental donors from the North and Global South and private sources. Partnerships with emerging economies of the Global South are being actively pursued, as well as with the already risen China. In addition, many UN organizations have also reinforced their efforts to engage private companies and philanthropies.

Many organizations have also tried to accommodate the needs of donors, thus attempting to reduce the need for earmarking—or to demonstrate that core funds are well spent. Improvements of organizational efficiency, a greater results orientation, and increased transparency have been very high on their agendas; constant improvements have been signaled to donors. More recently, efforts to increase donor visibility on core contributions were included in the Funding Compact—a strategy not without risk. Core contributions are technically a form of pooled funding through which contributions lose their national identity; attempts nevertheless to highlight donor contributions can pose a threat to the legitimacy and neutrality of organizations that belong to all member states. Thematic funding—first introduced by UNICEF in 2003 and later adopted by other UN special funds and programs—aims to reconcile the needs of donors for thematic specifications with the needs of organizations for more flexible allocation of funds.
The WHO has initiated funding dialogues that allow it to wield public pressure on donors to match their funding to the mandates agreed for the organization. It has also published donor-funding profiles as an incentive for donors to maintain or improve their funding. Other organizations have replicated this approach; yet, they often remain trapped in their financial dependency on donors that impedes straightforward criticism about harmful donor practices and their own challenges in digesting earmarked funding. Overall, these separate strategies have been ineffective, as earmarking has continued to increase over the last decade. In the context of the most recent UNDS reform process, the Secretary-General made a rare intervention in UNDS matters and proposed a Funding Compact in which both sides—UN bodies and member states—were committed to tangible changes that would allow the other side to adjust behavior. The Funding Compact mirrors the Grand Humanitarian Bargain that was concluded in 2016 between the UN, major donors, and NGOs; it sought to improve the quality and quantity of humanitarian funding by reducing the share of tightly earmarked funding and increasing multi-year commitments. The UNDS pledged greater coordination, transparency, and efficiency; member states committed to higher shares of core funding, more pooled funding, and more multi-year contributions. In addition, all states were asked to contribute to pooled funds and to increase core with the intention of increasing the overall number of governments providing UNDS funding.

While not necessarily new in content, the Funding Compact represents the first systemic answer to the UNDS’s unhealthy funding situation: it brings together both member states and the system and takes a universal approach that includes all states. After almost a year of negotiations, in which specific indicators were established, the Funding Compact was formally adopted in spring 2019. The high-level attention now accorded to resource mobilization and the explicit link to the most ambitious UNDS reforms in recent times provide some hope that this initiative will be more successful than previous ones.

**Conclusion**

The imperfect way that the UNDS has been funded for many years entails adverse consequences, ranging from negative impacts on individual organizations and their work, thereby impeding cooperation, to undermining multilateral assets and the credibility of the UNDS as a universally owned system. Earmarked funding is not necessarily detrimental, yet without a secure funding base for core functions, a more regulated and less fragmented approach and full cost-recovery has come with a high price tag. The Funding Compact states that:

> [Current funding patterns] … constitute lost opportunities, by hindering the system’s ability to respond in integrated, flexible and dynamic ways to Member States’ demands and national priorities. Ultimately, they compromise the multilateral nature of United Nations support to the 2030 Agenda.45

Elsewhere we have argued that a worrisome set of collective action problems are at play, which further erode the UNDS’s multilateral assets. The more that contributors, under current conditions, engage in earmarking, the more it becomes a rational strategy for others to mimic, even if such practices diminish the unusual multilateral assets that make delegation to the United Nations so attractive in the first place. Relatedly, the provision of core funding becomes less and less attractive, potentially also for those countries from the Global South that are now in a position to contribute. Moreover, the more that UN organizations accept overly restrictive earmarking arrangements, the more that it becomes rational for other organizations to do the same, even if in the long run it is in no one’s interest.
Max-Otto Baumann and Silke Weinlich

It is too early to tell whether the Funding Compact can slow down such a vicious circle. Its systemic and detailed commitments and follow-up mechanisms provide a source of cautious optimism. At the same time, the problems that it tackles are complex, especially in the context of the ongoing crisis of multilateralism.

NOTES

* With financial support from the German Federal Ministry for Economic Cooperation and Development (BMZ).


2 These are nine special funds and programs: (UNDP [including UNCDF and UNV], UNEP, UNFPA, UN Habitat, UNHCR, UNICEF, UNRWA, UN Women, WFP); 14 specialized agencies (FAO, IAEA, ICAO, IFAD, ILO, IMO, ITU, UNESCO, UNIDO, UNWTO, UPU, WHO, WIPO, WMO); 12 UN Secretariat departments (DESA, ECA, ECE, ECLAC, ESCAP, ESCWA, OCHA, OHCHR, UNCTAD, UNDP, UNISDR, UNPBSO); and numerous other research and training institutions and other entities. See UN, Annex to the Secretary-General’s 2017 Report on Funding: Technical Note on Definitions, Sources and Coverage, www.un.org/eco Soc/sites/www.un.org.ecosoc/files/files/en/qcpr/sgr2017-annex-technical-note.pdf.


5 Until autumn 2018, the UN registered all activities of UNHCR, UNRWA, and OCHA as well as emergency operations by UNICEF, humanitarian emergencies of UNFPA, and WFP’s humanitarian operations as humanitarian, in the absence of common definitions on development or humanitarian activities. From then on data has been collected using OECD/DAC purpose codes. See UNDG, 2019, Data Standards for United Nations System-Wide Reporting of Financial Data, https://undg.org/wp-content/uploads/2019/03/UN_DataStandards_Digital_Final.pdf.


9 Funding Analysis of Operational Activities for Development: Addendum 2, 8–9.


11 UN MPTFO and Dag Hammarskjöld Foundation, Financing the UN Development System, 45–46.

12 Mao Ruipeng, China’s Growing Engagement with the UNDS: Changing Rationale, Funding Preferences and Future Trends. (Bonn, Germany: Deutsches Institut für Entwicklungspolitik, 2020).


15 The UN Secretariat and UN specialized agencies such as WHO and FAO receive mandatory core contributions from the UN’s membership, yet increasingly they also seek to attract voluntary core funds. UN funds and programs rely exclusively on voluntary resources. The World Bank and other multilateral development banks technically rely on voluntary core contributions that, however, are raised in collective capital increases and replenishment processes.

16 UN MPTFO and Dag Hammarskjöld Foundation, *Financing the UN Development System*, 34.


18 UNDS entities are requested to report separately on revenues received from vertical funds. A new category was added in 2018 that also asks for numbers on in-kind contributions of goods and services earmarked for specific programs or projects. See UN CEB-HLCM/UNDG 2019, *Data Standards for United Nations System-Wide Reporting of Financial Data*.


21 See UNDP Funding Windows, [www.undp.org/content/undp/en/home/funding/funding-windows](http://www.undp.org/content/undp/en/home/funding/funding-windows).


24 UN, *Funding Analysis of Operational Activities for Development: Addendum 2*.


26 For an analysis of the role of UN staff in earmarking practices, see Baumann, Lundsgaarde, Weinlich, and Wolff, *Earmarking in the Multilateral Development System*.


29 For an analysis of the role of UN staff in earmarking practices, see Baumann, Lundsgaarde, Weinlich, and Wolff, *Earmarking in the Multilateral Development System*.


42 Graham, “Follow the Money.”


45 Funding Compact, 3.

ADDITIONAL READING


