



## **ECOSOC Operational Activities Segment 2022**

### **The Funding Compact: Committing to Needed Changes in Funding Patterns & Behaviours**

**Thursday 19 May 2022, 11.30am – 1.00pm, ECOSOC Chamber**

***Presentation by Robert Piper, Assistant Secretary-General, UN DCO***

Your excellency, Ambassador Rainne, Vice President of ECOSOC,

Your excellency, Ambassador Brandt, President of the Executive Board of UNDP, UNFPA and UNOPS,

Excellencies, Distinguished panelists, ECOSOC members, guests.

It is my honor today to present on the status of implementation of the Funding Compact after three years.

The endorsement of the Funding Compact between Member States and UNSDG entities in 2019 was a critical pillar in the overall efforts to transform the UN development system. At its core, the mutual commitments in the Funding Compact recognize that a fundamental shift is needed to the way the UN system is resourced – meaning that

Member States need to take a deep look at the funding decisions, mechanisms, modalities and expectations they have, if they want to see the requested reforms become a reality.

In turn, the UN development system commits to work together to enhance the system-wide results culture, to strengthen accountability and transparency to member states, and to achieve efficiencies so that more funding can be available for programming. All with a view to building trust and fortifying the business case for more strategic, flexible, predictable and system-wide funding for the UN's sustainable development activities.

Excellency,

Despite some progress, particularly on the UN system's commitments, I regret to report that in 2020, we started to see a backwards trend on some critical indicators of the Funding Compact – some negative trends which we only see accelerating in 2021 and 2022 in light of the global financial and political landscape.

Member States had committed to reach a target by 2023 of 30% of voluntary funding for development activities coming as core funding. Instead, the share of core decreased from 2017 to 2020, from 19.4% to 17.2%. Recent announcements of new cuts to core resources for UN

entities by some of our long-standing major donor partners only threatens to worsen this situation.

Likewise, there is a concerning lack of progress by Member States in other key commitment areas. Efforts to broaden the donor base, for example, have not borne fruit so far, with only 36% of entities reporting an increase in the number of core contributors, while the number of contributors to pooled funds has also decreased from 59 in 2017 to 48 in 2020.

While voluntary funding to the RC system increased slightly in 2021, it remains well below the \$144 million target in the Funding Compact. And while the 1% levy generated \$40 million per year in both 2020 and 2021, this is at least 20% lower than projections, indicating that there are still gaps in levy implementation by a number of key donors.

While these are worrying trends overall, the news is not all gloomy. We see great progress with respect to the share of non-core resources being channeled through inter-agency pooled funds, for example, (from 5% in 2017 to 11.7% in 2020) and to single-agency thematic funds (to 5.9% in 2020, just shy of the 6% target). Hopefully we can build on this positive progress so that pooled and thematic funding can be used as a catalyst for change in the system as a whole.

The Compact is a two-way street of course. So let me turn now to some of the key figures on the UN development system side of the Funding Compact. Here, I think it is fair to say, we have broader progress, even if we still have plenty of work to do.

Our efforts to improve annual reporting by UNCTs, for example, have clearly led to positive perceptions from national governments, with 89% stating that they now receive up-to-date information that is structured around Cooperation Framework outcomes, and 83% stating that this reporting is linked well to national development outcomes. And 95% of UNCTs have made their 2021 reports publicly available, up from 64% in 2017. We now have 108 countries operational on UN INFO, up from 32 when DCO started in 2018.

Likewise, we have made strides in strengthening transparency of financial data for the system, with all entities now submitting financial data to CEB; with 92% disaggregating this data by country (up from 46% in 2018) and 83% by SDG (up from 20% in 2018). This data is publicly available through the CEB financial data portal.

Another breakthrough has been in the roll-out in 2021 of improved Business Operations Strategies in every UNCT globally. As we have heard, particularly at the side event held on Monday, the consolidation of common premises has moved slower than expected, not least because

of the impact of COVID-19, but we are redoubling efforts now with a focus on countries with the highest potential for cost-savings through relocation into common premises.

Despite progress in a number of these commitment areas, there are naturally some other indicators where we can see we are not yet there and more attention is needed.

First, individual entities need to scale up their focus on joint programming, with very little change in the number of entities spending more than 15% of their resources via joint activities.

Second, we still have some way to go in strengthening our country-level funding data, as one third of new Cooperation Frameworks still don't have funding frameworks developed. Only 58% of national governments are satisfied with the financial data included in annual reporting, which is an indicator that we need to do much better.

Third, still not enough governing bodies across the system – particularly those outside of New York – are holding structured funding dialogues or reporting on their individual efficiency gains. I encourage Member States to follow this up in the individual governing bodies.

Excellency, ladies and gentlemen,

I've touched on some of the key data and indicators from the Funding Compact, hopefully giving a sense of the areas of progress and the outstanding challenges faced. So, what does this mean for us in practice? Why does it matter?

First, we've heard throughout the week, including from the Secretary-General and the Deputy Secretary-General, that the continuation of fragmented and heavily earmarked funding to the UN development system presents a major hurdle to full implementation of the reform. We've known from the start of the reform that without a significant shift in the funding of the UN development system, our progress towards integrated, policy-focused work at country level would be at risk.

Secondly, we are not seeing the necessary increases in support to the Joint SDG Fund and to complementary country-level pooled funds in support of Cooperation Frameworks. These funding instruments are critical to help make up for a lack of core funding, and supporting integrated work.

Without a fundamental shift away from fragmented funding for UN agencies, we have to admit that ambitions for strategic integration and policy support for the SDGs will not be realized. We will also never achieve full transformation in terms of efficiencies if entity business

models continue to be dependent on short-term, project-specific funding from donors.

These concerns have also been flagged in successive independent reports. The UN Office of Internal Oversight Services undertook an evaluation of the RC system in late 2021, concluding that “funding competition, lack of pooled funding, donor earmarking, and bilateral funding arrangements between host government departments and UN agencies have undermined delivery of coherent operational activities and policy advice”. A major finding of the Multilateral Organizations Performance Assessment Network (MOPAN) in its June 2021 report was that “the reforms face a number of countervailing forces that threaten to stall or regress the change process – chief among these is a funding environment that has not transformed as envisioned and that presents a particularly worrying outlook”.

Third: we can see that the urgent is crowding out the important, with humanitarian needs taking priority at the expense of the funding available for development. We saw this with COVID-19, with the trust fund for longer-term socioeconomic response not really getting off the ground, and we’re seeing it again now with the war in Ukraine and early indications of some long-standing donors considering further cuts to ODA, including core funding to the UN. The challenge of bridging the

funding of humanitarian and development continues – if we are to deliver on strengthening the nexus, the funding needs to be integrated and flexible.

Again, its clear that the UN development system needs to continue to follow-through on all of its commitments as part of the Funding Compact as well.

This year marks the first year we've provided system-wide results on the SDGs. This is a major breakthrough (and one not remarked on in any interventions by Member States in this ECOSOC segment). We also know we aren't there yet. Unless we strengthen the system-wide results-culture across all entities and all UNCTs – including interoperability of agency systems with UN INFO – we won't fully address the ongoing need to build trust and demonstrate results to Member States, and build the case for better quality funding.

Second, we know how critical it is that we achieve the efficiencies targets that have been established. Again, there have been great steps forward, and we are reorienting our approach to shared service centers and common premises to ensure we reach the \$310 million target. Achieving this requires buy-in, innovation and support from all UNSDG entities – and again, is essential to demonstrate to you all as Member States how



seriously we are taking these reforms, and working to maximise funding for programmes.

There is work needed on both sides, therefore.

In order to strengthen transparency on Funding Compact implementation, and in support of accelerated action by all parties, I am pleased to share that we are currently developing an online dashboard, which will be live in the coming weeks. Here is a sample page, showing what it will look like. This page will enable up to date data and information about implementation of commitments, and will be updated through the course of the year.

Excellencies, distinguished delegates – it is truly our common responsibility to deliver on this fundamental aspect of the reform. We need your help. I look forward to the discussion today, and invite any proposals on how we can ensure full implementation as soon as possible.

Thank you.