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Statement by

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Introduction of the Secretary General's 2017 Report of the Secretary-General on Funding of the UN Operational Activities for Development
Economic and Social Council
Operational Activities for Development Segment
1 March 2017

Mr. Chairman,
Excellencies,
Ladies and Gentlemen,

It is my pleasure to introduce the report of the Secretary General's on funding for operational activities for development.

This report focuses on the funding of operational activities for development, for which new data is available.

The analysis consolidates financial data on contributions and expenditures of 34 United Nations entities that reported receiving funding for operational activities for development in 2015.

Total funding in 2015 amounted to $26.7 billion. This represents a decrease of nearly 7 per cent in nominal terms compared to 2014. However, this nominal decrease can be attributed to the weakening of several major currencies relative to the United States dollar. In real terms, which factors-in exchange-rate differences as well as inflation, total funding in 2015 increased by some 4 per cent compared to 2014.

Allow me to highlight some key observations and messages from this report.

First, the longer-term trend in funding of UN operational activities for development is characterized by two clear traits: Quantitative growth and qualitative change.

In the fifteen year span between the MDGs in 2000 and the SDGs at the end of 2015, the volume of funding has more than doubled, taking into account inflation and exchange-rate differences. This means that funding of UN operational activities for development has grown at an even faster rate than overall global Official Development Assistance (ODA) during this period. Funding for UN humanitarian activities, in particular, has contributed to this rapid growth, having more than tripled in real terms between 2000 and 2015.

On the qualitative aspect, funding in the form of non-core resources has grown roughly six times faster than core funding during these past 15 years. This has resulted in an increasing share of non-core resources, with most of it strictly earmarked to specific projects and activities. This trend continues to prevail despite repeated calls in QCPR resolutions for United Nations entities and donors to address the growing imbalance between core and non-core resources.

Second, the analysis indicates little evidence that the donor base of UN entities is broadening, -- this, despite regular discussions on the subject during the structured financing dialogues held within governing bodies.

In 2015, just three Government donors [the United States, United Kingdom and Japan] accounted for nearly half of all Government contributions.

In today's development cooperation environment, enhancing the predictability and stability of funding is increasingly linked to the system's ability to incentivize non-traditional partners to contribute more. However, about 80 per cent of total funding still comes from Governments.

Third, in terms of the mandate to report on progress achieved on the principle of full cost recovery, the report indicates some recent improvements but still a lot of work ahead for most UN entities on this matter. Achieving full cost recovery, that is discontinuing the use of core to subsidize non-core financed activities, has been identified as an incentive to contribute more core funding.

Fourth, on the issue of transparency and accountability of funding flows, the report highlights that several UN entities have developed or significantly improved publicly accessible online systems that map data on donor contributions and expenditures.

Still, the Secretary-General's report recognizes we can do better on transparency and accountability.

It recommends that entities expand these online systems to include clear and easily-accessible information on staffing and office presence at the country, regional and global levels.

It also stresses the importance of strengthening harmonized approaches, such as the Common Budgetary Framework in all programme countries, as well as the integrated budgetary frameworks at entity level.

Fifth, the report looks at ways that the functioning and effectiveness of the on-going structured financing dialogues could be improved. Currently such dialogues are taking place in about two-thirds of entities of the UN development system and are generally aimed at providing greater clarity on the expected outcomes and impact outlined in the strategic plans of entities.

Building on the discussions held during the ECOSOC dialogue on the longer-term positioning of the UN development system, the report highlights the critical importance of two dimensions: on the one hand, of good governance and stronger ownership by Member States of entities' strategic plans and integrated budgets; and on the other hand, of strengthened, more transparent and accountable financial management and reporting by UN entities to better enable the Boards' decision-making role. The structured financing dialogues also provide an opportunity to further the efforts towards achieving full cost recovery.

Sixth, the report analyses the quantity and effectiveness of pooled, thematic and joint funding mechanisms, which were identified by Member States as useful mechanisms to strengthen system-wide coherence, and support common objectives and cross-cutting issues. These more loosely earmarked funding arrangements accounted for about 11 per cent of overall non-core funding in 2015.

Seventh, on the geographic allocation of funds, 46 per cent of country-level expenditures were spent in Africa.

The three largest programme countries expenditures were in Afghanistan, South Sudan and Lebanon. Together the total expenditures in these three countries were larger than the 100 smallest programme countries combined.

In the nine largest programme countries, with the exception of Afghanistan, humanitarian assistance dominated expenditures.

In Least Developed Countries, the share of expenditures has dropped below 50 per cent. This was in large part due to major humanitarian crises in programme countries that are not LDCs

Eighth, the report stresses the need for exploring innovative financing mechanisms to complement Official Development Assistance. The high level of ambition of the 2030 Agenda has greatly elevated the importance of such mechanisms, as well as the need to increase the impact of limited available resources through leveraging additional public and private resources for development.

Finally, the UN development system's unique neutrality and absolute advantage as global convener give it an unparalleled potential to play a catalytic role in bringing key development actors together and exploring ways to identify and mobilize support for innovative financing mechanisms at global, regional and country levels.

At country level, these advantages offer the opportunity for United Nations Country Teams to engage in more inclusive and integrated financing strategies, by supporting national governments in identifying and bringing together diverse sources of international and domestic finance, and supporting programme countries governments to strategize on how more of these flows can be directed towards financing the development objectives.

Excellencies,
Ladies and Gentlemen,

The 2016 QCPR resolution requested the Secretary-General to continue to strengthen the analytical quality of system-wide reporting on funding, performance and programme results.

DESA is committed to fulfilling this request, in close collaboration with the UN development system at collective and individual entity level.

We look forward to your continued guidance on our work.

Thank you.