4. Financing the operational activities of the UN system for development

A large share of total (assessed and voluntary) UN funding (60%) goes to support development-related programmes and humanitarian assistance. In 2013 total contributions to operational activities for development through the UN system amounted to some US$26.4 billion. About 63 per cent (US$16.8 bn) was allocated to development-related activities, 37 per cent (US$9.7 bn) to humanitarian assistance.

These contributions go to 37 programmes, funds and specialized agencies which form the UN development system, including the UN Development Programme (UNDP), the World Food Programme (WFP), the UN Children’s Fund (UNICEF) and the World Health Organization (WHO) (see Table 1).

Shift to earmarked funding

The organizations of the UN development system are facing similar funding challenges as the UN itself: stagnating or even shrinking core funding and growing dependence on non-core, mostly earmarked contributions.

While overall funding for development-related activities and humanitarian assistance by the UN system increased by 88 per cent between 1998 and 2013, core funding for development-related activities grew only by 12 per cent and to humanitarian assistance by 5 per cent in real terms. Several UN programmes, particularly UNDP, have had to cope with a decrease in core resources. Contributions to UNDP’s core funds dropped from US$1,182 million in 2007 to US$896 million in 2013.

In 1997, 48 per cent of the UN’s operational activities for development were financed by core resources. This ratio declined to 25 per cent in 2013 (see Figure 5). In that year around 69 per cent of development-related contributions and 84 per cent of humanitarian assistance-related contributions were non-core and thus earmarked for specific activities.

From a democratic governance perspective, it makes an important difference whether an organization is funded mainly through core or non-core resources, as the UN Secretary-General spelled out in 2014:

73 Cf. UN (2015), Statistical Annex, Table A-1.
74 Cf. ibid., Table A-3.
75 Cf. UN (2015), para. 18.
77 Cf. UN (2014b), para. 7.
“Core resources are those resources that are allocated without restrictions. Their use and application are directly linked to the United Nations entities’ multilateral mandates and strategic plans that are approved by the respective governing bodies as part of an established intergovernmental process. In contrast, and as determined by the contributors, non-core resources are mostly earmarked and thus restricted in their use and application. In some instances governing

### Table 11

<table>
<thead>
<tr>
<th>Contributions to:</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tr>
<td>UNDP a</td>
<td>4,295</td>
<td>4,513</td>
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<td>4,981</td>
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<td>4,792</td>
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<td></td>
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<td>234</td>
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<td>732</td>
<td>838</td>
<td>838</td>
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<tr>
<td>UNICEF</td>
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<td>2,753</td>
<td>2,979</td>
<td>3,340</td>
<td>3,233</td>
<td>3,650</td>
<td>3,682</td>
<td>3,828</td>
<td>4,745</td>
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<td>WFP</td>
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<td>2,697</td>
<td>2,709</td>
<td>5,033</td>
<td>4,100</td>
<td>3,872</td>
<td>3,609</td>
<td>3,908</td>
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<td>261</td>
<td>488</td>
<td>278</td>
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<td>449</td>
<td>347</td>
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<td>ITC</td>
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<td>47</td>
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<td>64</td>
<td>54</td>
<td>63</td>
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<tr>
<td>UNAIDS</td>
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<td>283</td>
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<td>261</td>
<td>264</td>
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<td>278</td>
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<tr>
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<td>31</td>
<td>35</td>
<td>34</td>
<td>46</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>UNEP</td>
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<td>115</td>
<td>165</td>
<td>208</td>
<td>199</td>
<td>220</td>
<td>292</td>
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<tr>
<td>UN-HABITAT</td>
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<td>102</td>
<td>137</td>
<td>91</td>
<td>134</td>
<td>168</td>
<td>203</td>
<td>154</td>
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<td>UNODC/UNDCP</td>
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<td>967</td>
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<td>1,080</td>
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<td>1,036</td>
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<td>547</td>
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<td>469</td>
<td>483</td>
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<td>570</td>
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<td>UNIDO</td>
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<td>238</td>
<td>259</td>
<td>245</td>
<td>288</td>
<td>231</td>
<td>291</td>
<td>262</td>
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<td>WHO</td>
<td>1,893</td>
<td>1,794</td>
<td>1,972</td>
<td>1,680</td>
<td>1,683</td>
<td>1,880</td>
<td>1,743</td>
<td>2,008</td>
<td>2,304</td>
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<td>Other Specialized agencies b</td>
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<td>293</td>
<td>318</td>
<td>447</td>
<td>443</td>
<td>423</td>
<td>425</td>
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<td>456</td>
</tr>
<tr>
<td>UN OCHA</td>
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<td>173</td>
<td>267</td>
<td>170</td>
<td>200</td>
<td>227</td>
<td>244</td>
<td>248</td>
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<tr>
<td>UN DESA</td>
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<td>53</td>
<td>90</td>
<td>57</td>
<td>77</td>
<td>68</td>
<td>41</td>
<td>46</td>
<td>44</td>
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<tr>
<td>OHCHR</td>
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<td>77</td>
<td>76</td>
<td>70</td>
<td>71</td>
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<td>Regional commissions c</td>
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<td>87</td>
<td>66</td>
<td>66</td>
<td>50</td>
<td>65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17,114</td>
<td>17,314</td>
<td>19,216</td>
<td>22,627</td>
<td>21,948</td>
<td>22,904</td>
<td>22,761</td>
<td>23,879</td>
<td>26,440</td>
</tr>
</tbody>
</table>

a Includes UNCDF and UNV.
b Consists of IAEA, ICAO, IMO, ITU, UPU, WIPO, WMO and the World Tourism Organization.
c Consists of ECA, ECE, ECLAC, ESCAP and ESCWA.
Financing the operational activities of the UN system for development

According to the UN Secretary-General, core resources provide the highest quality, flexibility and efficiency of pooled funding, and are central to ensuring the independence and neutrality of the United Nations. 79

In contrast, non-core funding has severe adverse effects. UN Member States recognized, in their 2012 resolution on the quadrennial comprehensive policy review (QCPR) of operational activities for development of the UN system:

“[…] non-core resources pose challenges, in particular restricted earmarked funding such as single-donor project-specific funding, through potentially increasing transaction costs, fragmentation, competition and overlap among entities and providing disincentives for pursuing a United Nations-wide focus, strategic positioning and coherence, and may also potentially distort programme priorities regulated by intergovernmental bodies and processes.” 80

The independent evaluation of the UNDP Strategic Plan 2008–2013 comes to similar conclusions. As one of its key findings it states:

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78 Ibid., para. 13.
79 Ibid., para. 14.
“A major reason for non-delivery of planned outputs is the under resourcing of projects due to the earmarked nature of funds. UNDP financial data show that most country programmes are successful in mobilizing more resources than the expectations reflected in the country programme documents. What these aggregate figures mask, however, is the imbalance in resource mobilization across outcomes or outputs. Clearly for an organization relying on core resources for only 11 per cent of its programme expenditure, programming becomes a major challenge. Inevitably at the point when the country programme starts, only a portion of the funds required to deliver against it is assured. The outcome statements and supporting outputs across the country programme results frameworks are therefore, to varying degrees, statements of intent. What evidence is available from evaluations suggests that a major reason for non-delivery of outputs is often the lack of resources that can be mobilized for them.” 81

Core funding for UN development activities is under additional pressure, as the adequate recovery of institutional costs associated with non-core activities is not guaranteed. The UN Secretary-General expressed the concern “that institutional support […] to non-core funded activities may in fact be subsidized by core resources with a consequent negative effect on the availability of remaining core resources for programme activities, in particular at the country level.” 82

**UN responses: downsizing, restructuring and decentralizing**

UN funds, programmes and specialized agencies have responded to the shift to earmarked resources with various measures, all of which have served to further erode core funding and further increase dependence on earmarked contributions. Some of them have cut their regular budgets, shifted budget items and laid off staff. UNDP, for instance, has been undergoing major structural changes, with substantial staff cuts and redeployment.

The WHO has been facing similar financial problems. In order to free up funds, in its 2014–2015 budget, WHO has reduced the funding for its outbreak and crisis response programme by more than 50 per cent. This substantially weakened WHO’s capacity to respond to the Ebola crisis in a timely manner (see Chapter 5).

UNESCO has been confronted with particular problems as a result of the decision of the USA to stop regular payments to the organization after its General Conference admitted Palestine as a full member in 2011. For the years 2014 and 2015, UNESCO’s regular budget amounts to US$653 million, but as the USA and Israel refused to pay their dues, the General Conference adopted an expenditure plan that provides for a total

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81 Cf. UNDP (2013), para. 11.
82 Cf. UN (2014b), para. 59.
Financing the operational activities of the UN system for development

of only US$507 million. This cut of more than 22 per cent dramatically limits UNESCO’s ability to fulfill its mandate to mobilize for education, build intercultural understanding, pursue scientific cooperation and protect freedom of expression.

Turning towards private funders

In order to compensate for stagnating or shrinking core funding and to reduce reliance on a limited number of donors, UN funds and agencies have started to broaden their donor base, particularly by intensified engagement with the corporate sector and philanthropic foundations.

In his 2014 report on the operational activities for development of the UN system, UN Secretary-General Ban Ki-moon stated: “Increased funding by multilateral organizations, non-governmental and private sources is the most significant funding trend over the past 15 years.” 83

In 2013, philanthropic foundations, NGOs and corporations, as an aggregate, were the main contributor to the UN development system. Their contribution to development-related activities amounted to US$2,074 million and to humanitarian assistance-related activities to US$495 million (see Table 12). 84

Table 12

<table>
<thead>
<tr>
<th>Year</th>
<th>Development-related activities</th>
<th>Humanitarian assistance-related activities</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Core</td>
<td>Non-core</td>
<td>Total</td>
</tr>
<tr>
<td>2013</td>
<td>569,966</td>
<td>1,504,022</td>
<td>2,073,988</td>
</tr>
<tr>
<td>2012</td>
<td>566,480</td>
<td>1,336,664</td>
<td>1,903,144</td>
</tr>
<tr>
<td>2011</td>
<td>490,542</td>
<td>1,134,670</td>
<td>1,625,213</td>
</tr>
<tr>
<td>2010</td>
<td>469,870</td>
<td>1,172,359</td>
<td>1,642229</td>
</tr>
<tr>
<td>2009</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>


Private funding to the UN development system includes donations by UNICEF national committees (US$1,143 mn in 2013) and contributions from philanthropic foundations, which have increased significantly over the past decade. Today, corporate philanthropy, above all the Bill

83 Cf. UN (2014b), para. 36.
84 Cf. UN (2015), Statistical Annex, Table A-3.
& Melinda Gates Foundation, not only commits increasing amounts of money, but also plays a more active role in international development cooperation.  

Foundations contribute directly to UN development activities through grants and donations. The Gates Foundation is the most important non-state contributor to the WHO and is second only to the USA in terms of both state and non-state contributions (see Chapter 5), and is also among the top five donors to the UN Capital Development Fund (see below). In addition, foundations and other private actors contribute indirectly to the UN through global funds, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the global vaccine alliance (GAVI). With more than US$400 million in 2013 and even more than US$500 million in 2012 the Global Fund has become the largest funder of UNDP. The Global Fund and GAVI have also given significant contributions to UNICEF.

It is worth noting that the Global Fund and GAVI were created outside the UN system because of the dissatisfaction of some of the major donors (primarily the USA) with the supposedly poor performance of the UN development organizations. It is an irony of history that these same funds are now using UNDP and other UN institutions as their main implementing agencies.

As well as being the largest private donor of the Global Fund and a major funder of GAVI with US$2.5 billion in contributions and pledges between 2000 and 2015, the Gates Foundation plays a key decision-making role in the global health funds. Representatives of the Gates Foundation are on the Boards of both GAVI and the Global Fund and have a significant influence on their strategies and funding decisions.

The emerging cooperation of UNDP with private foundations and funds outside the UN system has had mixed results. An official evaluation of UNDP partnerships with global funds and philanthropic foundations lists various benefits but just as many risks and challenges. The evaluation regards as clear benefits for UNDP, inter alia, the increase in resources and enhanced impact, particularly in cooperation projects with global funds addressing environmental and health issues.

On the other hand, cooperation with this kind of non-core funder does not always meet the priority needs of partner countries, and tends to foster competition and rivalry among potential grantees within the UN system. Given the ad hoc nature of most partnerships between UNDP and philanthropic foundations, the evaluation concludes that, overall, “there are few indications that the results achieved through partnerships

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85 Cf. for example UNDP (2012a and b).
87 Cf. UNDP (2012a).
with philanthropic foundations are sustainable.”

In addition, “(i)n most cases, it is difficult to associate partnership between UNDP and philanthropic foundations with demonstrable and positive developmental change.”

UN funds and agencies are seeking increased funding not only from philanthropic foundations but also from private companies. In particular, partnerships with transnational corporations have been mushrooming in the last decade. Most UN funds and agencies have established their own special offices for cooperation with the private sector, such as UNDP’s Innovations and Development Alliances Group, UNICEF’s Division of Private Fundraising and Partnerships, and UNESCO’s Division of Cooperation with Extra-budgetary Funding Sources.

Today, there are hundreds of different funding arrangements between UN entities and corporate actors. They vary in size, scope and objectives, ranging from small ad hoc donations by individual companies for specific projects to global multi-stakeholder partnerships with a long-term perspective (see below).

Disaggregated system-wide information on the quality and quantity of funding from the corporate sector is not available. However, several UN funds and agencies, among them UNESCO and WHO, list the amounts received from individual corporate donors, and all of them have published best practice examples of their partnering with the private sector.

UNDP, for example, has received US$13 million from the Coca-Cola Company since 2006 (on average US$1.5 million per year) in support of their joint initiative “Every Drop Matters”. This initiative provides grants for local groups, mainly in Eastern Europe and Central Asia, to undertake projects that improve access to water, water quality, and water management.

The Italian luxury fashion company Gucci has donated over US$10 million to UNICEF’s “Schools for Africa” initiative since its launch in 2004. The initiative aims at increasing access to quality basic schooling for all, with a special emphasis on helping the most disadvantaged—including children orphaned by HIV/AIDS and children living in extreme poverty.

UNESCO signed a cooperation agreement with the French beauty product firm L’Oréal in 2005 to roll out an HIV/AIDS prevention campaign that would be supported by hairdressers all over the world. Launched under the title “Hairdressers Against AIDS” in 2007, to date this campaign has provided information to more than 1.5 million hairdressers in

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88 Ibid., p. xx.
89 Ibid., p. xix.
90 Cf. www.everydropmatters.org/.
36 countries, by introducing prevention modules as part of their professional training courses.\textsuperscript{92}

UNESCO regards this kind of partnership with corporations as an important element of its fundraising strategy. Director-General Irina Bokova explained in an interview in March 2013:

“[…] to cope with the financial problems and to make sure that we have more resources, we are increasing our partnerships with the private sector. We use new, innovative schemes such as promoting the use of smartphones to combat illiteracy; we work with Ericsson, with Nokia, we have interesting projects with a multinational such as Procter & Gamble for promoting girls’ literacy in Senegal, now we start similar projects in Kenya and Tanzania.”\textsuperscript{93}

The list of corporate donors that are supporting operational activities of the UN system, reads as a Who’s Who of the global economy. Among UNESCO’s partners are Apple, BASF, Mercedes Benz, Microsoft, Panasonic, Petrobras, Procter&Gamble, Roche and Samsung. UNICEF’s corporate donors include Barclays, H&M, ING, Marks & Spencer, Montblanc, State Street Corporation, Unilever, and the Walt Disney Company. On the long list of UNDP’s partners are transnational companies, such as ArcelorMittal, Coca-Cola, Kraft, IKEA, Repsol, Shell and Unilever. And WHO has received private voluntary contributions, \textit{inter alia}, from various pharmaceutical companies, including GlaxoSmithKline and Hoffmann–La Roche (see Chapter 5).

Despite the growth in partnerships and various forms of collaboration arrangements, the quantity of direct corporate funding to the UN development system has remained surprisingly low. In the case of UNDP, private companies have supported projects with US$135 million in the five-year period between 2009 and 2013.\textsuperscript{94} This amount represents just about 0.5 per cent of all contributions to UNDP in these years. The major share of private funding still comes from corporate philanthropy and, in the exceptional case of UNICEF, from individual donors.

However, for a few of the smaller funds and programmes and individual projects the quantity of corporate support is highly significant. A notable example is the support for the UN Capital Development Fund by the financial service companies Mastercard, Visa and Citi (see below).

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{92} Cf. www.hairdressersagainstaids.com/.
\item \textsuperscript{93} Cf. “UNESCO chief: Millions can benefit from partnerships with private sector” (interview with UNESCO Director General Irina Bokova, 5 March 2013, www.euractiv.com/development-policy/unesco-chief-millions-benefit-cr-interview-518266?__utma=1.1807509901.1404316837.14043168 37.1404316837.140431696214&m_c=1&__utmz=1404316837.1.1.1.utmcsr=google|utmccn=%28organic%29|utmcl).\textsuperscript{93}
\item \textsuperscript{94} Cf. www.undp.org/content/undp/en/home/ourwork/partners/private_sector/.
\end{enumerate}
\end{footnotesize}
Another example is Coca-Cola’s funding for UN Women programmes in Egypt, Brazil and South Africa.\(^95\) The company has collaborated with UN Women since 2011 in training programmes for women entrepreneurs running small businesses linked to Coca-Cola distribution chains. In 2013 and 2014 UN Women received about US$1.4 million per year from Coca-Cola to implement these programmes.\(^96\)

In June 2014, Muhtar Kent, Chairman & CEO of Coca-Cola, became the first Chair of the UN Women Private Sector Leadership Advisory Council. Created to provide “strategic input to guide advocacy and resource mobilization efforts,” the Council is comprised of business leaders, whose companies, according to UN Women, “already demonstrate a strong commitment to supporting women and girls.”\(^97\) In addition to Coca-Cola, these companies are Anglo American, Chanel, Goldman Sachs, L’Oréal, McKinsey & Company, Ogilvy Public Relations, Publicis Dallas, Tupperware and Unilever.

Despite the engagement of Coca-Cola and a few others, private sector contributions to UN Women continue to represent only a tiny fraction of UN Women’s funding. In 2013, voluntary contributions from the private sector, foundations and other non-state institutions accounted for 1.6 per cent of all contributions (US$4.4 mn of US$283.4 mn) with only 0.8 per cent (US$2.3 mn) coming from corporations.\(^98\) In 2014 contributions slightly increased to US$5.1 million (as of September 2014), including a first-time contribution of US$500,000 from Tupperware.\(^99\)

Partnerships with the UN seem to be a cheap bargain for private companies. While the costs are remarkably low, the benefits can be comparatively high. In a promotional brochure for the private sector, UNESCO lists the following incentives for companies to enter into a partnership with the UN agency:

- Benefit from a strong image transfer by associating yourself with a reputable international brand and a prestigious UN agency
- Win greater visibility on the international scene
- Gain access to UNESCO’s wide and diverse public and private scene
- Benefit from UNESCO’s role of a neutral and multi-stakeholder broker
- Turn your Social Responsibility into reality
- Strengthen your brand loyalty through good corporate citizenship

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Boost your employees’ motivation through hands-on experience in UNESCO’s activities.100

These potential benefits for companies are not limited to partnerships with UNESCO but apply more or less to all UN funds, programmes and agencies.101 However, UN-business partnerships are not a one-way street, they affect both partners. But what does “image transfer” mean for the reputation and neutrality of the UN? Isn’t there the risk that the cooperation with controversial corporations (like Shell, Coca-Cola or Microsoft) adversely affects the image of the UN as a neutral broker and undermines its reputation? The FAO referred to this problem in 2005 in an early assessment of its partnership projects, stating:

“[…] there are reputation risks associated with partnering with the private sector, and more generally with non-state constituencies, which may represent interests divergent from FAO’s mission and may bring undue influence or, in any case, reduce the Organization’s credibility by damaging its image of impartiality. There is evidence that the neutrality, objectivity and credibility of the Organization have been questioned at times. In addition to these ‘technical’ risks, the Organization must safeguard itself from being associated with organizations that have a negative image in the public eye and do not comply with the basic principles upon which the UN system works. While this is a cross-cutting risk that the Organization must deal with in managing its partnerships, it is of particular concern in the cases of expert advice and when funding is involved.” 102

But funding through UN-business partnerships bears not only a reputational risk. In general, all of the same adverse effects of earmarked funding of the UN’s operational activities mentioned above also apply to partnership projects between the UN and private companies. These include fragmentation, competition and overlap among entities, disregard of programme priorities defined by intergovernmental bodies, and high transaction costs.

In a comprehensive analysis of partnerships in the field of education, commissioned by UNESCO and the World Economic Forum, Alexandra Draxler stated:

“Typically, MSPEs [Multi-Stakeholder Partnerships for Education] have high transaction costs, resulting from the need to manage the partnership. […] By all accounts, transaction costs are generally underestimated: participants assume that volunteerism and good will cover unforeseen costs, and that as the project moves along,

102 Cf. Sauvinet-Bedouin et al. (2005), para. 189.
problems will be solved. This is sometimes the case. When it is not, this can be a major obstacle to timely progress, or even progress at all.”

The trend continues

Despite the potential risks and side-effects of an enhanced relationship with corporate donors, nearly all UN funds and agencies intend to increase private funding for their operational activities and intensify their fundraising activities towards the private sector. UNICEF, for instance, envisaged in its Private Fundraising and Partnerships Plan 2014–2017 an increase in annual revenue from private individuals, business and foundations from around US$1 billion in 2014 to US$1.75 billion by the end of 2017. While donations from individuals remain the cornerstone of UNICEF’s fundraising strategy, income from corporations is gaining in importance:

“With the growing role of the corporate sector in sustainability, and the growth of corporate giving, there is potential to significantly increase the total revenue from UNICEF corporate partnerships. [...] UNICEF will proactively seek strategic global corporate alliances, which can then be rolled out at the country level.”

UNESCO follows a similar strategy. Its Programme and Budget for 2014–2017 underlines the need to explore opportunities for enhancing cooperation with the private sector. As an expected result the number of agreements with companies, foundations, and other private actors shall increase by 20 per cent over the four-year-period, and the donor base is expected to expand by 20 per cent as well, particularly by increasing the number of new partners from the BRICS countries (Brazil, Russia, India, China and South Africa). As a result, in the first half of 2014, 12 new agreements have been signed with the private sector, including five with partners from the BRICS.

Similarly, UN Women announced in its Strategic Plan 2014–2017 its goal to expand the number of “high-impact and results-oriented innovative partnerships with private sector partners.”

However, given the limited success in raising private resources so far, most UN funds and agencies follow a multi-layer fundraising strategy:

» Stabilizing and sustaining core contributions from governments and broadening the donor base by increasing contributions from “new donors” (BRICS etc.).

105 Ibid., para. 10 (b).
106 UNESCO Doc. 37/C5.
107 Cf. UNESCO Doc. 195 EX/4 Part IV, p. 3.
Exploring new forms of “core-like” funding modalities, including pooling resources in Multi-Donor Trust Funds.¹⁰⁹

Expanding voluntary contributions from the private sector, civil society and philanthropic foundations.

Setting up or participating in new global multi-stakeholder partnerships to raise additional funds from public and private actors who are not able or willing to give additional support to the respective UN institutions directly.

To respond to the underfunding of their operational activities, UN funds and agencies have two additional options, which are usually not mentioned in official strategy documents. On the one hand, they could concentrate their activities to their core mandates, particularly in the areas of global norms and standard setting and policy coordination, and leave (parts of) their operational activities, including technical assistance and service delivery projects, to other bilateral or multilateral development agencies outside the UN system.

On the other hand, they could even expand their operational activities and introduce new independent funding mechanisms, such as international taxes, levies or user fees. With regard to this option, German researcher Silke Weinlich concludes in her analysis of the future of UN funding:

“Naïve as it may sound today, the time might come that the world discovers the value of an independently funded world organization that provides invaluable services to humankind. However, before such a reform can be undertaken there needs to be a broad and strong consensus about the core functions of the UNDS [United Nations Development System]. […] In addition to a more secure and predictable funding base, it would be important to have a clearer understanding of what the UNDS should and should not do.”¹¹⁰

Spotlight: The United Nations Capital Development Fund

The United Nations Capital Development Fund (UNCDF) is a striking example of the “triple trend” in UN funding: stagnating or often decreasing core contributions by governments, the increasing share of total funding from cost-sharing arrangements and trust funds, and the growing amount of resources flowing from private sector foundations and corporations.

¹⁰⁹ Most relevant in this regard are the Multi-Donor Trust Funds and Joint Programmes administered by the Multi-Partner Trust Fund Office (MPTF Office) within UNDP, see http://mptf.undp.org/.

The UNCDF was founded by the UN General Assembly in 1966 to “assist developing countries in the development of their economies by supplementing existing sources of capital assistance by means of grants and loans”.\footnote{Cf. A/RES/2186 (XXI), 13 December 1966.} With the formation of UNCDF, the countries of the global South aimed to establish an alternative mechanism to the Western dominated Bretton Woods Institutions for the provision of investment capital. However, Western donors have insisted on the World Bank Group remaining the only multilateral agency for financial cooperation at the global level. In fact, most major donors have ignored the UNCDF since its creation. Consequently, the resources of UNCDF have remained modest relative to those of multilateral development banks, with available funds amounting to around US$40 million per year. The fund is an autonomous entity but operates within the organizational structure of UNDP and shares the same Executive Board as UNDP.

As a result of its resource constraints, since the early 1970s the fund has concentrated on financing smaller infrastructure projects in the Least Developed Countries (LDCs), particularly in Africa. In the mid-1990s UNCDF started turning towards microfinance. Today it operates in two broad areas: the development of inclusive financial systems and local development finance in LDCs. UNCDF aims at ensuring that all segments of society, particularly the poor, have access to financial markets through a variety of financial products and services (e.g., microcredits) and innovative delivery channels (e.g., mobile phone networks).

During the last decade UNCDF started to engage with private foundations and transnational financial service corporations. The year 2008 marked a turning point in this regard, when the Bill & Melinda Gates Foundation provided the UNCDF a contribution of US$11 million, making it the largest contributor in that particular year. In 2010 the Mastercard Foundation began its cooperation with UNCDF and a year later it became its largest donor with contributions of US$9.2 million. More recently three of the largest transnational financial service corporations became partners of UNCDF: Visa, Mastercard, and Citigroup (through its Citi Foundation). Their active engagement with UNCDF could derive from strategic business calculations: with an estimated 2.7 billion people around the world who do not use formal financial services and about 56 per cent of adults worldwide who remain “unbanked”, investments in these sectors lay the ground for enormous markets—and profits—in the future.

In 2014, 22.3 per cent of UNCDF’s overall resources came from private sources. Between 2008 and 2014, among the top five contributors have been two private foundations (see. Table 13 and Table 14).

Partly due to the increase in private funding it receives, UNCDF’s total revenue reached a record level of US$88.3 million in 2014. While regular contributions from governments have slightly decreased over the past
seven years, other contributions (from public and private sources) have increased massively, reaching a record high of US$73.3 million in 2014 (see Figure 6).

This shift in funding sources has had significant consequences for UNCDF’s programme priorities. The fund states in its Annual Report 2013: “The lack of significant increase in regular resources has forced UNCDF in 2013 to take drastic steps to switch the cost of its technical infrastructure to other resources funding and reduce the amounts available to deploy its investment mandate in the LDCs.”

### Table 13

**Top five contributors to the UNCDF 2008–2014**

<table>
<thead>
<tr>
<th>Country</th>
<th>Contributions (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>63,863,753</td>
</tr>
<tr>
<td>Belgium</td>
<td>41,133,199</td>
</tr>
<tr>
<td>Mastercard Foundation</td>
<td>36,354,003</td>
</tr>
<tr>
<td>Gates Foundation</td>
<td>29,194,375</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>25,122,867</td>
</tr>
</tbody>
</table>


### Figure 6

**UNCDF—Contributions to regular and other resources (in US$)**

Source: www.uncdf.org/en/Contributions-to-UNCDF.

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**Funding shifts, programme twists**

Through its shift towards partnerships with private foundations and transnational financial service providers UNCDF’s programme priorities have increasingly come to be shaped by these private actors.

Prominent examples are:

- **MicroLead**, a US$ 58.6 million global initiative to support the development and roll-out of deposit services by financial service providers, with a special focus on Africa and post-crisis countries. This initiative is supported by the Bill & Melinda Gates Foundation, The MasterCard Foundation and the LIFT Fund in Myanmar.

- **Mobile Money for the Poor (MM4P)**, a five-year initiative to promote and improve the use of electronic banking platforms, particularly mobile phones, and to provide financial services to low-income households. Financial support for MM4P comes, *inter alia*, from the Bill & Melinda Gates Foundation.

- **Better Than Cash Alliance**, a global alliance of governments, private sector and development organizations is committed to accelerating the transition from cash to electronic payments by advocating for the commitment of organizations to this transition; providing policy, technical and financial assistance; and by developing research products, best practices and case studies in order to drive the shift from cash to electronic payments. The US$38 million programme budget of the alliance (2012–2017) is funded by the Bill & Melinda Gates Foundation, USAID, VISA, Ford Foundation, Omidyar Network, Citi Foundation/Citigroup, and DFID (in kind).

The governance of the Better Than Cash Alliance demonstrates how this kind of multi-stakeholder partnership sidelines formal intergovernmental decision-making structures. While the official decision-making body of UNCDF is the Executive Board of UNDP, the actual decisions of the Better Than Cash Alliance are taken by a special Programme Management Committee (PMC). The PMC is responsible for approving annual work plans and budgets; monitoring progress towards those plans; providing input to UNCDF for annual secretariat staff performance reviews and offering recruitment references for relevant candidates; overseeing programme evaluations and facilitating donor coordination.113 PMC members with voting rights are representatives of Citigroup, the Bill & Melinda Gates Foundation, Ford Foundation, Omidyar Network, USAID and Visa. UNCDF serves as the secretariat of the Alliance but participates in its PMC only as a non-voting member.

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Table 14

Private sector contributions to the UNCDF 2008–2014 (in US$)

<table>
<thead>
<tr>
<th>Institution</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mastercard Foundation</td>
<td>3,498,220</td>
<td>9,207,708</td>
<td>6,487,614</td>
<td>5,482,582</td>
<td>11,977,879</td>
<td>36,654,003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mastercard Worldwide</td>
<td>500,000</td>
<td>500,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td>Omidyar Network Fund Inc.</td>
<td>500,000</td>
<td>1,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,500,000</td>
</tr>
<tr>
<td>Gates Foundation</td>
<td>11,000,000</td>
<td>182,973</td>
<td>5,301,941</td>
<td>2,800,000</td>
<td>1,447,670</td>
<td>3,900,791</td>
<td>4,561,000</td>
<td>29,194,375</td>
</tr>
<tr>
<td>Visa Inc.</td>
<td></td>
<td></td>
<td>1,115,000</td>
<td>600,000</td>
<td>800,000</td>
<td></td>
<td></td>
<td>2,515,000</td>
</tr>
<tr>
<td>Citi Foundation</td>
<td></td>
<td></td>
<td></td>
<td>500,000</td>
<td>500,000</td>
<td></td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td>Ford Foundation</td>
<td></td>
<td></td>
<td>1,075,815</td>
<td>363,589</td>
<td>60,598</td>
<td></td>
<td></td>
<td>1,500,002</td>
</tr>
<tr>
<td>MetLife Foundation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>250,000</td>
</tr>
<tr>
<td>Total</td>
<td>11,000,000</td>
<td>182,973</td>
<td>8,800,161</td>
<td>12,007,708</td>
<td>10,126,099</td>
<td>11,846,962</td>
<td>19,649,477</td>
<td>73,613,380</td>
</tr>
</tbody>
</table>

Source: www.uncdf.org/en/Contributions-to-UNCDF.