Strengthening Multilateralism in the UN Development System
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The UN Development System (UNDS) faces major long-term changes in financing that are seriously eroding its multilateral character. Since the 1980s, donor contributions, while increasing substantially in amount, have shifted away from “core funding” towards earmarked funds – mostly for projects from single donors, on program-specific topics. In 2011, donor contributions for development operation activities stood at $23 billion, but core contributions were only $6.3 billion, or 28 percent of the total (down from more than 60% in 1995). Non-core related contributions to UN operational activities increased by about 350%, in real terms, between 1995 and 2011, representing almost all of the growth in contribution to the UNDS. Only a relatively small percentage of the non-core funding took the form of “pooled” funds, while an increasing amount of funding came from non-government sources, such as NGOs, philanthropies and the private sector.

This change of funding practices has deep implications for the UNDS. While “non-core” funding takes various forms and should be analyzed carefully, the trend is a matter of real concern. Earmarking tends to turn UN agencies, funds and programs into contractors for state-initiated projects, eroding the multilateral character of the system and undermining governance. Multilateral mandates become increasingly difficult to carry out, as a profusion of earmarked projects bring confusion and a loss of coordinated action. When donors earmark funding, they can encourage “mission creep” within UN development bodies by pushing them to carry out projects outside of their core mandates. This generates fragmentation, incoherence, and lack of accountability.

Furthermore, agencies are competing for earmarked funds by lowering overhead charges and otherwise subsidizing bilateral projects from the core budget, cannibalizing core funds and further weakening the agency’s cost structure and financing of administration and other central costs. At the same time, contributions are tied to short-term funding cycles, making long-term projects extremely difficult to plan and carry out, given the uncertainties of year-to-year funding renewals. Multiple earmarked projects raise administrative and transaction costs, putting further pressure on the core. With so much activity outside the core, the
governance process is marginalized and programs often cannot address the most urgent issues and the countries most in need.

These dangerous trends are well-known within the UN. In 2007, the General Assembly called on member states to increase the share of core funding and eliminate the use of core resources for subsidizing bilateral projects (GA resolution 62/208 on the Triennial Comprehensive Policy Review). Five years later, with the outcome of the 2012 Quadrennial Comprehensive Policy Review (QCPR) close to agreement, the General Assembly will likely adopt strong language on the importance of core funding. At the same time, there is growing debate about the shape and financing of the post-2015 development process.

Proposals for a reform of the UNDS often ignore these trends. While some member states call for more coherence of the system, they rarely acknowledge that it is their own funding practices which lead to fragmentation and incoherence. However, no reform initiative can succeed without addressing this fundamental issue. While efforts following the High Level Panel on System-Wide Coherence in 2005 have achieved some success, they have run into divisions within the General Assembly and strong differences of opinion among member states.

UN development cooperation is thus at a critically important juncture. Some of the largest traditional donors, as well as emerging donors, have contributed to negative trends in the quality of the funding. The burden of core funding has fallen on a handful of countries intent on preserving the multilateral character of the system. Burden-sharing of core funding is one the many issues that must be resolved to make the system work.

The UNDS, despite its flaws, remains the most inclusive forum within the global development architecture. Its truly multilateral character is unique and it embodies a rule-based international system which is needed to solve the world’s multiple crises. Preserving this incomparable asset should be a basis for cooperation and consensus between member states. Everyone has a stake in a positive outcome, especially at a time of serious global crises, including financial instability, water shortages, hunger/malnutrition, and climate change.