

FUNDING COMPACT FOR THE UNITED NATIONS' SUPPORT TO THE SUSTAINABLE DEVELOPMENT GOALS

May 2024



Caption: Harold Weston, Building the United Nations—#6—U.N. in the Making, 1952. Smithsonian American Art Museum, Gift of the Committee of the Weston United Nations Paintings, 1955.

1. At the UN General Assembly Summit on the Sustainable Development Goals (SDGs), on 18 and 19 September 2023, world leaders recognized the urgent need for bold, ambitious, accelerated, just and transformative action on sustainable development. Achieving the SDGs by 2030 requires strong multilateralism. While the primary responsibility for SDG achievement lies with member states, the UN is uniquely placed to provide tailored support to governments to drive progress, through its global reach and advocacy function, its diverse policy support expertise, its unparalleled convening power, and its ability to support governments to access and leverage financing for sustainable development.

2. But strong multilateralism requires strong funding. With global challenges growing in scale and complexity, the UN development system is facing overwhelming demand but persistent underfunding to address them effectively. Despite global commitment to the 2030 Agenda, funding to the UN's sustainable development activities has not seen significant growth between 2015 and 2022, while official development assistance has increased by approximately 56% over the same timeframe. In the absence of significant growth in the volume of contributions to the UN's development activities, the need for changes in the type of funding provided and diversification of the donor base is even more urgent.

3. Current high levels of earmarking, particularly to specific projects, limits the UN development system's ability to respond strategically to national priorities, offer integrated policy solutions, build resilience and reduce risk, and respond to development crises with agility and speed. It also increases transaction costs, fragmentation, volatility, and competition among entities – and ultimately undermines the capacity of the UN development system to support SDG achievement effectively, coherently, and efficiently. The UN is the multilateral institution with the highest share of earmarked funding. In 2022, 83% of the UN's resources for development and humanitarian activities were earmarked while the corresponding figure was significantly lower for other multilateral

institutions such as the World Bank Group, the International Monetary Fund, and regional development banks.

4. It is therefore essential that Member States take concrete and timely steps to improve the quality of their funding to the UN development system, in particular through: (1) strengthening core funding and increasing the flexibility and predictability of non-core funding; (2) increasing contributions to interagency pooled funding; (3) aligning contributions to priorities and needs outlined in strategies and budgets, and Cooperation Frameworks at country level; and (4) harmonizing requirements across donors.

5. At the same time, the UN development system needs to continue to take active steps to strengthen its accountability to Member States and to build their trust. In line with the ongoing reform of the UN development system, it is essential that UN entities: (1) strengthen accountability and transparency of results, funding needs and expenditures; (2) work seamlessly as one system to mobilize resources for and contribute to integrated and accelerated SDG achievement; (3) give clear visibility to outcomes and impact achieved through core and flexible funding; and (4) deepen the achievement of efficiencies within and across entities to increase resources for programmes instead of administrative costs.

6. The Funding Compact is a shared responsibility of Member States and the UN development system, and contains interdependent and mutually reinforcing actions for each. Flexible funding is a necessary enabler of an effective UN development system, and an effective UN development system itself serves as an incentive for providing better quality funding. The commitments below call for implementation by Member States and UN entities, both individually and collectively. Ultimately, this Funding Compact represents the universally shared commitment, at the highest levels, to the Charter of the United Nations, and the achievement of the 2030 Agenda. It represents a non-binding instrument for voluntary action by individual Member States, other cooperation partners, and entities of the UN development system.



THE MEMBER STATES WILL:

- 1** Increase predictable **CORE/UNMARKED** resources
- 2** Enhance **FLEXIBILITY** of non-core funding

- 3** Increase contributions to interagency **POOLED FUNDS**
- 4** Ensure funding to the **RESIDENT COORDINATOR SYSTEM**

- 5** Enhance **DONOR COORDINATION**
- 6** Ensure align of **NON-CORE FUNDING** to strategic priorities and needs



THE UN DEVELOPMENT SYSTEM WILL:

- i** Clearly demonstrate the UN's contribution towards **SDG RESULTS**
- ii** Ensure **VISIBILITY, RECOGNITION** and **TRANSPARENCY**

- iii** Enhance **JOINT RESOURCE MOBILIZATION** and pooled funding
- iv** Fully support **COORDINATION OF UN DEVELOPMENT ACTIVITIES**

- v** Strengthen the achievement and reporting of **EFFICIENCIES**
- vi** Ensure **ALIGNMENT OF PROGRAMMES AND CAPACITIES** to strategic priorities and needs

Mutual Commitments of the Funding Compact

Objective One: A more strategic and responsive UN development system, supporting the achievement of SDG results in accordance with national development needs and priorities, and anchored in intergovernmentally agreed UN principles, norms and standards, and the UN Charter.

7. The UN development system has always had a mixture of operational and normative policy support functions, but most of its expenditures and country level capacities have long been concentrated on direct service delivery through projects. In large part, this is due to the extent to which the funding to the UN is earmarked. While earmarked funding can provide important resources for specific initiatives or projects, it can also present significant challenges for the UN when it comes to meeting Member State expectations on delivering strategic and comprehensive support towards realizing the SDGs. Tightly earmarked funding can impede the ability of UN entities to be responsive and tailored in their response to national needs and priorities, and respond agilely and quickly to socio-economic emergencies.

8. The most flexible and strategic funding to the UN development system is core resources. Core funding is essential for the ability of the UN to offer the type of cross-cutting, holistic sustainable development solutions that the 2030 Agenda requires. It enables the UN to scale up its normative, convening, policy advocacy, leveraging, and capacity building functions. In addition, core funding can help reduce administrative costs and increase strategic impact. The very low growth in core relative to earmarked contributions poses a real threat to coherence and effectiveness in the UN's development work. It is critical that core resources are increased as a share of the UN's development funding, and that these contributions are predictable – particularly through multi-year agreements wherever possible - and from a broad base of Member States and other funding partners.

9. At the same time, there are varying degrees of earmarking attached to different funding instruments. Some earmarked funding can offer higher levels of flexibility and therefore greater opportunities for collaboration and strategic results. Whether contributions are to a specific entity or to an interagency pooled fund, whether they are for a specific country/countries or theme, there is scope for this funding to be as flexible as possible by supporting the overall strategic results of a particular plan or programme. An annex to this document shows a typology of funding types with distinctions between degrees of earmarking.

10. Voluntary funding to the UN development system is currently highly dependent on a limited number of contributors, with the top ten Member State donors accounting for approximately 50% of the total. Such reliance on a small set of funding sources increases budget vulnerability. There is a need for the UN to continue to diversify the funding base, including from a broader set of governments as well as through strengthened partnerships with private sector, international financial institutions and development banks, vertical funds, and other multilateral organizations.

11. UN development system entities need to be ready to translate more flexible funding into tangible transformative results on sustainable development, above all for the eradication of poverty in all its forms and dimensions, including extreme poverty. The UN needs to fully harness and rapidly scale up its



Caption: Harold Weston, Building the United Nations--#1--Steelwork of Secretariat, 1949. Smithsonian American Art Museum, Gift of the Committee of the Weston United Nations Paintings, 1955.

policy support and advocacy for sustainable development (at the request of countries and in accordance with their own policies and priorities for development). It also needs to convene stakeholders for strong partnerships, identify and leverage multiple sources of sustainable development finance, and support capacity building in governments, institutions, and civil society. It needs to be able to clearly show the results (including outcomes and impact) of this work at all levels. UN country teams will support and advocate for the implementation

of intergovernmental normative agreements and conventions, upon request and in coordination with the host government, as well as fully operationalize system-wide action plans.

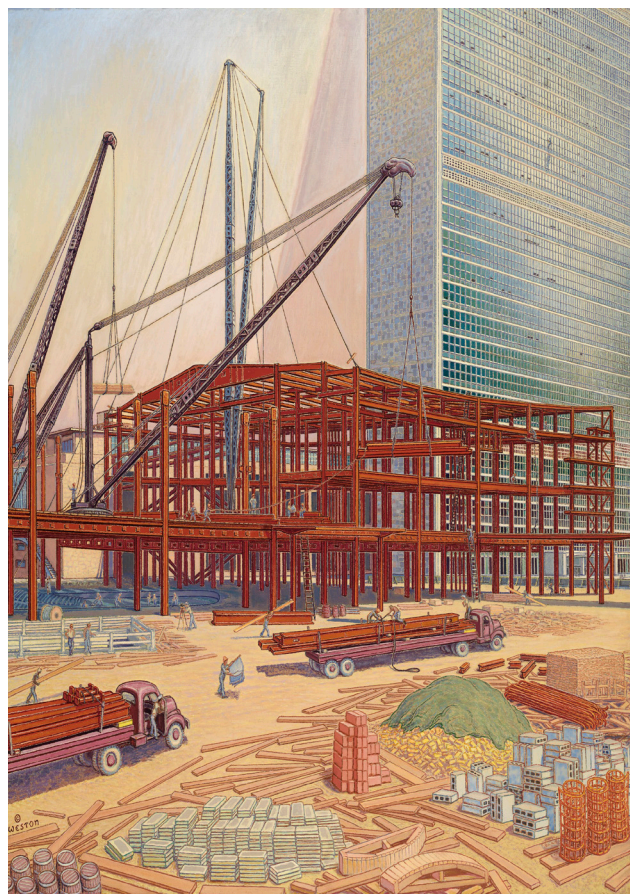
12. The results generated by core and flexible funding must be given clear visibility, so that governments can be accountable to citizens for their contributions. Contributors of core funding should be kept engaged in partnership dialogue processes at country level, alongside those providing earmarked funding to country activities. And better systems are needed to ensure full transparency, accountability, and strong quality of reporting to Member States, including the links between expenditures and results. Regular results reporting to governing bodies, host governments, and development partners, is particularly critical, augmented by independent system-wide evaluation.

13. Therefore, in support of a more strategic, responsive, impactful, and principles-based UN development system, **Member States should:**

- I. Increase the share of UN entity budgets funded by predictable core/unearmarked resources;**
- II. Enhance the flexibility of non-core funding commitments, including at country level.**

14. At the same time, and towards the same objective, **UN development system entities will:**

- I. Clearly demonstrate the UN's contribution towards SDG results;**
- II. Ensure visibility and recognition for all core and flexible contributions, and transparency of funding needs, budgets and expenditures against results.**



Caption: Harold Weston, Building the United Nations--#3--South End General Assembly, 1951. Smithsonian American Art Museum, Gift of the Committee of the Weston United Nations Paintings, 1955.

Objective Two: A more collaborative and integrated UN development system, working in partnership to address complex sustainable development challenges.

15. The integrated nature of the 2030 Agenda requires a UN development system that can deliver together, avoiding silos and competition for resources, and driving collective results which leave no one behind, and reach the furthest behind first. This fundamental objective is at the heart of the reform of the UN development system led by the Secretary-General and repeatedly called for by Member States. Under the leadership of Resident Coordinators, UN country teams are now optimally positioned to act as catalysts to propel progress on sustainable transitions for SDG acceleration – but further action is needed to ensure both funding and UN development system entities facilitate joint work and adequately support coordination.

16. Interagency pooled funds are key instruments to provide strategic, predictable, and flexible non-core funding, and to enable a shift from fragmented and rigid silos towards integrated and coordinated action. When well designed, capitalized and operationalized, these pooled funds can act as gravity centers to improve aid effectiveness, increase alignment among a wide range of actors, and reduce transaction costs for Member and implementing partners.

17. At the global level, the pooled funding model leverages the comparative advantages of UN entities while pursuing a diversified portfolio linking global to country-level efforts. The Joint SDG Fund stands as the UN's premier innovative funding mechanism, strategically designed to catalyze profound policy transformations and ignite the strategic investments essential for realigning the world on course to achieve the SDGs. The UN Peacebuilding Fund is the organization's leading instrument to provide fast, flexible and catalytic support to national prevention and peacebuilding priorities, focused on inclusion especially of women and young people, sustaining gains from peace operations, and cross-border approaches. Both these funds – along with other global-level pooled funds of a thematic nature – require increased capitalization from voluntary contributions if they are to meet the high ambitions and global demands for their support.

18. Country-level pooled funds are important strategic instruments to facilitate partnership and incentivize joint action across UN country teams. These pooled funds can provide Resident Coordinators with a partnership platform to enable resourcing of strategic elements of Cooperation Frameworks, ensure alignment to national priorities and needs, establish strategic dialogues with stakeholders on key issues, and facilitate transformative SDG policy shifts. Increased contributions to pooled funding will need to be complemented by buy-in and ownership of such funds by UN entities, and steps to further increase the quality features of such funds, as well as evaluations and enhanced results-based reporting on these mechanisms.

19. Since the repositioning of the UN development system in 2019, the organization has taken great strides to work as one system, with empowered Resident Coordinators, to deliver the coherent, effective and efficient support needed for the SDGs. But challenges remain, and the UN must accelerate its coordinated approach to development analysis, planning, programme implementation, and policy support. Close coordination with host country governments is important to maximize alignment of planning and funding frameworks with national needs and priorities, as well as to strengthen local capacities of host countries in programme

design, implementation, monitoring, data management, and evaluation. The quality of collective results reporting and availability of system-wide evaluations, whether at country, regional or global levels, must be further strengthened. Joint resource mobilization at all levels also needs to be expanded, along with collective development and implementation of well-designed pooled funds. Entities must work to reduce siloed approaches to resource mobilization, particularly at country level, and contribute actively to the collective results outlined in Cooperation Frameworks. UN development system entities must also leverage their comparative advantages, in full compliance with their respective mandates, to further enhance cooperation, collaboration and coordination with humanitarian assistance and peacebuilding efforts.

20. Support for the Resident Coordinator system is needed from Member States and UN entities to ensure an effective coordination function in support of integrated UN action for the 2030 Agenda. Resident Coordinators play a vital role in identifying solutions to accelerate SDG achievement in accordance with national priorities, through facilitating policy expertise from across the UN, convening the UN development system to deliver in accordance with national priorities, through facilitating policy expertise from across the UN, convening the UN development system to deliver more than the sum of its parts, facilitating strategic partnerships, and often coordinating the emergency response when crises occur. The UN will continue to take steps to ensure a high caliber of coordination professionals, transparency and accountability for RC system results and budgets, and clear reporting on system-wide results in support of the Sustainable Development Goals.

21. In support of a more collaborative and integrated UN development system, **Member States should:**
I. Increase contributions to interagency pooled funds to enhance the collective results of the UN development system at all levels;
II. Provide adequate, predictable, and sustainable funding to the Resident Coordinator system.

22. At the same time, and towards the same objective, **UN development system entities will:**
I. Enhance joint resource mobilization and partnerships, and pooled funding mechanisms;
II. Fully support coordination of UN development activities, including the leadership role of Resident Coordinators, and a whole-of-UN approach to all aspects of the development planning cycle.

Objective Three: A more efficient and streamlined UN development system, maximizing human and financial resources available for supporting SDG achievement

23. The collective efforts of Member States and UN development system entities to achieve efficiencies have achieved substantial progress since 2019. As of 2023, efficiency gains by UN Sustainable Development Group entities was estimated at US\$405 million. While efficiencies are not an end in themselves, every dollar saved through more efficient operations translates into an additional dollar allocated to development activities, which is why these efforts are so critical. But there is significant room for more ambition on UN efficiencies, especially in implementation of system-wide initiatives at all levels, as well as through greater sharing of business practices and services across entities.

24. With greater flexibility in funding, there is also a need for greater flexibility in the business models of UN entities,

particularly budgets and staffing arrangements. It is important that entities ensure programmes, capacities, and country configurations are aligned to priorities identified in strategic plans and budgets, and tailored to the needs and priorities in Cooperation Frameworks at country level. The UN development system needs to be able to respond on a timely basis to requests for short-term advisory and policy capacities at country level. Likewise, more work is needed towards progressive interoperability across data and reporting platforms to reduce inefficiencies and duplication between entity-specific and interagency processes. Development system capacities in countries need to be carefully configured to be able to effectively support country needs and demands, with regular updates to governing bodies on staffing configurations and locations.

25. Member States also have an important role to play in helping to reduce inefficient processes and bilateral requirements for UN entities. Coordination across Member State contributors on legal agreements, visibility, reporting, and assessments, can all significantly reduce the burden on UN staff, and strengthen the multilateral nature of such funding. Information sharing by entities such as the Joint Inspection Unit, the UNSDG System Wide Evaluation Office, and the Multilateral Organizations Performance Assessment Network can help to reduce the duplication of assessment exercises conducted by individual Member States. Both Member States and UN entities have a shared responsibility to implement the agreed recommendations of joint assessments, and to ensure that all contributions are aligned with Strategic Plans, Cooperation Frameworks, and funding frameworks.



Caption: Harold Weston, Building the United Nations--#5--Finishing Steel of General Assembly, 1951. Smithsonian American Art Museum, Gift of the Committee of the Weston United Nations Paintings, 1955.

26. In support of a more efficient and streamlined UN development system, **Member States should:**
I. Enhance donor coordination, and work towards reducing

individual visibility, reporting, assessment, and partnership requirements;

II. Ensure alignment of non-core funding to strategic priorities and needs identified in UN strategic plans and budgets approved by governing bodies, and Cooperation Frameworks at country level.

27. At the same time, and towards the same objective, **UN development system entities will:**

I. Strengthen the achievement of efficiencies and clearly demonstrate and report on these to governing bodies;

II. Ensure alignment of programmes and capacities to strategic priorities and needs identified in UN strategic plans and budgets approved by governing bodies, and Cooperation Frameworks at country level.



Caption: Harold Weston, Building the United Nations--#4--North End General Assembly, 1951. Smithsonian American Art Museum, Gift of the Committee of the Weston United Nations Paintings, 1955.

Implementation and Monitoring

28. The commitments of this Funding Compact should be implemented by Member States and UN entities at a global, regional, and country level. Implementation should be undertaken on an individual basis, and collectively wherever appropriate. Both contributing partners and host governments should play a role in implementation of Member State commitments.

29. A Global Monitoring and Reporting Framework will be used to measure collective implementation by Member States and by the UN development system at the global level. Annual reporting on collective implementation will be to the Operational Activities for Development Segment

of the UN Economic and Social Council. A web platform will also be established for regularly updated reporting on global level implementation. It is important that quantitative measurement of implementation is complemented by strong qualitative monitoring through results reporting, evaluations, and assessments, including on issues such as contribution to poverty eradication, or support to implementation of normative conventions and agreements.

30. The governing bodies of individual UN development system entities are strongly encouraged to hold annual dialogues on Funding Compact implementation on an individual entity basis. In support of these dialogues, individual entities may develop, in consultation with their governing bodies, monitoring and reporting frameworks using the above commitments, but with indicators and targets which are tailored to the specific context of that entity. Wherever relevant, individual entities should report to their governing bodies on their individual implementation of Compact commitments, as well as their contribution to collective implementation by the UN Sustainable Development Group.

31. Resident Coordinators and UN country teams are urged to hold tailored dialogues with host governments and development partners – including major voluntary core contributors – on local implementation of the Funding Compact, and to co-create strategies for more effective country-level development cooperation in support of Cooperation Frameworks. They may choose to develop UN country team specific monitoring and reporting frameworks, with tailored indicators and targets, on the basis of these dialogues. It is important for Ministers, Ambassadors, and senior UN staff in developing countries, to understand the mutual commitments contained in the Funding Compact, and to play an active role in their implementation. Collectively, the UN development system will advocate for the importance and benefits of flexibility and predictability of funding at all levels, as well as joint programming.

32. To support partnership discussions with contributing countries, and to ensure full awareness and accountability in capitals of Funding Compact implementation, annual scorecards will be produced to track individual implementation by governments. These scorecards will not be shared publicly, but will only be shared with the concerned Member State. Individual member states can also volunteer to report on their Funding Compact implementation, and make specific pledges, during the UN Pledging Conference for Development Activities, held annually by the UN General Assembly.

33. Funding Compact implementation by individual UN entities may also be reviewed as part of regular assessments by the Multilateral Organization Performance Assessment Network, while implementation by OECD-DAC Member States can be reviewed as part of regular peer reviews. Additionally, an independent biannual review of Funding Compact progress will be conducted, ahead of the 2026 and 2028 Operational Activities segments of ECOSOC.

Annex – Typologies of Funding Modalities & Levels of Earmarking for Sustainable Development

	SINGLE ENTITY CONTRIBUTIONS	INTERAGENCY CONTRIBUTIONS
Unearmarked	<p>Assessed contribution (DAC aid type B02 or B021) Fixed amount contribution calculated based on agreed formula that UN Member States undertake to pay when signing a treaty</p>	
	<p>Voluntary core (unearmarked) contribution (DAC aid type B02 or B021) Voluntary untied contribution to the UN entity budget, fully flexible (within boundaries set in mandates, gov. body regulations, etc)</p>	<p>Flexible contribution to a global level MPTF (DAC aid type B022 or B031; recipient 998, combined with Channel Codes for UN pooled funds) "Core" financial contribution to an interagency global pooled fund (eg: Joint SDG Fund, PBF, global pooled funds on a specific theme), fully flexible within the ToRs of the fund</p>
	<p>Voluntary core (unearmarked) in-kind untied contribution Revenue transactions recorded for donations of goods and/or services, in accordance with accounting policies of the organization</p>	
Softly earmarked	<p>Single-agency thematic funds (DAC aid type B032; recipient 998) Co-mingled contributions to single-entity funding mechanism to support high-level outcomes within strategic plan; single UN entity is fund administrator & takes decisions on fund allocations</p>	
	<p>Regional funding (DAC aid type B032; recipient regional) Financial contribution to a single agency, fully flexible within the boundaries of a region (eg: Africa, South Asia)</p>	<p>Flexible contribution to a regional level MPTF (DAC aid type B031; recipient regional) Financial contribution to an interagency Multi-Partner Trust Fund for a specific region, fully flexible within the ToRs of the fund</p>
	<p>Country programme funding (aid type B032; recipient country specific) Financial contribution to a single agency, fully flexible within the boundaries of a country or multi-country programme</p>	<p>Flexible contribution to a country level MPTF (DAC aid type B031; recipient country specific) Financial contribution to an interagency Multi-Partner Trust Fund for a specific country or multi-country cooperation programme, fully flexible within the ToRs of the fund</p>
Earmarked	<p>Earmarked to a sub-theme or target (DAC aid type B033; recipient 998) Financial contribution directed to sub-categories of strategic objectives (eg: environment/decarbonization or education/teacher training) but without geographic limitations</p>	<p>Thematic earmarking to a theme in an MPTF (DAC aid type B033) Financial contribution to one or more specific objectives, sub-objectives or themes in an MPTF based on the type of earmarking allowed in the TOR of the Fund (regardless of geographical level)</p>
	<p>Country-specific thematic funding (DAC aid type B033; recipient country specific) Financial contribution to a specific outcome or outcomes within an entity's country program, without further restrictions</p>	<p>Joint Programme (DAC aid type B031 or B033; recipient any) Financial or in-kind contributions to a joint programme between two or more participating UN organizations working together at a country, regional or global level.</p>
Tightly earmarked	<p>Project funding (DAC aid type C01) Financial or in-kind contribution to a specific project in a specific country</p>	
	<p>Tied-funding Financial contribution tied to certain conditions in terms of purchase restrictions</p>	



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Caption: Harold Weston, Building the United Nations #2--Ramp over F.D.R. Drive, 1950. Smithsonian American Art Museum. Gift of the Committee of the Weston United Nations Paintings, 1955