

Funding Compact - FAQs

Frequently Asked Questions on the new Funding Compact – June 2024

1. What is the purpose of the Funding Compact?

Achieving the Sustainable Development Goals (SDGs) by 2030 calls for transformative, collaborative action. The United Nations development system – that is, the UN agencies, funds, programmes and departments which undertake sustainable development activities – must be at the heart of that effort by delivering cohesive and high-quality support, at scale, to Member States. For it to do so, however, significant changes in funding are needed, as funding patterns have been characterized by a decline in core resources relative to overall funding, unpredictability, and a rising share of tightly earmarked funding for specific projects.

The Funding Compact aims to address this critical issue. It acknowledges that quality funding – including core funding, pooled funding, and softly earmarked funding – is a prerequisite for a more effective, efficient and coherent UN development system. At the same time, it speaks to the importance of building trust and confidence of Member State contributors in the UN development system, particularly through improved results reporting, transparency, visibility, and achievement of efficiencies. As such the Funding Compact establishes a set of mutual commitments for Member States and the UN development entities to take concrete steps over the remaining years of the 2030 Agenda, to substantially shift the funding picture.

2. What are the main differences between the new Funding Compact and the previous one from 2019?

First, the new Funding Compact is shorter, simpler, more strategic and more accessible to any audience, including senior funding decision makers such as Ministers and Ambassadors. It has fewer pages, simplified and less technical narrative text, fewer commitments, and fewer indicators. It is also more fairly balanced between commitments for Member States and UN development system entities.

Second, the new Compact is more flexible and adaptable to context so that it is a more useful document at country level, and in individual governing bodies of entities. Commitments and principles in the Funding Compact have been kept at a strategic level, so that they may be relevant and applicable in all contexts, and can be drawn on for context-specific dialogues and monitoring frameworks to be developed by UN country teams with development partners, or by entities for use with their Executive Boards or other governing bodies.

Third, the level of ambition has increased in light of the high expectations for SDG acceleration set by world leaders in the 2023 SDG Summit. Targets for pooled funding and thematic funding, in particular, have increased.

Fourth, this new Funding Compact takes a more nuanced approach to 'earmarked contributions', better recognizing the full range of possible levels of flexibility (instead of painting all non-core funding other than pooled and thematic as 'tightly earmarked project level funding'). This will require some work by the UN development system to start disaggregating funding data in such a way to allow for this distinction.

Fifth, the new Compact aims to build on the work undertaken by the system over the last five years to increase the trust and confidence of Member States, with more ambitious and specific commitments and targets around system-wide reporting, efficiencies, visibility, transparency, and accountability. The new Compact also better reflects the importance of a UN development system that can translate various intergovernmentally agreed norms, principles and standards into policy advice at country level.

Sixth, the new Compact aims to strengthen mutual accountability for implementation, including through tailored dialogues at country level and within governing bodies, enhanced provisions for monitoring and review, the introduction of ‘scorecards’ for individual donor countries clearly showing their data and rates of implementation, and dedicated opportunities to profile and recognize Member States who do take strides towards implementation.

3. Why is core funding important?

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 funding 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.

4. Why is interagency pooled funding important?

Coordinated action by the UN development system entities is a prerequisite for coherence and transformative results. 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 States and implementing partners.

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 if they are to meet the high ambitions and global demands for their support.

Country-level pooled funds are important strategic instruments to facilitate partnership and incentivize joint action across UN country teams. These pooled funds can provide UN entities and coordinators with a partnership platform to enable resourcing of strategic elements of programmes and plans, 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.

5. What is meant by ‘softly earmarked’ or ‘higher quality’ non-core funding?

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. The new Funding Compact includes an annex showing a typology of funding types with distinctions between degrees of earmarking.

Soft earmarking is used to describe contributions to single-agency thematic funds; funding earmarked to a region or country programmes without further restrictions; or contributions to a regional or country-level Multi-Partner Trust Fund to be used which are fully flexible within the ToRs of the Fund.

6. Whose responsibility is it to implement the Funding Compact?

The responsibility for Funding Compact implementation is shared by Member States and those UN entities undertaking development activities. Responsibilities are both collective and individual in nature. Member States and UN entities should take steps for implementation at all levels, including headquarters locations and national capitals, country offices and embassies, regional locations, and in the context of governing bodies. Ultimately, Funding Compact commitments are voluntary in nature, but all Member States and UNSDG entities are strongly encouraged to contribute towards implementation.

7. How is Funding Compact implementation being monitored and reported?

DCO and DESA will monitor implementation of commitments and indicators at a global and aggregate level, and report annually to ECOSOC on the basis of the global monitoring and reporting framework. 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.

Individual entities will monitor global implementation of commitments and indicators on an entity-specific basis, and report to their respective governing bodies in the context of Structured Funding Dialogues and on the basis of tailored, entity-specific monitoring and reporting frameworks, where appropriate.

UN country teams, led by Resident Coordinators and in consultation with national governments and development partners, will monitor implementation on a country-level basis, in the context of national funding compact dialogues and on the basis of tailored, country-specific monitoring and reporting frameworks, where available.

An independent biannual review of Funding Compact progress will be conducted, ahead of the 2026 and 2028 Operational Activities segments of ECOSOC.

All available information on implementation will be made available via the UNSDG website.

8. Are there any mechanisms to ensure compliance with Funding Compact commitments?

The Funding Compact is not a compliance-based instrument. It is voluntary in nature, and implementation is strongly encouraged.

It is the responsibility of the General Assembly (in the QCPR), Economic and Social Council (in the Operational Activities Segment), and respective governing bodies of agencies, funds and programmes, to follow-up and push for appropriate implementation of Funding Compact commitments.

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 top government contributors. 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 implementation, and make specific pledges, during the UN Pledging Conference for Development Activities, held annually by the UN General Assembly.

Funding Compact implementation by individual UN entities may also be reviewed as part of regular assessments by MOPAN, while implementation by OECD-DAC Member States can be reviewed as part of regular peer reviews.

9. What is the role of entity governing bodies with respect to the Funding Compact?

All agencies, funds and programmes with dedicated governing bodies are strongly encouraged to hold annual dialogues on Funding Compact implementation on an individual entity basis. In support of these dialogues, 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 UNSDG.

A one-page guidance note on localizing the Funding Compact in the context of governing bodies is available on the UNSDG website.

10. What are country-level Funding Compact dialogues?

RCs and UNCTs 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 UNCT 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 UNDS will advocate for the importance and benefits of flexibility and predictability of funding at all levels, as well as joint programming.

A one-page guidance note on localizing the Funding Compact at country level is available on the UNSDG website.

11. Where can we find data about the UN development system's funding?

Overall funding on the UN's funding and expenditures is available on the CEB data portal: <https://unsceb.org/financial-statistics>.

Annually, a statistical data table is annexed to the Secretary-General's report on QCPR implementation, and available on the ECOSOC Operational Activities Segment website. This document breaks down the CEB data with more disaggregation and granularity, including between development and humanitarian funding.

A document specifically showing trends in development and humanitarian funding to the UN between 2018 and 2022 is available on the UNSDG website. This is based on this same CEB data.

12. What will the UNSDG do to collectively implement the Funding Compact?

Collective implementation by the UN Sustainable Development Group (UNSDG) will include measures to:

- Strengthen system-wide reporting on SDG results, moving from an approach of collecting data from each entity to a more systematic collection of data from UN country teams;
- Increase transparency of country-level information, including publication of Joint Work Plans, Common Country Analysis (and CCA updates), and funding frameworks on the UN INFO platform;
- Ensure high quality evaluations of Cooperation Frameworks, as well as other system-wide and joint evaluations;
- Work with major donors to agree common visibility standards;
- Apply common management features and standards on all interagency pooled funds;
- Increase joint resource mobilization and partnership approaches at country and global levels;
- Strengthen implementation of the Management & Accountability Framework;
- Accelerate joint efficiency initiatives such as Common Premises and Common Back Offices, as well as implementation of Business Operations Strategies;
- Support RCs and UNCTs in organizing country level dialogues;
- Where possible, improve quality and availability of data on funding to the UN development system.