



Structured Funding Dialogue¹

UNDP, UNFPA, UNICEF, UN-Women Joint Paper

Navigating Development Assistance Uncertainty, and the Road Ahead for Funding

This paper has been prepared in response to the decisions adopted by the respective Executive Boards at the second regular session 2020, requesting agencies to brief the Boards on how they will mitigate the effects of potential decreases in global official development assistance, including its impact on implementation of the Strategic Plans.

1. The impact of COVID-19 on development cooperation, including financing

The socio-economic impacts of COVID-19 have been devastating. According to the *Financing for Sustainable Development Report 2021*, the pandemic has set back development progress, with the global economy experiencing the largest recession in 90 years and the most vulnerable segments of societies disproportionately affected.² The pandemic reveals the increasingly interlinked, complex, and global nature of today's challenges and emphasizes the need for the international community – and the UN system – to demonstrate effective cooperation and strong coordination.

The immediate response to control the spread of the pandemic through lockdown measures and the subsequent breakdown in the global supply chain drastically impacted the global economy. The world's economy experienced the sharpest contraction of output since the Great Depression, with an estimated 3.4% decrease in 2020.³ Governments responded to the pandemic by rolling out stimulus packages, leading to a rise in public debt levels. Globally, governments provided 16

¹ Structured Dialogue on Financing is also used to designate Structured Funding Dialogue.

² See: https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR_2021.pdf

³ See: <https://www.imf.org/-/media/Images/IMF/Publications/WEO/2021/January/English/weoupdate-jan21-eng.ashx>

trillion in stimulus measures to cope with the crisis, however just 1% is being directed to developing countries.⁴ The IMF's latest study estimates that from 2021-2025 a minimum of \$598 billion in external public debt service payments are at risk across 72 countries. The global public debt-to-gross domestic product (GDP) ratio is expected to increase from 106% in 2019 to 127% in 2020.⁵

As the global community faces pandemic-related impacts in their day-to-day lives, the world is experiencing the first reversal in human development since 1990. The COVID-19 crisis has exacerbated inequalities, particularly affecting the most vulnerable income and demographic groups:

- UNDP estimates an additional 207 million people could be pushed into extreme poverty by 2030 due to the severe long-term impact of the COVID-19 pandemic,⁶ and recent UNDP and UN-Women analysis predicts that by 2021 alone, 47 million women and girls could be pushed into poverty due to the pandemic.⁷
- UNFPA notes that the pandemic has had a disproportionate impact on women and girls, and has exacerbated pre-existing inequalities, resulted in alarming reports of gender-based violence (GBV), child marriages, female genital mutilations, disruption in family planning services, and intensified women's unpaid care and domestic workloads. UN-Women warned that COVID-19 has led to the "shadow pandemic" of rising GBV, which spiked by 30% in some countries.⁸
- UNICEF expected the number of children living in monetary-poor households to increase by 142 million by the end of 2020.⁹
- ILO reported that total working-hour losses averaged about 8.8% in 2020, which represents about 255 million full-time jobs, making this four times greater working hour-losses than during the global financial crisis in 2009.¹⁰

While official donor foreign aid increased between 2019 and 2020 by 3.5% in real terms to a high of \$161.2 billion in response to the pandemic, all major income flows to developing countries (e.g. trade, remittances, foreign direct investment) have declined. Trade volumes were down by 8.5% and external private finance to developing countries fell by 13% in 2020.¹¹ Globally, Foreign Direct Investment fell by 42% in 2020.¹² The tourism industry suffered its worst year in 2020 with international travel down 74% and an estimated loss of \$1.3 trillion in export revenue.

⁴ See: <https://www.oecd.org/newsroom/covid-19-spending-helped-to-lift-foreign-aid-to-an-all-time-high-in-2020-but-more-effort-needed.htm>

⁵ See: https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESP2021_CH2.pdf

⁶ See: <https://sdgintegration.undp.org/accelerating-development-progressduring-covid-19>

⁷ See: <https://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2020/gender-equality-in-the-wake-of-covid-19-en.pdf?la=en&vs=5142>

⁸ See: https://www.unwomen.org/en/news/in-focus/in-focus-gender-equality-in-covid-19-response?utm_source=media&utm_medium=video&utm_campaign=shadowpandemic#featureshadowpandemic

⁹ See: <https://data.unicef.org/covid-19-and-children/>

¹⁰ See: https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_767028.pdf

¹¹ See <https://www.oecd.org/newsroom/covid-19-spending-helped-to-lift-foreign-aid-to-an-all-time-high-in-2020-but-more-effort-needed.htm>

¹² See: <https://unctad.org/news/global-foreign-direct-investment-fell-42-2020-outlook-remains-weak>, which notes that Foreign Direct Investment flows to developing economies decreased by 12% compared to developed economies where flows constricted by 69% in 2020.

Remittances, which are closely correlated with economic performance in developed countries, could fall by 20% from those developed economies where GDP shrunk by more than 6%. Even prior to the pandemic, Official Development Assistance (ODA) was under pressure – as financial contributions become increasingly bilateral, reallocated by sector, with a preference for loans over grants and humanitarian over development interventions. Between 2010 and 2019, ODA in loans increased from 20% to 26%, while grants fell from 72% to 61%.¹³ Bilateral lending from Development Assistance Committee (DAC) donors grew by 50% during the same period, reaching a peak in 2019 of \$19.5 billion.¹⁴ In the context of an overall positive increase in ODA levels, donor countries' ODA spending behaviour in 2020 was mixed; 16 DAC countries increased ODA, while 13 countries' spending fell.¹⁵

Assuming infection rates slow down and with growing shares of the population in developed countries vaccinated, global GDP growth is projected to be 5.5% in 2021 and 4.2% in 2022, with global output rising above the pre-pandemic level by 2021.¹⁶ A more pessimistic outlook with a higher number of new infections in major economies during the first half of 2021, and assuming vaccinations are not as effective to establish herd immunity and new variants of the virus spread, could see global output grow by just 2.8% in 2021 and remain at about 2.6% until 2025.¹⁷

If the current trend continues unabated, the world may see a “K-curved” recovery, where richer countries attain herd immunity in mid-2021, while many less-developed economies struggle to secure adequate doses of vaccines. Similarly, recovery could reflect notable disparities among countries with varied levels of fiscal space to stimulate all economic sectors to avoid long-term damage. This underscores the importance of protecting ODA that could counter negative trends.

The Organisation for Economic Co-operation and Development (OECD) and other analysts forecasting aid spending levels in 2021 have identified multiple possible trajectories and divergent scenarios.¹⁸ Historically, development aid has fallen in the aftermath of a crisis, with the notable exception of the 2008 financial crisis.¹⁹

Scenario 1: Increasing budgets, supporting recovery. In this optimistic scenario, political will and commitments, coupled with successful fundraising efforts, multilateral and bilateral support dedicated to crisis response, recovery and rebuilding could see ODA volumes and its share of gross national income (GNI) increase.

Scenario 2: Standing against headwinds, would see the world experience a highly uncertain economic recovery, and successive waves of the pandemic. However, past analysis has shown that OECD DAC countries tend to protect aid budgets from short term

¹³ See: <https://devinit.org/resources/aid-data-2019-2020-analysis-trends-before-during-covid/#section-1-7>

¹⁴ See: <https://devinit.org/resources/covid-19-and-financing-projections-developing-countries/>

¹⁵ See <https://www.oecd.org/newsroom/covid-19-spending-helped-to-lift-foreign-aid-to-an-all-time-high-in-2020-but-more-effort-needed.htm>

¹⁶ OECD Economic Outlook, Interim Report. [Strengthening the recovery: The need for speed](#)

¹⁷ See: https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESP2021_CH1.pdf

¹⁸ See: [Development Co-operation Profiles – Six decades of ODA: insights and outlook in the COVID-19 crisis \(oecd-ilibrary.org\)](#) and [Impact of COVID19 on International Development Assistance System | ORF \(orfonline.org\)](#)

¹⁹ See: <https://www.orfonline.org/expert-speak/impact-of-covid19-on-international-development-assistance-system/>

shocks, and some have mechanisms in place to smooth ODA volumes over several years in order to cope with abrupt changes and protect commitments.

Scenario 3: Struggling to maintain budgets. This pessimistic scenario would materialize if the global crisis persists and countries focus increasingly scarce public resources on domestic priorities and economic recovery. In this scenario, real cuts in aggregate ODA are expected, especially in countries that have traditionally tied ODA volumes to GNI.

In sum, COVID-19 has been devastating for the global economy with serious and negative health and development impacts, particularly on those most vulnerable. Lockdown measures that limited human activities and halted global trade and supply chains undermined the abilities of countries and communities to cope with the crisis. Key sources of financing for development have been impacted with all major income flow to developing economies significantly reduced in 2020. While the international community responded by injecting necessary stimulus into their economies, only 1% of total global spending on COVID-19 has been in developing countries.

While the 2020 ODA increase of 3.5% is a positive development, the scenario for development financing in 2021 is difficult to predict and depends on equity in access to vaccines, the tough fiscal space in many countries and the international communities' commitment to collective action. Recognizing the importance of global cooperation to COVID recovery, the UN development system should work with countries and partners towards an inclusive global recovery that leaves no country or vulnerable group behind.

2. How are agencies adjusting to the impact of COVID-19 on funding for development and humanitarian activities, and what lessons have been learned?

Coordination: Responding to the Secretary-General's call to action in the report [Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19](#), UN agencies developed coordinated response strategies and plans. Despite the gravity and magnitude of the challenge, the UN system demonstrated its ability to deliver better, quicker, and more effectively to support countries in crisis with robust health, emergency and socio-economic response plans. Examples include:

- UN Country Teams mobilized globally to assess and respond to the social and economic devastation caused by the COVID-19 pandemic, working with 93 governments to document impacts and with 127 governments to launch response plans boosting protections for the most vulnerable people and resilience to future shocks.
- UN-Women coordinated with over 10 UN agencies to build a common UN system dashboard of gender indicators to drive gender-aware COVID-19 responses; this COVID-19 and Gender Monitor ensures that MPTF proposals include evidence-based gender analysis. UNDP and UN-Women launched the [COVID-19 Global Gender Response Tracker](#) that monitors policy measures enacted by governments worldwide to tackle the crisis and identify and highlight responses that integrate a gender lens.

- In India, UNDP, WHO, and UNICEF supported the Government to roll out the COVID-19 vaccine and develop the eVIN vaccine supply chain and temperature monitoring system for 28,500 vaccine storage centers across all states and trained 50,000 healthcare staff.
- Interagency collaboration was crucial to UNFPA in ensuring that family planning, maternal, and reproductive health remained positioned as essential services and supplies during the COVID-19 response. UNICEF and UNFPA joint programming resulted in six million adolescent girls reached with child marriage-related prevention and care interventions across 45 countries, including almost 10,000 adolescent girls with disabilities based on data from 13 countries. Under the WHO-led health cluster, UN agencies collaborated and coordinated for a more integrated and impactful response.
- In Zimbabwe, UNFPA collaborated with the WFP and other food security and nutrition actors to ensure that reproductive health commodities were distributed alongside general food distribution. UNICEF and WFP worked together in Chad, Mali and Niger to improve school health and nutrition, support shock-responsive social protection systems and develop resilience-building packages, and strengthened access to basic social services for over two million people (including 1.6 million children) through system strengthening interventions at national, sub-national and community levels.

Flexibility: Flexibility was key to the UN system’s nimble and timely response to the COVID-19 crisis, and core and flexible non-core resources played a pivotal role in deploying quick, essential, and lifesaving support to people in need. In 2020, UNDP re-programmed and mobilized more than \$982 million to support the COVID-19 response plan, \$103 million of which was in the form of core resources. UN-Women diverted \$105 million to respond to COVID-19 in 2020, with \$14 million from core. With core resources, UN-Women mobilized the UN Inter-Agency Network on Women and Gender Equality for an all-of-UN system gender-responsive COVID-19 response that brought together the expertise of 32 entities. As a first line of response, UNICEF utilized over \$75.6 million core resources to respond to the pandemic. This allowed for immediate action and the scale-up of humanitarian interventions in 130 countries. Donor partners generously contributed \$131.4 million at different levels of flexible funding, which constituted 11% of total funding for COVID response mobilized by UNICEF. UNFPA Maternal Health Thematic Fund allowed reprogramming of funds and interventions to ensure the continuity of essential services like maternal health, family planning services, GBV screening and response, and the procurement of Personal Protective Equipment (PPE) for midwives.

With the complexity and rapid spread of the disease globally, flexible resources were essential to support efficient and effective development and humanitarian responses and fill some funding gaps for critical interventions when other funds were not immediately available. Pooled funding, namely the COVID-19 Response and Recovery Trust Fund, was essential to enable the UN system to support countries most affected by the pandemic. It provided \$75 million for 80 joint programmes in 67 countries; however, this was short of the anticipated capitalization to meet the full scale of the challenge.

Agility: The pandemic drastically altered the operations of UN agencies, which demonstrated operational agility in responding to COVID-19 by streamlining and simplifying policies and procedures, quickly adjusting work plans and working arrangements using digital technologies for virtual platforms and setups, while ensuring staff safety and tracking procurement processes and due diligence.

Using UN agencies comparative advantages, data and evidence-based funding decisions

Drawing from prior experience responding to disease outbreaks such as Ebola, HIV, SARS, TB, and malaria, **UNDP** swiftly and effectively responded to support countries and communities affected by the COVID-19 crisis to build back better. With its underlying mission to eradicate poverty, reduce inequalities, and build resilience to crises, UNDP led the UN's system-wide efforts in the development of 144 socio-economic impact assessments across 97 countries, generating critical data to help guide COVID-19 decision-making, including to ensure support reached the most vulnerable groups. UNDP worked with partners including the World Bank and the IMF to prepare 119 socio-economic response plans. Focusing on governance, social protection, green economy, and digital disruption, UNDP supports countries' resilient efforts to not only recover from the crisis, but also continue to build a sustainable path towards realizing the 2030 Agenda.

With decades of experience working with national statistics offices and coordinating within the UN system, **UNFPA** was well positioned to conduct rapid assessments for the needs of specific population groups, aware of the importance of disaggregated data to address discrimination and entrenched inequalities, and to ensure that no one was left behind as the pandemic unfolded. Conducting regular mapping with national and local actors of community-based services helped identify needs and support an evidence-based response. This mapping during the COVID-19 lockdown helped to identify and reach under-served communities with GBV, sexual and reproductive health, and psychosocial services, as well as providing evidence on the need for safe spaces for children and youth resulting from school closures. The launch of a COVID-19 Population Vulnerability Dashboard interactive tool helped provide UN agencies, governments and policymakers, public health and frontline workers, as well as the general, public access to data on populations vulnerable to COVID-19 to improve and inform both preparedness and response, and to save lives.

With **UNICEF's** dual humanitarian and development child rights mandate, and extensive existing presence at the field, country and regional levels, the majority of UNICEF interventions during the COVID-19 pandemic use a systems strengthening approach to support local governments and communities to deliver essential services that contribute to sustainable gains at scale - linking humanitarian response to development. These efforts contributed to building the resilience of service delivery systems and address the socioeconomic impacts of the COVID-19 pandemic. In Sudan, for example, UNICEF has worked to improve community-based surveillance during the pandemic – structures that will be used to report on other disease outbreaks for years to come.

With **UN-Women's** women's empowerment mandate, the entity is working to advance gender equality in major financing decision-making spaces. This includes: (i) influencing the approach, financing and programming of IFIs, such as partnering with the World Bank on household and COVID-19 surveys and on collecting global estimates of poverty by sex; (ii) working with the Financing for Development Committee to ensure that the Secretary-General's Build Back Better agenda and Multi-Partner Trust Fund integrates gender equality priorities; (iii) advocating for national fiscal stimulus packages to apply a gender lens in their design and for greater investment in Gender-Responsive Budgeting globally to ensure that fiscal policies advance gender equality in short- and long-term COVID-19 recovery.

Prudent budget planning and use: From the onset of the pandemic, UN agencies have carefully monitored their income situation and assessed the potential impacts on the resources available. For example, during the first peak of the crisis in early 2020 UNFPA and UN-Women instituted weekly reviews of the income, potential impact on the exchange rates and resulting impact on the available budgets. In anticipation of the likely impact in both 2020 and 2021, UN-Women implemented a cost reduction target reflecting mostly anticipated savings in travel, training and workshops.

UNDP, UNFPA, UNICEF and UN-Women made concerted efforts to engage donors to make early payments of their contributions to stabilize the situation. For example, UNFPA was able to quickly distribute the additional resources received mid-year to programmes in countries to help with the response plans and additionally, a prudent approach was adopted to safeguarded unspent core resources to be utilized in 2021 as well as planned for the next Strategic Plan cycle, 2022-2025.

The impact of COVID-19 on the development system and the funding environment required UN Funds and Programmes to operationalize key elements of UN reform, including Funding Compact commitments to efficiency, effectiveness and transparency through coordinated, flexible and fiscally prudent responses, drawing on entity-specific mandates and comparative advantages.

3. How do agencies plan to cope with a potential ODA decrease in 2021, while developing respective Strategic Plans and Budgets?

The path to recovery from COVID-19 is uncertain, as countries continue to battle the pandemic. Despite having developed vaccines, inequities in vaccine distribution and the spread of new variants add additional layers of complexity to the challenge of a full recovery from the COVID-19 crisis. Given the uncertainties in ODA scenarios and income forecasting outlined in section 1 and building on good practices established at the peak of the crisis, the UN system has to prepare beyond 2021 to continue to provide effective, efficient, and impactful support to countries.

Prudent planning and budgeting approaches: For voluntarily funded agencies such as UNDP, UNFPA, UNICEF and UN-Women, preparing results frameworks and budget within a quadrennial time horizon has always been a challenging process, even prior to COVID-19. The 2022-2025 exercise of developing the Strategic Plans and Integrated Budgets is marked by additional uncertainties affecting baselines, targets, modes of implementation, funding, and reliability of global supply chains, among other parameters. Against this backdrop, UN agencies will adopt:

- ambitious yet prudent and intelligence-based income projections, and build the budgets based on those income projections.
- Flexible business models, agile programming and results frameworks to cope with unforeseen changes.
- Readiness to implement course corrections, including austerity measures, if necessary.

Funding and financing measures:

- Hedge against foreign exchange rate fluctuations.
- Incentivize more multi-year funding agreements.
- Conduct revenue projections in a more refined manner (i.e. intelligence gathering, outreach, sensitivity analysis), factoring various funding scenarios for budget planning.
- Diversify revenue sources beyond ODA, such as individual giving, blended finance, and partnerships with International Financial Institutions.
- Develop “investment cases” to accelerate the achievement of results.

Effectiveness and efficiency measures:

- Deploy a global goods approach in generating and sharing knowledge and solutions.
- Harness digitization for cost-effectiveness and increased impact, including digital hubs for technical programme support and peer-learning. For example, UNFPA found that digital tools can support South-South, interregional and cross-border cooperation, such as through online learning platforms and presentations, increasing knowledge sharing on a global scale. Such solutions have potential for replication and scale-up, offering a roadmap for expanding access to services post-pandemic.²⁰
- Foster co-creation and scale up local innovation for innovative solutions.
- Enhance South-South and triangular cooperation to leverage financial and human resources as knowledge assets.

Joint approaches generating more resources and economies of scale:

- Joint UN advocacy efforts for a predictable level of core, pooled, thematic and quality funding in support of Strategic Plans.
- Joint resource mobilization at country level by UNCTs, targeted donor outreach for quality funding, informed by joint data and analysis, communications and donor intelligence gathering. For instance, the [Secretary General’s COVID-19 Response and Recovery Fund](#) proved to be an important financing mechanism for joint programming channelling US\$75 million to 80 programmes spanning 67 countries, contributing to addressing critical gaps in the socioeconomic response to COVID-19.
- Scale-up promising integrated approaches, which were initiated in 2020 and implemented in 2021, using cohesive work plans and joint initiatives across agencies and pillars, that could be expanded post-pandemic.

4. How can Executive Boards support agencies and Member States?

The COVID-19 crisis underscores the importance of global cooperation to protect health, safety, wellbeing and economic interests, in line with the 2030 Agenda for Sustainable Development. While the pandemic has exacerbated shortfalls and constraints in achieving the Sustainable Development Goals (SDGs) and undone progress made in recent years through SDG-related investments, the international community has been largely supportive of the UN system’s persistence, resilience, and commitment to achieving the SDGs. It is imperative that the UN system and Member States work together to protect SDG investments as the global community works to build back better.

The UN system recognizes its essential leadership role in the international community to effectively bring global responses to control and contain the spread of COVID-19 and address the critical interlinkages between health, trade, finance and economic and social development. To this end, UNDP, UNFPA, UNICEF and UN-Women will strive to develop and implement new Strategic Plans that demonstrate commitment to practice evidence-based programming and deliver results with maximum impact on the ground.

²⁰ UNFPA Report 2021 - Three Transformative Results in the Context of COVID-19

Flexible, predictable, and quality funding is critical to support UN system results. The Funding Compact underscores the shared responsibilities and commitments of the UN system and Member States to address the imbalance between core and non-core resources through increases in the share of flexible and predictable funding. This should include the share of core and multi-year funding commitments to match the new Strategic Plan cycle and effective capitalization of thematic and pooled funds.

Member States are urged to match contribution levels to Executive-Board endorsed budgets to enable UN Funds and Programmes to meet the added demands of the COVID-19 pandemic. As possible, funding partners should indicate anticipated contribution amounts, particularly in the case of cuts to programmes, or decreases. As recommended by good donorship practices, they are encouraged to make payments as early in the year as possible. Drawing on lessons learned from COVID-19 coordination and joint work, Member States should encourage and support funding streams that support joint design and implementation.

As outlined in section 1, it is difficult to predict development financing levels in 2021, however global cooperation will be crucial to an inclusive global recovery from the shocks of COVID-19 and the UN development system is an essential partner in working with countries to build back better. The financial environment of the next months and years will be characterized by volatility and additional risks for countries, bilateral donors, and the multilateral system. Helping UN agencies navigate in this unpredictable landscape will be key to minimize shocks and disruptions, especially in the most fragile environments. The resilience of the system will be further tested, especially if the most pessimistic scenarios materialize. As recent OECD analysis states, ODA can and must continue to be dependable in times of crisis:

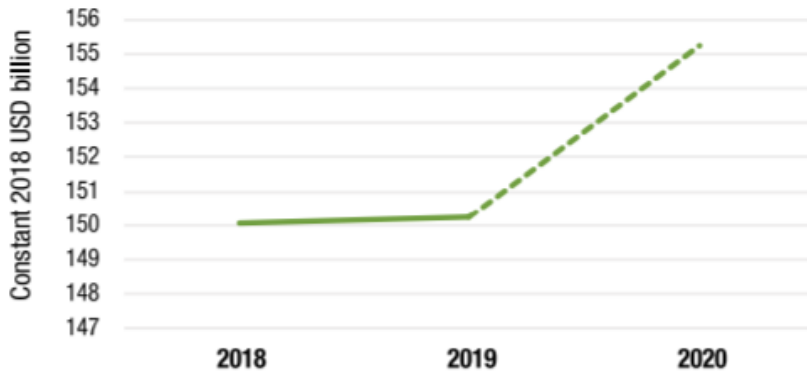
“To weather the challenges presented by COVID-19, it is vital that the international community continues to safeguard ODA, especially for basic health infrastructure and social protection programmes where it has been proven to make a real difference. As in the past, political will and global solidarity can translate into protecting or increasing ODA levels to help developing countries deal with the short and longer term consequences of the pandemic. Rising to the moment requires taking the necessary actions to support a global recovery that benefits all nations and all people.”²¹

UNDP, UNFPA, UNICEF and UN-Women count on their respective Board members to help amplify the message in capitals, missions and embassies.

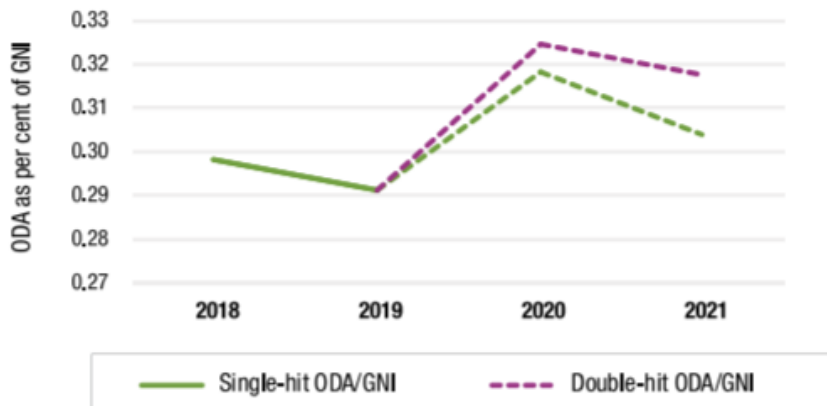
²¹ Six decades of ODA: insights and outlook in the COVID-19 crisis, OECD 2021.

ADDENDUM

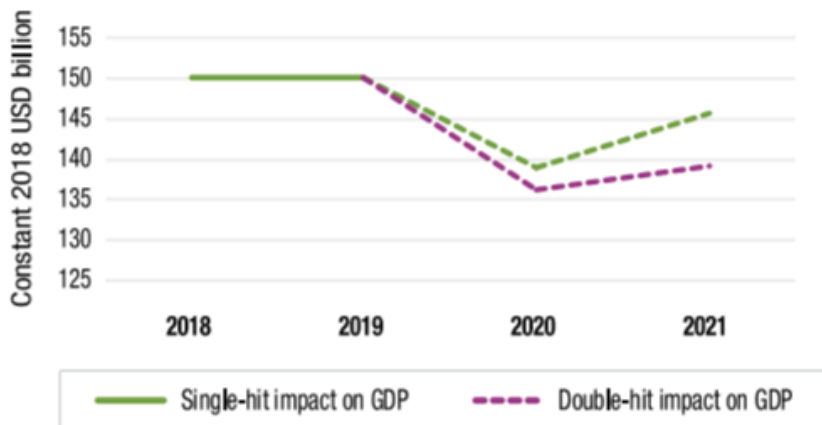
SCENARIO 1: Countries provide new, additional ODA*



SCENARIO 2: Countries protect and maintain 2019 ODA volume



SCENARIO 3: Countries peg ODA as a share of GNI at 2019 levels



Source: Development Co-operation Profiles – Six decades of ODA: insights and outlook in the COVID-19 crisis (oecd-ilibrary.org)