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Multilateralism in the red

If governments only fund the UN they want, the UN the world needs may never come to life

At the 80th United Nations General Assembly this September, participants will have to confront the escalating development finance crisis that is engulfing the UN system. So far, responses to financial pressures have focused on cutting costs, such as by reducing overhead and improving efficiency. But a lasting solution will require deeper changes, which begin with a fundamental question: What kind of UN does the world need today, and are current funding models fit for purpose?

This year, a liquidity crisis created by non-paying or late-paying governments means that the UN faces a shortfall of $2.4 billion in regular UN budget dues, and $2.7 billion in peacekeeping contributions. Moreover, if the UN fails to spend any funds before year's end – say, because they were delivered late – it is required to return them to member states as credits, rather than rolling them over to the following year.

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Despite plans to cut spending by 30 per cent this year from its 2023 peak, the entire UN system is at risk of insolvency. Compounding the strain, aid cuts are undermining UN programmes, with the consequences being borne disproportionately by the world's most vulnerable people. Shrinking budgets among some of the world's largest donors – the OECD expects a 9-17 per cent year-on-year decline in foreign aid in 2025 – exacerbate these problems.

While the scale of the UN's current funding and liquidity crisis is unprecedented, the underlying issues are not new. With its regular budget covering only a fraction of its needs, the UN is highly dependent on ad hoc, voluntary government funding. The UN Development System (UNDS) – comprising 43 funds, agencies and programmes that provide country-level development support and humanitarian assistance – is particularly dependent on voluntary contributions that can be

quickly pulled back. Investment in the UNDS fell 16 per cent in 2023 (nearly $9 billion), with 93 per cent of total funding coming from voluntary sources and seven per cent from assessed membership dues.

Possible structural changes

To meet this crisis, UN Secretary-General António Guterres has launched the UN80 Initiative, which comprises three 'workstreams': finding ways to improve efficiency, reviewing implementation of the UN's mandates, and examining possible structural changes and programme realignments. The findings and proposals of the first two workstreams are supposed to inform thinking on the third.

In fact, it is the third workstream that has the greatest transformative potential. If done right, the effort could mark a turning point for both the 'what' and the 'how' of the UN. But success will require the UN to avoid the mistakes of past reform efforts, which have sought to decentralise and improve coordination between agencies but avoided deeper questions about the UN's purpose and financing.

As for purpose, the unique value of the UNDS lies in its power to advance and sustain globally agreed norms. Country-level activities that advance norms like gender equality, sustainability and human rights should be at the top of the list.

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Fulfilling this function depends on the UNDS's technical competencies, convening power, international credibility and diplomatic relationships. But, importantly, it also rests on access to ample, predictable funding that sustains operations in support of these norms. While assessed contributions can provide this, in practice, they currently account for a tiny fraction of total UNDS resources.

As a result, cash-starved UNDS funds, agencies and programmes end up accepting contributions attached to narrowly defined projects, which can fragment efforts and reflect the whims and preferences of a handful of major voluntary donors. This effectively turns the UN into a contractor accountable to its paymasters, instead of a trusted adviser to host governments and a global agenda-setter.

The UNDS is most effective when staff can steer policy strategically and deliver results where they are needed most, rather than where donors dictate. That is why two successive Funding Compacts called for more

core financing for the UN's development activities, and less dependence on earmarked contributions. In return, the UN committed to improving transparency, strengthening reporting and boosting the efficiency of its operations. In 2023, UN agencies met 56 per cent of their Compact targets — more than twice the 24 per cent share met by member states. The inefficiency for which member states criticise the UN is thus at least partly the result of their own funding practices.

Whatever happens next, one thing should be clear: countries get the UN they fund.

Ultimately, the Compact failed to gain traction among UN member governments because it did not make a sufficiently compelling case for the UN's development role. One lesson of the Compact for the UN80 Initiative's third workstream is that a revitalised vision for the UNDS that member governments can broadly support is a necessary first step for successful reform.

As for the financing itself, one solution would be to strengthen and expand the use of assessed contributions by re-examining the formula for allocating fiscal obligations among UN member states. The UN could also extend softer forms of earmarking, like joint and pooled funds; introduce more innovative forms of financing, such as replenishments and levies; and expand the scope for leveraging grant funds to crowd in additional investment.

Whatever happens next, one thing should be clear: countries get the UN they fund. Only with a robust and predictable financing framework, guided by a strong consensus on goals, can the UN serve as a credible channel for members' investments in global development. These are the missing pieces of the UN reform jigsaw that must now be quickly found.

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