

USE OF UNEARMARKED FUNDING 2017

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FRONT COVER PHOTOGRAPH: Adbu Malak, 35, carries his one-year-old son, Mohammed, in the early morning outside their shelter in Kutupalong camp, Bangladesh. © UNHCR/ANDREW MCCONNELL





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A WORLD LACKING POLITICAL SOLUTIONS

2017 was another difficult year. Difficult for the tens of millions of people of concern to UNHCR, and difficult for the Office in providing a principled, predictable and accountable response. A major emergency erupted in Myanmar, the situation deteriorated further in crises like the Central African Republic, along the central Mediterranean route, and in the Democratic Republic of the Congo, while the protracted nature of other crises such as Afghanistan, Iraq, South Sudan and Syria demanded ever more of UNHCR and its partners.

This multiplication of emergencies drove up needs. By the end of the year, there were 71.4 million people of concern, and UNHCR's final budget had reached \$7.963 billion. Taking into account total funds available to UNHCR of \$4.510 billion, including \$3.942 billion in fresh funding, UNHCR ended the year with a funding gap of 43%. The fresh funding included \$59.2 million in contributions received in 2017 but for implementation in 2018, and \$43.3 million from the United Nations Regular Budget.

Exhausted from a long and treacherous journey from South Sudan, 3-year-old Sara Fatima sleeps safely at Kuluba collection point in Koboko district in Northern Uganda near South Sudan 1 May, 2017. © UNHCR/JIRO OSO Although 2017 saw a generous level of voluntary contributions, 65% of UNHCR's income was earmarked to countries or sectors. This reduced how flexible UNHCR could be in how, where and when it responded to needs, and how flexible it could be in allocating its resources across emergencies, many of which spread over multiple borders and across regions.

UNHCR received \$588.7 million in unearmarked funding, including \$207.1 million from the private sector. Many UNHCR offices benefit from the allocation of these resources, with the largest share spent on delivering programmes in the field, and the balance used to support global programmes, without which UNHCR would not be able to deliver on its mandate.

This report acknowledges the generosity of those donors which provided UNHCR with unearmarked contributions, and adds depth and detail to how this most valuable of financial resources was used in allowing UNHCR to kick-start emergency responses, to bolster underfunded operations, and to enable operations to implement their programmes as fully as possible. Unearmarked funding helps ensure UNHCR's neutrality and independence, and strengthens UNHCR's reputation as a trusted partner.



CHAPTER 1 UNEARMARKED FUNDING BY THE NUMBERS

UNHCR defines two main types of funding as flexible. Softly earmarked funding—which can be used across a given region or situation in accordance with the priorities and activities identified by UNHCR—and the most valued, which is unearmarked funding, and which is the subject of this report.

Contributed without restrictions on its use, unearmarked funding allows UNHCR critical flexibility in how best to reach refugees and other populations of concern who are in the greatest need and at the greatest risk.

"Two of my children stayed in Myanmar. I don't know when I'll see them again." Rohingya mother Laila Begum, 30, and her children receive their UNHCR Non-Food Items emergency relief pack in their makeshift shelter at Kutupalong refugee camp, Bangladesh. The pack includes a solar lantern, phone charger, blankets, tarpaulin and kitchen set. © UNHCR/ANDREW MCCONNELL

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Chart 2 | SOURCES OF UNEARMARKED FUNDING IN 2017



CHAPTER 1: UNEARMARKED FUNDING BY THE NUMBERS

Critically, over 70% of UNHCR's unearmarked funding was received in the first quarter of the year, a vital indicator of timeliness and providing the Office with valuable flexibility.

Overall, UNHCR received \$3.942 billion in fresh funding in 2017, of which unearmarked funding came to \$588.7 million from 87 donors. Unearmarked funding accounted for 15% of voluntary contributions, and was a 4.6% increase on the \$562.6 million received in 2016.

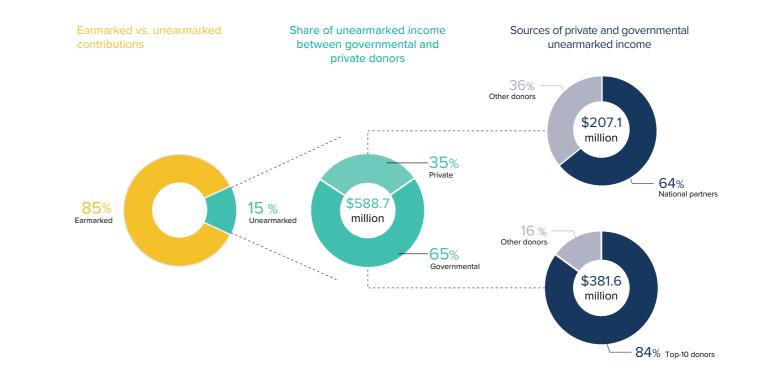
Of this funding, \$381.6 million, or 65%, was from governmental donors, and \$207.1 million, or 35%, from the private sector. Respectively, this was a 2% decrease from the \$389.9 million given by governmental donors in 2016, and a nearly 20% increase from the \$172.6 million which came from private sector fundraising.

The top three donors of unearmarked funding were Sweden with \$76 million or 13% of all unearmarked funding; private donors in Spain with \$70.8 million or 12%, all of which was channelled through the National Partner, España con ACNUR; and the Netherlands with \$52.1 million or 9%.

On Sweden's commitment to unearmarked funding

"The Swedish Government is a humanitarian champion and leading on the global level to increase flexible humanitarian funding for the most pressing needs. Flexible funding is crucial to kick start operations and fund neglected crises, which has been the case in many situations where UNHCR plays a leading role. We encourage donors to allow UNHCR to act as efficiently and fast as possible with the help of unearmarked contributions."

—Isabella Lövin, Minister for International Development Cooperation and Climate and Deputy Prime Minister, Sweden



The top ten donors of unearmarked funding provided \$408.2 million, or 69% of overall unearmarked funding. Six of the top ten were governments, which provided \$262 million. This accounted for 64% of funding from the top ten contributors of unearmarking, and 45% of all unearmarked funding.

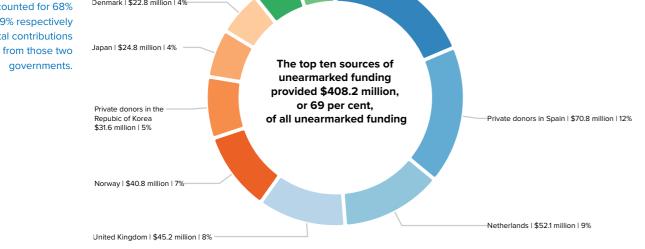
Also within that top ten, there were four private sector donors-the National Partners in Spain and the USA, as well as funds from the private sector in Italy and the Republic of Korea—which contributed \$146.1 million, or 36% of unearmarked funding from the top ten donors. The contributions from those four private sector sources also accounted for just over 70% of all unearmarked funding raised from the private sector.

On España con ACNUR's success in raising unearmarked funds

"This is down to direct and honest communication. UNHCR requires unearmarked funds to meet the basic needs of refugees in critical operations that receive less attention from the public; our donors in Spain respond to this challenge. Allowing individuals to support the needs of refugees globally through a reliable UN agency gives them the chance to be part of the solution."

Private donors in Italy | \$21.1 million | 4% Private donors in the USA | \$22.5 million | 4%-The Swedish and weden | \$76 million | 13% Dutch contributions Denmark | \$22.8 million | 4% accounted for 68% and 69% respectively of total contributions

Chart1 | TOP TEN SOURCES OF UNEARMARKED FUNDING IN 2017



- Francesco Sciacca, Director of España con ACNUR



The Green Refugee Camp: a sustainable environment for refugees and host communities



© UNHCR/XAVIER BOURGOI

A volunteer from the Lutheran World Federation plants seeds in a nursery at Minawao refugee camp in Cameroon, as part of the reforestation project, "Make Minawao Green Again".

The Dutch and Swedish Postcode Lotteries granted more than \$5 million in unearmarked funding in 2017. The Dutch Postcode Lottery also contributed an additional \$1.6 million to support the Green Refugee Camp, an innovative project in Cameroon to create a sustainable environment for refugees and host communities. As part of this project, 40,000 trees will be planted to restore the local environment. An estimated 25,000 people of concern will also benefit from work to improve the sustainability of shelters and to ensure cooking practices are more environmentally friendly.

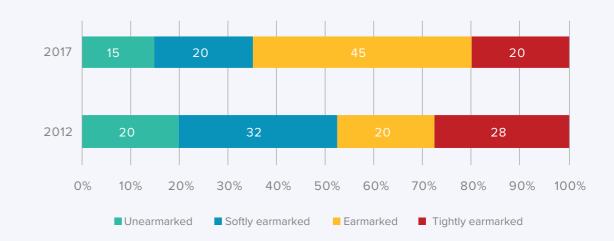
Table 1 | SUMMARY INFORMATION ON UNEARMARKED CONTRIBUTIONS

Summary information on unearmarked contributions	USD	% of total unearmarked contributions	USD	% of total unearmarked contributions
2017		2016		
Total fresh funding	3,942,450,095	-	3,943,430,550	
Total unearmarked contributions	588,717,703	15% of total contributions	562,617,449	14% of total contributions
Subtotal unearmarked from top 3 donors	199,057,320	34%	199,108,811	35%
Subtotal unearmarked from top 10 donors	408,277,611	69%	392,015,807	70%
Subtotal unearmarked from donors contributing over \$1 million	581,856,254	99%	\$556,163,285	98%
Subtotal unearmarked from donors contributing over \$100,000	587,711,154	Close to 100%	561,848,483	99.90%
Subtotal unearmarked from donors contributed under \$100,000	1,006,549	less than 1%	768,966	less than 1%
Total unearmarked from government	381,633,039	65%	389,932,628	69%
Subtotal unearmarked from top ten governmental donors	321,816,995	55% (of governmental contributions)	331,628,568	85% (of governmental contributions)
Total unearmarked from private sector	207,084,664	35%	172,684,821	31%
Subtotal unearmarked from National Partners	131,812,419	22%	109,755,068	64%
Unearmarked income received in first quarter	318,876,348	54%	314,772,058	56%
Unearmarked income received in first half of the year	419,580,614	71%	410,480,228	73%
Number of donors contributing 100% unearmarked	14 governmental donors, which contributed \$5 million (New Zealand was largest with \$4 million)		,	ntributed \$4.9 million argest with \$4 million

Unearmarked funding in context

Although 2017 saw an increase over 2016 in the overall amount of unearmarked funding, this needs to be set in perspective against the general decline in this type of funding underway since 2012.

Chart 3 | TOP TEN SOURCES OF UNEARMARKED FUNDING IN 2017



Trends in income (2012-2017)

- The share of flexible funding (unearmarked and softly earmarked) has reduced from 52% in 2012 to 35% in 2017. This meant that about two thirds of UNHCR's income in 2017 was earmarked at the country level and below.
- Although unearmarked funding has increased in absolute terms from \$451 million in 2012 to
 \$589 million in 2017, in percentage terms it reduced from 20% to 15% between 2012 and 2017. However, unearmarked funding from the private sector is rising, especially from National Partners.
- The profile of donors providing unearmarked funding, and their financial support, has been very stable over the period. Sweden has been the number one donor of unearmarked funding, contributing an average of \$85 million per year, with Denmark, the Netherlands, Norway and the United Kingdom consistently making up the top five, albeit with some fluctuation in their ranking.
- The increase in unearmarked income has come primarily from private donors. During this period, for example, the number of individual donors has grown from some 628,000 to more than 1.9 million people, most of whom provide UNHCR with unearmarked contributions. Those contributions have grown from \$59.6 million in 2012 to \$207.1 million in 2017, with UNHCR's National Partners playing a key role in that

growth. In that period, unearmarked funding channelled through the National Partners grew from \$33.1 million to \$131.8 million. This means that, since 2012, unearmarked funding from the National Partners has grown by nearly 300%. Despite some fluctuations, softly earmarked funding and earmarked funding remained at similar levels over the period in review. UNHCR received \$768 million in softly earmarked funding, the majority from the United States of America. Overall, this was a decline from 2016, when UNHCR received \$786 million in softly earmarked funding in 2017. The top donors of softly earmarked funding were the United States of America, with \$481.6 million or 63%; Germany, with \$143.5 million or 19%; and Norway, with \$16.5 million or 2%. A range of other donors contributed the remaining \$126.2 million, or 16%. Earmarking has almost quadrupled in absolute terms, increasing from \$457 million to almost \$1.728 billion. Matching earmarked funding with prioritized activities can be at times very challenging.

While earmarking at the country level provides some level of flexibility, it does not provide the flexibility of unearmarked or softly earmarked funding, and is a step away from commitments made by donors under the Grand Bargain.

CHAPTER 2 THE IMPORTANCE OF UNEARMARKED FUNDING

Flexible funding facilitates swifter response to urgent needs and investment in fragile, potentially volatile situations, emergencies and disaster preparedness, as well as enabling response to needs in situations of protracted and neglected conflicts. It strengthens decision-making bodies which include key stakeholders such as affected and refugee-hosting states as well as donors. It supports management systems and the use of cost-efficient tools as well as reduces the amount of resources spent on grant-specific administration, notably procurement and reporting.

UNHCR The UN / **Refugee Agency**

UNHCR The UN **Refugee Agency**

Grand Bargain, work stream on reducing the earmarking of donor contributions

At the purpose built UNHCR school in Imvepi settlement, Tabu Sunday (right) the symbolically named one millionth South Sudanese refugee to arrive in Uganda, and her twin sister Rena enjoy attending classes, though Tabu says it is overcrowded and she lacks school books. © UNHCR/PETER CATON



Contributed without restrictions on its use, unearmarked funding allows UNHCR critical flexibility in how best to reach refugees and other populations of concern who are in the greatest need and at the greatest risk. Many UNHCR offices benefit from the allocation of these resources, with the largest share spent on delivering programmes in the field, and the balance used to support global programmes, without which UNHCR would not be able to deliver on its mandate.

Note on seven per cent programme support costs

UNHCR applies a 7% programme support component to all which 89% was used to fund Headquarters expenditure earmarked contributions received, excluding in-kind and 11% was redirected to fund expenditure in Africa (see contributions and JPOs. This policy is applied in order to Table 3 on expenditure). To note in conclusion, by the end ensure transparent, equitable and predictable coverage of of the year, no unearmarked funding was used to fund Headquarters costs through a means that more accurately expenses at Headquarters. Expenditure on global reflects the distribution of income and expenditure in programmes, which are budgeted for and managed at headquarters but are designed to be implemented at the UNHCR's operations across all four budget pillars. In 2017, the application of this policy generated \$199 million, of field level, are not funded from this 7%.

Abu Siddique, 90, stands on a hill overlooking the Kutupalong refugee camp, as a rainbow covers the sky. He spent all of his savings to pay people to carry him across the Myanmar border to Bangladesh. © UNHCR/PAULA BRONSTEIN

How it was used

Fewer unearmarked contributions would reduce UNHCR's agility in responding to new emerging needs.

Unearmarked funding is allocated and reallocated multiple times during the year and is critically important in allowing UNHCR to fund prioritized activities.

As UNHCR manages funding at the programme level, it does not trace how This is carried out at the global level and hence also serves to identify where spending authorities can be further increased to allow operations to implement activities more fully.

Moved from operation to operation

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income. These are where UNHCR uses it to:



South Sudanese refugees collect water from a well at Meri settlement in Haut-Uele province. $\ensuremath{\mathbb{C}}$ UNHCR/COLIN DELFOSSE

In general, there are three main situations in which UNHCR uses unearmarked

- Kick-start a response, often in an emergency setting, as unearmarked contributions allow UNHCR to initiate its emergency response before receiving funding earmarked for a particular emergency situation.
- Bolster an otherwise forgotten or underresourced crisis. For overlooked or forgotten crises, which attract little or no media or donor interest, unearmarked contributions are often the only source of funding required to maintain adequate-albeit often insufficientassistance, and to maintain protection-related activities.
- Enable the implementation of programmes as fully as possible, with unearmarked income critical to the successful implementation of UNHCR's global programmes. Predictable funding is essential for the organization to plan, budget and implement activities in a timely and efficient manner.