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COVID-19 tests the UN's response to development challenges

By Elena Marmo

Across the UN System, all hands are on deck to address the impact of COVID-19 from immediate humanitarian and health needs, to medium and longer-term socio-economic policy. Various initiatives are circling one another, raising issues of governance, reporting and accountability. Member States in the ECOSOC Operational Activities Segment explored some of these questions as they related to the UN Development System (UNDS), while in the 28 May and 2 June meetings on Financing for Development they also explored policy ideas, with an emphasis on accounting for vulnerability in macroeconomic analysis.

Speaking at the ECOSOC session, the Secretary-General addressed the need to re-think approaches to economic analysis:

> "Traditionally all economic analysis and all development analysis have been based on a number of macro-economic indicators and essentially on GDP. And so it is GDP that classifies countries based on GDP, that policies are discussed or adopted. And it's time to recognize that this is a very poor way to look into a very much more complex reality…there is a key concept, which is the concept of vulnerability."

ECOSOC assesses UN development system response

The UN's ability to respond to COVID-19 at both a country and a regional level was a main feature of the 2020 ECOSOC Operational Activities Segment where Member States discussed the report on the Funding Compact, an inter-governmentally agreed commitment to funding the UNDS along with a Monitoring and Reporting Framework tracking implementation of UNDS reform. The two UN reports highlight challenges in funding the UNDS due to a lack of flexible and sustainable resources and an overreliance on a few key donor countries. The trends noted in the reports and discussed at the ECOSOC Session reveal that funding continues to be inadequate in terms of both quantity and quality, even more alarming given the heightened ambition of and demands on the UNDS agenda.

The report on the Funding Compact notes: "Only 21% of contributions to the UNDS in 2018 were in the form of core/unrestricted contributions, continuing the imbalance between core and non-core funding." This lack of flexible funding not only makes it difficult for Funds and Programmes within the UNDS to finance their staffing and core operations, but also incites competition rather than collaboration amongst them as they compete for the limited funding available from donors.

At the ECOSOC Session, heads of UN agencies addressed Member States in a panel on 27 May. Among the many issues highlighted was this lack of available flexible funding. Achim Steiner, UNDP Administrator, singled this out as an impediment to COVID-19 responses: "The reality remaining in large parts of UNDS is the erosion of core finance and domination of non-core, tied funding. We have seen, particularly in the last weeks and months, how important it is to have core funding to be flexible and agile." UNICEF Executive Director Henrietta Fore also pointed out: "Flexible and core funding is about 11%, used to be at 22%. The GA indication of 30% is one we dreamed about but we've gone in the opposite direction."

The Funding Compact report also highlights “a gap of approximately 58 million dollars in relation to the full budget of the Resident Coordinator (RC) system”. Robert Piper, Assistant Secretary-General (AS-G) of the United Nations Development Coordination Office (DCO) which oversees the RC system echoed these concerns as well, stating that the DCO “is different from a typical development or humanitarian programme where you can adjust, unhappily, what you are delivering to whom and when. We can’t shut down a Resident Coordinator for a year while we wait for the funding to catch up.”

Further, the Monitoring and Reporting Framework notes that only seven Member States are “providing at least 0.7% of gross national income to ODA” despite previous conversations in support of assessed contributions to the UNDS. AS-G Piper highlighted this, saying, “those who were supportive of assessed contributions are providing much smaller contributions than they would’ve…because it's voluntary”. Instead he called for Member States to “align their contribution to their policy position on the assessed budget for this”.

Measuring vulnerability and risks

The concept of vulnerability was also a major focus of the 28 May High-Level Event on Financing for Development in the Era of COVID-19 and Beyond and the 2 June meeting of the Financing for Development (FfD) Forum on COVID-19.

Member States including Guyana on behalf of the G77 and China, Belize on behalf of the Association of Small Island Developing States, Mexico, Costa Rica and Mia Mottley, Prime Minister of Barbados, all furthered the discussion with urgency. Various delegations recognized that issues related to trade, tourism-dependency, illicit financial flows, and climate change all create unique vulnerabilities that can result in sudden economic downturn and impede sustainable economic growth in MICs. They noted the imperative of financial flows and support in the face of vulnerabilities and risks faced by many developing countries based on criteria beyond GDP per capita.

Ambassador Carazo Zeledòn of Costa Rica stated: “We have called for multi-dimensional criteria to evaluate countries’ risks and vulnerabilities and assess their specific needs and challenges. The fragilities generated by this pandemic demonstrate that income per capita should not be the only parameter in which to base the flow of financial funds and we thank the many voices that have been raised in this regard.”

Ambassador de la Fuente Ramírez of Mexico noted: “Globally, there are structural vulnerabilities that need to be recognized. We are obliged to look beyond GDP per capita and into the root causes that challenge resilience.”

Prime Minister Mia Mottley of Barbados stated: “We agree entirely that there ought to be a debt standstill for those who are the most poor. But we also recognize that the institutions that were created 75 years ago, do not take into account the realities of our countries today.” She added: “We need to go further than beyond words and build back better must not simply be something that is delightful to the ears in terms of alliteration, but must now also mean a recognition that the criteria and the definitions that we have used to determine access, access to goods in a COVID-19 crisis, access to credit in a COVID-19 crisis or post COVID-19, have now to be reflected again on the basis of countries’ actual needs rather than simple definitional criteria that makes it easier for economists to categorize where persons should go.”

During the High-Level Event on Financing for Development in the Era of COVID-19 and Beyond six working groups were announced to be led by Member States on the thematic areas of liquidity, debt vulnerabilities, private sector creditor engagement, external finance, fiscal space, and SDG alignment.

UN DESA maps financial responses to COVID-19
Ahead of the 2 June meeting of the Financing for Development (FfD) Forum on COVID-19, the UN Department of Economic and Social Affairs (DESA) completed a mapping of financial responses and needs across the UN System, Bretton Woods Institutions and regional architecture. The mapping served to inform discussions on several topics, including "[fiscal] space for countries to invest in immediate crisis needs and recovery efforts; concrete funding mechanisms and policy options to finance the crisis response; tackling illicit financial flows [which] can provide critical resources to invest into recovery from the crisis; risks to global prosperity proactively [including] one of the most daunting risks…climate change; financing measures and policy options to achieve a resilient and sustainable recovery aligned with the 2030 Agenda."

The initiatives highlighted in the DESA mapping include:

The COVID-19 Response and Recovery Fund is an inter-agency fund mechanism with the aim of stopping transmission, protecting the vulnerable and building resiliency (see Figures 1 and 2). These three aims are considered "windows" and financial support is channeled accordingly. The financial requirements of the Fund are projected at US$2 billion, with US$1 billion needed in the first nine months of operation, beginning in April 2020. Current contributions (as of 10 June) total US$44.5 million, leaving a gap of over US$50 million. The Fund's first call for proposals indicates that funding needs vary across countries, with specific projects available for support.

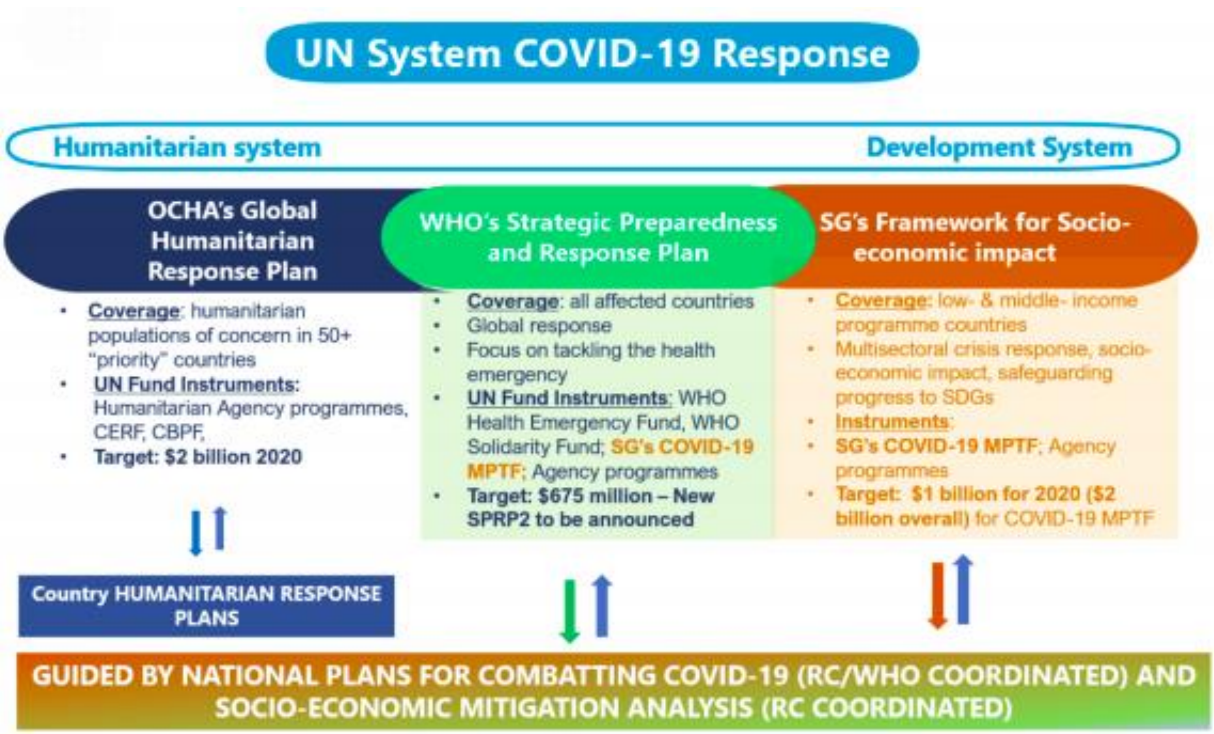

Figure 1. Source: UN COVID-19 Response and Recovery Multi-Partner Trust Fund, *Allocation Guidelines*

FINANCIAL REQUIREMENTS: $1 BILLION IN THE FIRST NINE MONTHS

WINDOW 1: Enable Governments and Communities to Tackle the Emergency

- Support countries to fully implement their National Action Plans for Health Security (NAPHS), helping them to close critical gaps pertaining to the acquisition of essential equipment and supplies and the payment of salaries and incentives to the health-care and social workforce;
- Assist non-health ministries and government agencies (such as ministries of education, agriculture, women's empowerment, transport, interior, labour, social welfare and public services), along with local governments, to maintain situation rooms and critical services interrupted by COVID-19.

WINDOW 2: Reduce Social Impact and Promote Economic Response

- Enhance social protection mechanisms through immediate impact measures, scaling up cash transfers, insurance, food security, asset creation, and safety nets, and relieve the burden of COVID-19 on women and children;
- Meet children's food and educational needs through school meal programmes and access to learning;
- Promote digital innovations that boost employment, support livelihoods, and improve the provision of social services in line with COVID-19 response measures.

WINDOW 3: Recover Better

- Strengthen and test national preparedness measures, inclusive of: integrated disease surveillance and response and community-based surveillance; maintenance of key services and a health-care workforce during crises; laboratory capacity; public procurement protocols and logistics; clear and targeted communications; cross-border collaboration; and national plans that include dedicated budget lines for funding preparedness;
- Invest in effective and innovative delivery of public services to achieve sustainable and inclusive economies that leave no-one behind and safeguard country SDG programmes from COVID-19-related setbacks.

Figure 2. Source: UN COVID-19 Response and Recovery Multi-Partner Trust Fund

The Global Humanitarian Response Plan for COVID-19 (GHRP) is a plan for raising resources and coordinating the response to immediate COVID-19-related health and multi-sectoral humanitarian needs of the most vulnerable people in 63 countries already facing a humanitarian crisis (e.g., refugees, internally displaced persons, host communities, other vulnerable populations). On 7 May, the updated GHRP was issued with a revised requirement of US$6.7 billion in support of response in 63 countries with humanitarian crises. To date (26 May), the GHRP has received US$1.1 billion in funding, amounting to 17 percent of the total appeal, with the recipients of the funding ranging from UNICEF and WHO to UNFPA and IOM. OCHA's pooled funds – the Central Emergency Response Fund and Country-based Pooled Funds (CBPF) – have also allocated a combined total of US$222 million to support time-critical humanitarian action in response to COVID-19-related needs in over 43 countries.

Contributing to the GHRP is the WHO COVID-19 Appeal: Strategic Preparedness and Response Plan, a COVID-19 Member-State Pooled Fund to support WHO efforts in countries "most in need of help". It aims to enable flexibility and efficiency for implementation and value for money for donors. WHO estimates US$ 1.74 billion needed through December 2020. A 9 June update indicates only US$670.7 million has been received specifically for these efforts.

UN funding mobilization efforts also include independent philanthropic contributions, facilitated through the WHO COVID-19 Solidarity Response Fund, created by the United Nations Foundation and the Swiss Philanthropy Foundation, together with WHO. The Fund channels private contributions, making it possible for individuals and organizations of the general public to support the COVID-19

Strategic Preparedness and Response Plan. As of 3 June, the Fund has raised US$217.6 million to contribute towards WHO's Strategic and Preparedness Response. Reporting on this Fund is less transparent than its official Member State-led counterparts across the UN system, and the total raised is reflected also in the total raised by the WHO Strategic and Preparedness Response Plan.

The DESA mapping also covers the IMF and World Bank, both of which were urged by Member States to enact debt cancellation and Special Drawing Rights at the recent 2 June FfD Forum meeting and 28 May High-Level event on Financing for Development in the era of COVID-19. The mapping notes:

The World Bank Group reports it is prepared to provide up to US$160 billion over the next 15 months in financing tailored to the health, economic and social shocks countries are facing, including US $50 billion of IDA resources on grant and highly concessional terms.

The IMF is deploying USD 1 trillion to manage the economic and social fallout of COVID-19 along with providing policy advice and technical assistance. The IMF has responded to calls for emergency financing from 102 countries so far. The Fund has doubled the access to its emergency facilities—the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) —allowing it to meet the expected demand of about US$100 billion in financing. It has also approved the establishment of a Short-term Liquidity Line (SLL) to further strengthen the global financial safety. In addition, the IMF is also augmenting existing lending programs to accommodate urgent new needs arising from the coronavirus. The IMF has approved immediate debt service relief to 25 countries under the IMF's revamped Catastrophe Containment and Relief Trust (CCRT) as part of the Fund's response to help address the impact of the COVID-19 pandemic.

The mapping also references efforts/initiatives of the Regional Development Banks:

The European Bank of Reconstruction and Development (EBRD) EBRD is extending support through a solidarity package worth US$23.8 billion up until the end of 2021 and has also committed to expand financing under its Trade Facilitation Programme, to keep open the channels of commerce. It will also offer "fast track restructuring" and enhance established frameworks that can reach out especially to small and medium-sized enterprises (SMEs) and corporations making the real economy more resilient. Another element in the Solidarity Package is a new Vital Infrastructure Support Programme to meet essential infrastructure requirements, including financing for working capital, stabilization and essential public investment.

The Asian Development Bank (ADB) has announced a US$20 billion package to address the needs of its developing member countries (DMCs) as they respond to the COVID-19 pandemic. The US$20 billion package includes about US$2.5 billion in concessional and grant resources and US$2 billion for the private sector. Loans and guarantees will be provided to financial institutions to rejuvenate trade and supply chains. About US$6.2 billion of the total package will be generated from re-programming, reallocations, and savings on existing projects and technical assistance.

The Inter-American Development Bank (IDB) has made available US$2.8 billion to tackle the public health crisis and its economic ravages. The initiative features four components: the immediate public health response, aid to vulnerable people most in need, assistance for companies and their employees so as to minimize losses, and support for fiscal policy. Of the US$2.8 billion, US$1.7 billion has been made available to the countries of Central America and the Dominican Republic.

As the UN System and Member States respond to the impact of COVID-19 with calls for innovative policies to inform what it means to “build back better”, financial commitments are lagging behind. Rigorous monitoring and reporting will be needed to ensure that Member States and the UNDS turn promises into action, especially as the international community embarks on the Decade of Action to deliver the Sustainable Development Goals by 2030.

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