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Use of
**UNEARMARKED
FUNDING**
2016



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INTRODUCTION

2016 was a year of extremes for the people of concern to UNHCR, with new or protracted crises across the world, on all continents. It was also one of financial extremes for UNHCR as it worked to protect people and mitigate the effects of conflict or displacement. It saw the Office end the year with its highest budget, of \$7.509 billion, up from \$6.546 billion at the beginning of the year.

Unearmarked funding helps ensure UNHCR's neutrality and independence, and strengthens UNHCR's reputation as a trusted partner.

It was also a year of extremes for support. UNHCR received its highest ever level of voluntary contributions at \$3.902 billion as 145 governmental and private donors, a range of pooled funding mechanisms, as well as income from the UN Regular Budget, supported the Office's work.

This included \$562.6 million in unearmarked contributions, of which \$389.9 million came from governmental donors, and \$172.6 million from the private sector. This report sets out to acknowledge the generosity of those donors who provided UNHCR with unearmarked contributions, and to add depth and detail to how this most valuable of financial resources was used.

When UNHCR refers to "unearmarked contributions" it is referring only to unearmarked voluntary contributions from donors. This definition therefore excludes secondary income, Regular Budget, programme support costs, etc

Côte d'Ivoire. Ivorian returnees arrive at the UNHCR Voluntary Repatriation Transit Centre in Tabou.

THE IMPORTANCE OF UNEARMARKED CONTRIBUTIONS

Unearmarked funding allows UNHCR to be more efficient, flexible, and faster in responding to needs, with less time and effort in reporting and more on response.

Unearmarked funding strengthens results-based management and supports UNHCR's core mandate and mission.

Unearmarked funding gives UNHCR the ability to have a consistent approach to governments on international protection.

UNHCR received \$562.6 million in unearmarked contributions in 2016 from 87 donors committed to providing this quality of income and with whom UNHCR has strong institutional partnerships that help it make the case for why it is needed. The amount received in 2016 was a nine per cent increase on the \$514.1 million received in 2015, which was a most positive trend. However, this has to be set against the general decline in the overall percentage of unearmarked contributions against total contributions received.

Only 14 per cent of UNHCR's voluntary contributions were unrestricted, or unearmarked, the most valuable type of funding allowing the Office to spend it as and where it saw fit in accordance with prioritized needs. The remainder had varying levels of earmarking attached to it, with the largest percentage

—65 per cent—being what is referred to as more tightly earmarked to a country or below, whether to specific location within the country or to a sector. More broadly earmarked funding, to the regional, subregional, situational or thematic level, constituted the remaining 20 per cent.

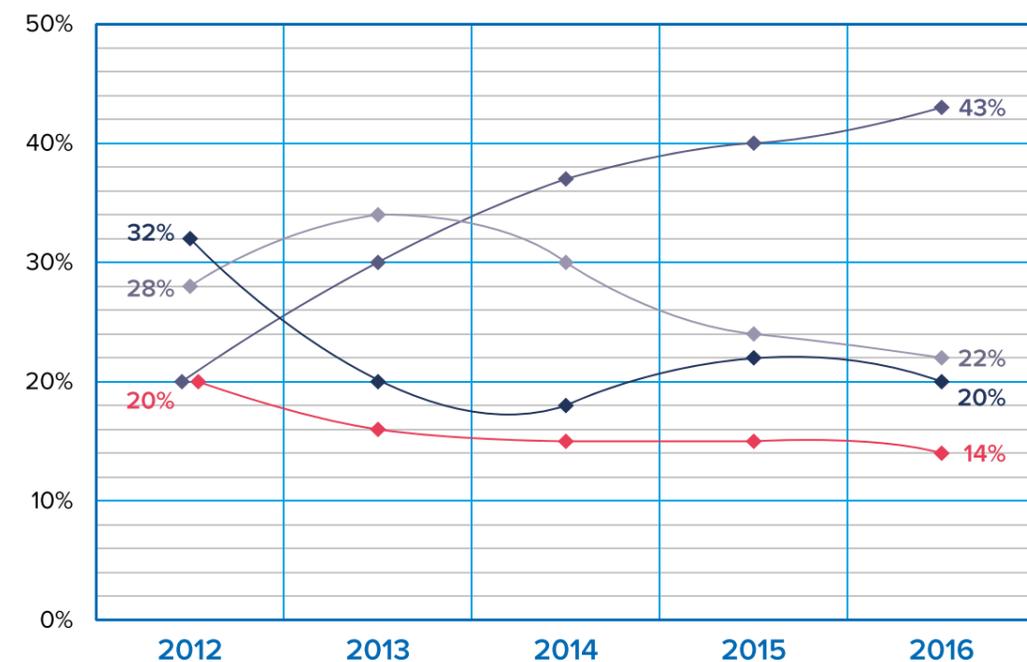
Unearmarked contributions provide UNHCR critical flexibility. All UNHCR offices benefit to varying degrees from the allocation of these resources, with the largest share spent on delivering programmes directly in the field. The balance is used to support the global programmes—what can be referred to as the standing response capacity of the organization—which are designed to support vital projects in some of the most critical areas of need of people of concern to UNHCR, and without which the Office would not be able to deliver on its mandate.

The flexibility of unearmarked contributions enables UNHCR to plan strategically across the breadth of its activities. Allied to predictability—with most unearmarked contributions being received in the first half of the year—unearmarked contributions gave UNHCR unparalleled ability to channel resources to where they were most needed to meet the needs of people of concern—refugees, asylum-seekers, stateless people, and internally displaced—more efficiently and effectively. Predictability is essential to help UNHCR engage in more stable relationships with partners, such as host governments and NGOs, and allows for better planning. Importantly, it also helps ensure a robust and more secure commitment to, and relationship with, the people UNHCR serves.

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.

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

Graphic 1 | **EARMARKING TREND* 2012 – 2016**
(PERCENTAGE OF TOTAL CONTRIBUTIONS)



* UN Regular Budget excluded



WHERE DID IT COME FROM?

In all, 87 donors contributed \$562.2 million in unearmarked income in 2016. The top three donors of unearmarked income were Sweden with \$94.9 million or 17 per cent of all unearmarked income; private donors in Spain with \$58 million or 10 per cent, all of which was channelled through the National Partner, *España con ACNUR*; and the Netherlands with \$46.1 million or eight per cent. Respectively, this unearmarked income accounted for 78 per cent and 69 per cent of total Dutch and Swedish contributions to UNHCR. These three donors accounted for \$199.1 million of UNHCR's unearmarked income, or 35 per cent of the total.

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Khan Ahmad from Ghor province sits in his mud house in Police Rah informal settlement near Herat city, Afghanistan.

Looking further, unearmarked income from the top ten donors providing it was \$392 million or 70 per cent of total unearmarked income. Within that subtotal, member States provided \$274.3 million, and four private sector donors, including two of UNHCR's six National Partners, provided \$117.7 million, or 21 per cent of all such contributions received.

The presence of one of UNHCR's National Partners in the top three donors underscores the success of UNHCR's strategic investment, through its Global Programmes, to develop its private sector fundraising relations and functions, allied with the growing interest of private entities and individuals in engaging in response to global humanitarian issues. In 2016, UNHCR raised \$351.7 million from the private sector. Of this, 48 per cent—some \$172.6 million, accounting for 31 per cent of all unrestricted income—was

unearmarked. Overall, National Partners provided \$109.7 million, or 20 per cent of all UNHCR's unearmarked income.

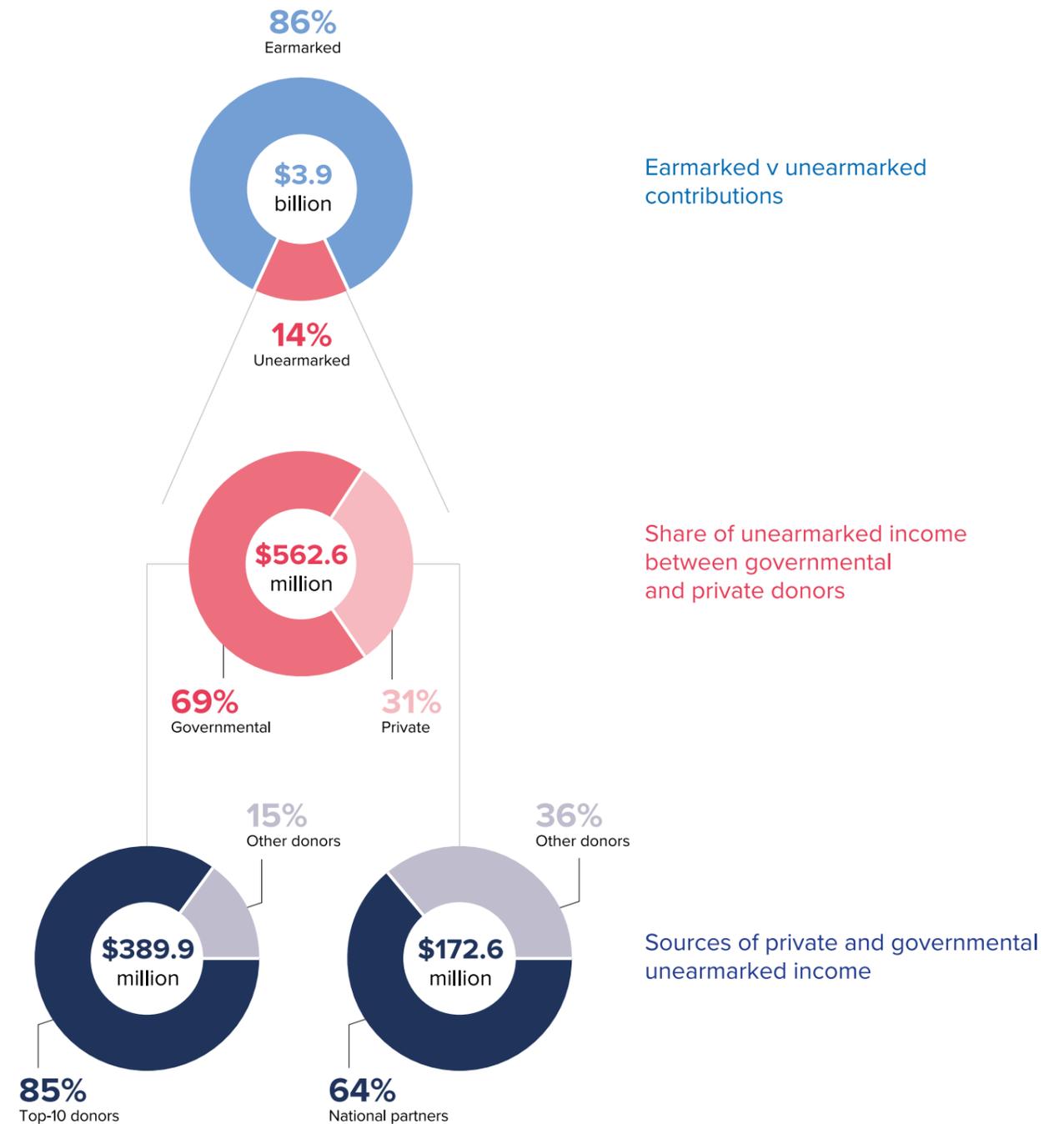
When did it come?

Of the total unearmarked contributions in 2016, 11.2 per cent or some \$63.4 million, came as part of multi-year unearmarked agreements. Critically, 17 per cent of the contributions received in the first half of the year was unearmarked (amounting to 73 per cent of all the unearmarked contributions received in 2016). This gave invaluable flexibility in allowing UNHCR to allocate resources pending receipt of earmarked or broadly earmarked contributions later in the year.

SUMMARY INFORMATION ON UNEARMARKED CONTRIBUTIONS	USD	% OF TOTAL UNEARMARKED CONTRIBUTIONS
Total voluntary contributions	3,943,430,550	–
Total unearmarked contributions	562,617,449	14% of total contributions
Subtotal unearmarked from top 3 donors*	199,108,811	35%
Subtotal unearmarked from top 10 donors*	392,015,807	70%
Subtotal unearmarked from 47 donors contributing over \$100,000*	561,848,483	99.9%
Subtotal unearmarked from 40 donors contributing under \$100,000*	768,966	less than 1%
Subtotal unearmarked from multi-year contributions	63,384,188	11.2%
Total unearmarked from governmental donors	389,932,628	69%
Subtotal unearmarked from top 10 governmental donors	331,628,568	85% (of governmental contributions)
Total unearmarked from private sector	172,684,821	31%
Subtotal unearmarked from National Partners	109,755,068	64%
Unearmarked income received in first quarter	314,772,058	56%
Unearmarked income received in first half of the year	410,480,228	73%
Number of donors contributing 100% unearmarked	21 donors, which contributed \$4.9 million (New Zealand was largest with \$4 million)	

* All private donors in a country are counted as one donor.

Graphic 2 | SOURCES OF UNEARMARKED CONTRIBUTIONS IN 2016





WHERE AND HOW WAS IT USED?

Where it was used

In 2016, the majority of unearmarked funds —59 per cent—was used to fund expenditure incurred directly in the field, and covered the full breadth of UNHCR’s activities, from the provision of international protection, to emergency humanitarian assistance, to solutions to displacement. The remainder was used to fund expenditure incurred by global programmes which serve and support the field, but for which the budgets are under Headquarters Divisions.

Portrait of Nour, a Lebanese student working as a teacher for Syrian refugees since October 2016 in Saida, Lebanon.

© UNHCR / D. IBARRA SANCHEZ

How it was used

By the end of 2016, no unearmarked funding was used to fund expenses at Headquarters.

Unearmarked funding is moved multiple times during the year and is critically important in allowing UNHCR to undertake prioritization. As UNHCR manages funding at the programme level, it does not trace how individual unearmarked contributions were used, as that would be contrary to the principle of flexible funding. Rather, UNHCR looks at the total unearmarked revenue as one pot and traces how the entire amount was used. The projected contributions are regularly reviewed

and earmarked contributions are matched against the spending authorities given to individual operations. UNHCR then reviews how much unearmarked funding remains and corresponding amounts are used to fill gaps. This is where, for example, unearmarked funding is critical in supporting underfunded operations.

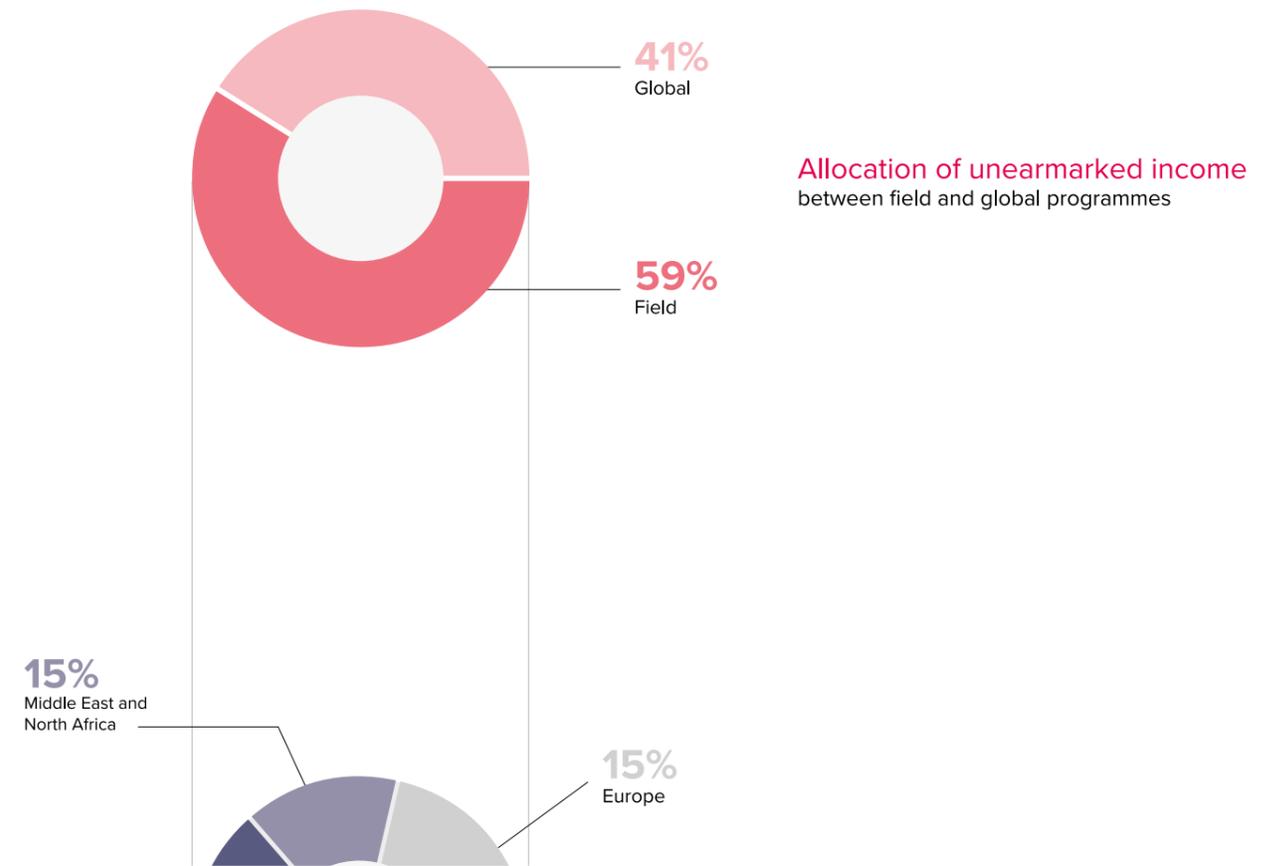
Unearmarked contributions benefitted all populations of concern to UNHCR, but were overwhelmingly used to support refugee programmes, that is, programmes under Pillar 1. Taken together with programmes supporting returnees (Pillar 2), these two pillars accounted for 80 per cent of expenditure funded with unearmarked funds. However, as a portion of final expenditure for programmes related to statelessness and reintegration (Pillars 2 and 3) very significant portions—34 per cent and 60 per cent respectively—were covered by unearmarked funds.

UNHCR uses its unearmarked funding flexibly throughout the year, allocating it according to need and priority. In general, there are three main aspects to how UNHCR uses unearmarked income in the

Note on seven per cent programme support costs

UNHCR now applies a 7 per cent programme support component to all earmarked contributions received, in-kind contributions and JPOs. The objectives that guided this policy were to achieve stable, adequate and transparent funding of Headquarters costs; equitable programme support contribution across budgetary pillars; and better aligning UNHCR's practice with the policies of the UN System. This policy was adopted with the intent of ensuring transparent, equitable and predictable coverage of Headquarters

Graphic 3 | ALLOCATION OF UNEARMARKED CONTRIBUTIONS



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