

The United Nations' COVID-19 Dilemmas: Towards a Budgetary Crisis?

Written by Ronny Patz

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RONNY PATZ, MAY 6 2020

In times of a pandemic it is no surprise that global attention is directed towards the World Health Organization (WHO) and its fight against COVID-19. At the same time, there is also much more attention to “How international organizations are stepping up to respond to the pandemic” more generally as Stephanie C. Hofmann and Christian Kreuder-Sonnen just summarized in on the *Monkey Cage* blog. When we look at the past, some UN organizations have been quite successful in fundraising during times of crisis. These are times when attention of media and thus of donors can become heavily focused on major issues, a phenomenon called “the CNN effect” in the 1990s despite contradictory evidence in this regard. It is no surprise that UN agencies that are active in the policy domains of such crises—WHO in health crises, the World Food Programme (WFP) in hunger crises, the office of the UN High Commissioner for Refugees (UNHCR) during humanitarian crises involving refugees, etc.—use those moments to highlight crisis in their communication to fundraise for new money on top of notoriously challenged budgets.

The new UN system-wide COVID-19 humanitarian response plan of US\$ 2 billion is a typical resource mobilization reaction of the UN that one sees in individual agencies but in more coordinated efforts. Countries like Germany have already promised €300 million going to different UN agencies and other humanitarian actors. That is not surprising: In recent research, Svanhildur Thorvaldsdottir and I showed a significant increase of funding for UNHCR during the Syria crisis. At the same time, we also showed that such increases is not evenly distributed across agencies (in our case: IOM and UNHCR) because donors may only be interested in a crisis that affects them most immediately, or they may favor one agency over the other to deal with different aspects of the same or different crises. This means that even when more money comes in it may not be allocated where it's most needed.

As a result of what we know about UN financing, it is thus obvious that the COVID-19 crisis may be a great moment to fundraise for additional money to address the challenges that come with the Corona virus. And yet, past evidence points to at least four dilemmas that the UN system and other multilateral organizations will be facing in the near future.

First is the *zero-sum dilemma*. While fighting the Corona virus may bring in more money for vehicles like the COVID-19 Solidarity Response Fund — US\$ 207,311,200 as of 3 May 2020 — there is no guaranteed that this means that there is an excess of funding going into multilateral agencies overall. How much of the €300 million that the German foreign ministry allocates for COVID-19 humanitarian aid was already budgeted and is now only allocated for COVID-19 purposes instead of other humanitarian crises? Germany increased its contributions to UN agencies dealing with refugee situations in recent years, so it is not sure that the pandemic may reduce the focus on certain populations of concern in favor of a more general health focus. And Germany is just one of many other global donors. So more money for some agencies may result in budgetary shortfalls in other.

Second is the *drop-in-the-ocean dilemma*. Many states are pumping a combined multiple trillions US-Dollar into their economies and their health systems right now. In comparison, the amounts that the UN system can fundraise are small, while needs increase significantly. Much of the money coming in will also be earmarked for very specific purposes, with all the consequence that a new study by Silke Weinlich and colleagues at the German Development Institute (GDI) shows. As a result, expectations for agencies like WHO will be extremely high, but the funds they have

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at their disposal and the flexibility of these will be too limited. As consequence, what they can and will do with those funds will probably just be a drop in the ocean of global financing and will be far below global expectations.

Third is the *geopolitics dilemma*. While at the beginning of the COVID-19 crisis, the UN Security Council (UNSC) was not visible at all, the ongoing debates in the UNSC underline the geopolitical division over the Corona response, notably the rift between China and the USA. The US has already cut its significant funding to WHO as one result of this rift, which means that while more money may come in to WHO from other donors, these funds would first have to fill the massive gap left by the USA. Research I co-authored on UNESCO's budgetary crisis following the US withdrawal of all financing showed that dealing with such a budget shortfall is a crisis in itself with many negative consequence. The geopolitics of the COVID-19 response also means that certain necessary reactions, even those for which funding might be available, will not be possible for UN agencies. The need for diplomatic neutrality and the fear of potentially angering major powers and donors may prevent some meaningful interventions in health, humanitarian assistance, or economic recovery.

Fourth is the *budget crisis dilemma*. Even if COVID-19 were to lead to the increased availability of funding across the UN system, this would only be temporary. Once the economic crisis kicks in and the massive state-level expenditures will be felt in all major state budgets, we can expect a budgetary contraction in most major donor countries. Our research on budgeting in the UN system already indicated that the last global financial crisis of the late 2000s led to tightened budgetary situations in the UN system as a consequence of tighter national budgets. At the same time, demand for more multilateral and bilateral aid may come in especially from countries in the Global South towards which most expenditures of the UN system are directed. Thus, the UN system is likely going to face a budget crunch from states not willing or able to provide (more) funding on one side and higher needs and expectations on the other.

Is there an escape route from these dilemmas? Not immediately. What would be important right now is a realistic assessment of what limited contribution the UN system and other multilateral agencies can have in the current COVID-19 situation. Unless major states overcome their opposing interests get to the negotiation table and pool their resources on issues that they can agree on, the positive effects of the additional money that comes in will be washed away by geopolitics. More importantly, ignoring the looming budgetary crisis in the UN system between income contraction and increased needs in the post-COVID-19 situation could be fatal. Now is the time for UN leaders and those at national level dealing with UN affairs to look beyond the present COVID-19 fundraising efforts and start contingency planning for the budgetary situation of the years to come.

This article is based on a forthcoming text (in German) to be published by the United Nations Association of Germany (DGVN). This version is adapted with additional references and arguments.

About the author:

Ronny Patz is a postdoctoral researcher in political science at LMU Munich. His research focuses on UN financing and the fundraising in the UN system. He is co-author of the book "Managing Money and Discord in the UN" (with Klaus H. Goetz, Oxford University Press 2019).