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Structured funding dialogue

**Structured dialogue on financing the results of the UNDP
Strategic Plan, 2018-2021**

Summary

The present report is prepared in response to Executive Board decisions 2018/5 and 2019/18, in which the Board requested UNDP to review the format and content of the report on the structured funding dialogue, and to present harmonized annual reporting on the entity-specific commitments on the implementation of the funding compact.

The report provides an update on the structured funding dialogues, including progress made in harmonizing the approach to the dialogues and content of the report with the United Nations Children's Fund, United Nations Population Fund and United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women). The report covers the various funding sources and progress made to date in supporting the UNDP Strategic Plan, 2018-2021. A full review of the 2019 financial situation is in annex I and annual reporting on the implementation of the funding compact is presented in annex II.

While UNDP continues to make solid progress on 76.9 per cent of its entity-specific funding compact commitments, it will strengthen dialogue with Member States to meet the rest of the mutual commitments of the compact.

The year 2019 marked a second year of increasing regular resources for UNDP and a 14 per cent increase in multi-year pledges to regular resources. The annual report of the Administrator and integrated results and resources framework reflect impressive results including consistent achievements in transparency and accountability, continued improvement in the efficiency ratio and increased regular resources allocated to development programmes, solidifying the position of UNDP as a strong investment partner and a key player in United Nations reform. Regular resources remain critical for UNDP to implement the Strategic Plan, support low-income and least developed countries to eradicate poverty, respond to crises with agility, test innovative approaches and fill critical resource gaps in underfunded areas such as gender.



With the coronavirus disease (COVID-19) pandemic spreading globally, the impact on developing country economies is already causing a devastating impact on marginalized and poor populations. Hence this is the time to fully step up to the challenge of providing sustainable and flexible funding to enable UNDP to address the longer-term socioeconomic impact of this crisis.

Elements of a decision

The Executive Board may wish to:

(a) Take note of the report on the structured dialogue on financing the results of the UNDP Strategic Plan, 2018-2021 (DP/2020/20) and its annexes;

(b) Note the importance of sufficient and predictable regular resources, and urge Member States to prioritize contributing to UNDP regular resources, in a timely and predictable manner, to enable UNDP to deliver the intended results of the Strategic Plan, 2018-2021, respond to the COVID-19 pandemic and work together with the United Nations development system in implementing the 2030 Agenda for Sustainable Development;

(c) Recall the importance of funding predictability and urge Member States to contribute on a multi-year basis for 2020 and future years, to enable UNDP to respond to the evolving needs of programme countries with agility and reduce the risk of jeopardizing its ability to achieve the results of the Strategic Plan, 2018-2021;

(d) Urge Member States to continue their dialogue with UNDP, through structured funding dialogues, on shifting from highly-earmarked to regular and flexible resources, to enable UNDP to better respond to emerging development needs.

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Annexes (available on the UNDP Executive Board website)

Annex I. Detailed annual review of the financial situation, 2019

Annex II. Progress against entity-specific commitments to the funding compact

I. Introduction: the structured funding dialogue

1. This report is prepared in response to Executive Board decisions 2018/5 and 2019/18, in which the Board requested UNDP to review the format and content of the report on the structured funding dialogue, present harmonized annual reporting on the entity-specific commitments of the funding compact and streamline documentation. As such, it presents cumulative progress against the targets of the Strategic Plan, 2018-2021 and the entity-specific commitments to the United Nations funding compact, as well as financial highlights for 2019.

2. UNDP utilizes the structured funding dialogue as a platform for interactive discussions between Member States and UNDP, to have a transparent and critical conversation about funding issues and challenges and improve funding behaviour for UNDP. It also provides the space for UNDP to present the status of funding and the need to secure adequate levels of flexible and predictable funding, to achieve the objectives of the Strategic Plan and the funding compact. The dialogue further contributes to solidifying and reaffirming mutual commitment for development cooperation.

3. Such interactive dialogues are particularly important today. The ongoing coronavirus disease (COVID-19) pandemic has caused far-reaching disruptions in almost all countries and has the potential to create devastating social, economic and political effects that will leave deep and long-standing scars. With the virus still spreading and forcing countries into recession, financing for development is more important than ever. To tackle this complex health and development crisis, the adequacy and flexibility of funding to development agencies like UNDP are pivotal. Regular resources, which underpin the overall UNDP response to COVID-19 in support of Governments' efforts, are particularly vital.

4. There has been a growing recognition of international cooperation amidst the pandemic. Almost 80 per cent of Governments have acknowledged the significance of the United Nations development system to realize the Sustainable Development Goals,¹ and they are now even more cognizant of the relevance of the reform of the system to enable coherent, integrated and system-wide responses to the COVID-19 crisis. UNDP has rapidly scaled up its response and recovery solutions, taking concrete steps to enable its country offices around the world to offer immediate and substantive support to national partners, in close coordination with resident coordinators and United Nations country teams (UNCTs).

5. By honouring the funding compact commitments, particularly providing quality, sustainable and multi-year funding, Member States hold the key to enabling UNDP and the United Nations development system to respond to crises in real time and in support of national development priorities.

II. The United Nations funding compact

6. The United Nations funding compact recognizes the need for more coherent, effective and impactful funding support to countries in achieving the Sustainable Development Goals, by holding both Member States and the United Nations development system accountable in how they provide and utilize financial resources. By improving both the quality and quantity of funding, the implementation of the funding compact enables the United Nations system to respond to a wide array of development challenges and reduce response times, transaction costs and competition for resources.

¹ <https://news.un.org/en/story/2020/05/1064392>.

7. At its core, the funding compact is a political commitment to improve the funding paradigm that entrusts UNDP and the United Nations development system to best support countries' development. This imperative is particularly pertinent as the international community continues to battle the COVID-19 pandemic. Given the pandemic's global spread, the international community must demonstrate coordinated, strategic and rapid support for effective response and recovery through the provision of adequate and quality funding.

Tracking the funding compact commitments

8. The United Nations development system has seen positive signs in upholding the funding compact commitments, according to the Secretary-General's 2020 report on the implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system. UNDP is making progress on 76.9 per cent of the entity-specific indicators, compared to an average of 60 per cent in the United Nations development system. See annex II for details of the most recent status of UNDP against its entity-specific funding compact commitments.

9. As requested by the General Assembly in resolution 72/279 on repositioning of the United Nations development system in the context of the quadrennial comprehensive policy review, UNDP has put in place a system to monitor and report on its funding compact commitments on two tracks. It contributes to system-wide reporting as part of the annual report of the Secretary-General on the implementation of the quadrennial comprehensive policy review, and reports entity-specific funding compact commitments to the Executive Board through the structured funding dialogue. All structured funding dialogue reports are published on the UNDP website.²

Aligning funding to the requirements of the Strategic Plan

10. The midterm review of the UNDP Strategic Plan, 2018-2021 revealed that regular resources contribute to higher-level development results, demonstrating the catalytic impact of regular resources for achieving the 2030 Agenda for Sustainable Development. In this context, the funding compact carries even more significance for improving UNDP funding practices, achieving the objectives of its Strategic Plan and United Nations development system reform. As UNDP adheres to its funding compact commitments and continues to diversify its funding base, its agility, responsiveness and effectiveness depend on flexible resources and funding partners honouring their mutual commitments.

11. While a key objective of the funding compact is to rebalance regular and other resources, Member States continue to channel most of their funding support through contributions earmarked for specific projects, themes, regions or countries. In 2019, regular resources accounted for only 13 per cent of total funding to UNDP, which is lower than the funding compact target of 30 per cent to be reached by 2023. Earmarked resources continue to make up 85 per cent of total contributions to UNDP.

12. Regular resources enabled UNDP to make rapid and flexible funding decisions and respond proactively to the challenges of COVID-19. They also allowed UNDP to coordinate closely with UNCTs and Governments on a comprehensive response, tailoring the UNDP global offer to the local context, and providing the goalposts for an integrated socioeconomic response by the United Nations system, in line with national priorities. However, the current low levels of regular resources and flexible funding have constrained the ability of UNDP to respond adequately to all the needs of countries.

² <https://www.undp.org/content/undp/en/home/funding/funding-dialogues.html>.

13. Similarly, increasing the number of contributors to regular resources continued to be challenging for UNDP in 2019, despite efforts to prioritize and advocate with more Member States to contribute to regular resources. Efforts in making the case for regular resources include enhancing the visibility of contributors and communicating more effectively what they pay for. On the positive side, UNDP experienced improved predictability in funding, with a larger share of contributions to regular resources backed by multi-year commitments. In 2019, the proportion of regular resources contributed through multi-year commitments reached 58 per cent. Predictable funding commitments allow UNDP to more effectively address medium- to longer-term outcomes, anchoring them in United Nations Sustainable Development Cooperation Frameworks (UNSDCFs).

14. UNDP is making progress towards increasing the share of flexible funding provided through inter-agency pooled funds and agency-specific thematic funds. About 10.8 per cent of UNDP other resources were channelled through inter-agency pooled funds in 2019, up from 8 per cent in 2018, and exceeding the 10 per cent milestone set in the funding compact. Partners increased their contributions to thematic funding windows by 54 per cent, from \$67 million in 2018 to \$103 million in 2019. However, thematic funds account for only 2.5 per cent of total other resources. UNDP will continue to engage with partners to increase flexible and minimally earmarked thematic funding, to reach the funding compact target of 6 per cent by 2023.

Accelerating results on the ground

15. UNDP is working closely with country offices to ensure that funding compact commitments are adequately translated at country level. Underscoring the emphasis on interactive, collaborative and harmonized United Nations development system support at country level, UNDP is working closely with United Nations agencies and government entities to deliver maximum results on the ground. Internal reporting shows a renewed awareness and willingness to conduct joint activities across both UNDP and other United Nations entities, with some positive improvements already visible.

16. In 2019, joint programmes accounted for 8.4 per cent of UNDP programme expenditure, with an additional 14 per cent dedicated to activities conducted jointly with other United Nations entities. It is important to note the lack of a commonly agreed definition for “joint activities” that captures the full gamut of undertakings under this umbrella term,³ preventing coherent and comparable data across the United Nations system. Going forward, there needs to be a common system-wide definition and mechanisms to capture agencies’ continuing efforts to improve coherence and collaboration to achieve shared results.

17. UNDP has set in motion substantial changes to its country office planning, human resources management and operational services, to support a strengthened UNCT response at country level. UNDP took steps to ready its country offices to substantively engage in the design of the new UNSDCF, setting up multidisciplinary teams to support them from the inception of the joint planning processes, and revising its country programme document to highlight its contributions to joint, outcome-level changes.

³ To date, an agreed definition among the members of the United Nations Sustainable Development Group of what constitutes “joint activities” does not exist, which is acknowledged in document [A/75/79/Add.1–E/2020/55/Add.1](#), para 66.

18. Internal data⁴ suggest that in 98 per cent of countries, UNDP was very engaged or engaged in the development of Common Country Analyses and UNSDCF. Similar strong engagement is reported when it comes to helping UNCTs design the theories of change for the UNSDCFs. The 2020 UNDP partnership survey confirmed this, with 79 per cent of programme country Governments expressing satisfaction with the UNDP contribution to analysis and evidence collection underpinning the work of the United Nations system, including for the UNSDCF.

19. The partnerships survey also showed that 73 per cent of respondents were satisfied with UNDP efforts to support resident coordinators to strategically position the United Nations system at country level, and 75 per cent see UNDP as advocating a common United Nations position on important development issues.

Commitment to transparency and accountability

20. UNDP has been recognized as the most transparent United Nations organization by the Aid Transparency Index since 2016. Building on its track record, UNDP took measures to increase the visibility of results and of contributors to regular resources, pooled and thematic funds and government financing. In 2019, the UNDP funding compendium recognized Member States that contributed to pooled funds, and donor brochures provided visibility to all types of contributions from funding partners. The funding windows annual report and online portal recognize contributors to thematic funds. The UNDP transparency portal⁵ publishes details on over 4,000 active projects, including those contributing directly to the COVID-19 response, with links to profile pages for every donor.

21. UNDP remains committed to transparency. It has been publishing audit reports issued by the Office of Audit and Investigations since 2012 and has had unqualified financial statements audit reports for 15 consecutive years. All external audit reports are disclosed on the UNDP public website.⁶

22. UNDP will continue to leverage its independent and decentralized evaluation function in support of organizational learning, accountability and transparency. All UNDP evaluation plans, reports and management responses are available in the public domain. The Independent Evaluation Office has introduced a series of “reflections” synthesis reports, capturing key lessons learned from evaluations pertaining to the UNDP response to crisis prior to the COVID-19 pandemic.

Increasing efficiencies

23. UNDP measures its performance and reports annually to the Executive Board on organizational efficiency and effectiveness in programme delivery. To ensure the best use of valuable resources entrusted to it, UNDP continues to strengthen its operations, through the United Nations Sustainable Development Group Business Innovations Group and a set of internal efficiency measures, aimed at consolidating UNDP business practices into a robust, viable and efficient model.

24. UNDP has streamlined over 150 business processes, realizing savings of approximately \$7.5 million on travel and \$11.7 million on headquarters real estate. UNDP continues to explore and realize additional efficiency gains through joint activities with other agencies. UNDP developed and assumed all costs for the development and maintenance of a dedicated business operations strategy digital

⁴ In March-April 2020, UNDP surveyed resident representatives seeking feedback on their early experiences implementing various elements of United Nations development system reform.

⁵ <https://open.undp.org/>.

⁶ <https://www.undp.org/content/undp/en/home/accountability/audit/disclosure-of-internal-audit-reports.html>.

platform. The platform has reduced the average time needed for country offices to develop business operations strategies from six months to eight weeks, and provides a significantly more rigorous assessment of costs and benefits of service agreements.

25. UNDP is working closely with the Business Innovations Group to advance work on the common back office, and strengthen its location-independent services offer. Studies show that the biggest potential for savings stems from “vertical integration”, i.e., centralization of specific functions through global shared service centres.

26. The UNDP clustering of global shared services is consolidating 57 country office processes in finance, human resources and procurement, which will address up to 65 per cent of country-level audit issues. A significant portion of the estimated \$15 million in cost avoidance is expected to be realized in the future.

27. The UNDP management efficiency ratio continues to improve and remains below the level of the corresponding annual milestone. For 2018-2019, UNDP exceeded its targeted levels, moving to a management efficiency ratio of 6.7 per cent (actual) versus 6.9 per cent (milestone) for 2018, and 7.5 per cent (actual) versus 7.7 per cent (milestone) for 2019.

Harmonized approach to structured funding dialogues and the funding compact

28. Taking note of requests by their respective Executive Boards to further improve the quality of the structured funding dialogue, UNDP, the United Nations Population Fund, United Nations Children’s Fund and United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) have harmonized their structured funding dialogue reporting, including utilizing a similar template, agreeing on methodologies for better comparability and improved analysis of resource gaps.

29. Joint structured dialogues with the membership of the four agencies’ Executive Boards took place in 2019 and 2020. In August 2019, a joint informal session was organized on the funding compact to foster common understanding and engagement, and identify key challenges and opportunities to advance its implementation. In January 2020, a joint briefing was held to discuss options to improve the format, content and frequency of the structured funding dialogue.

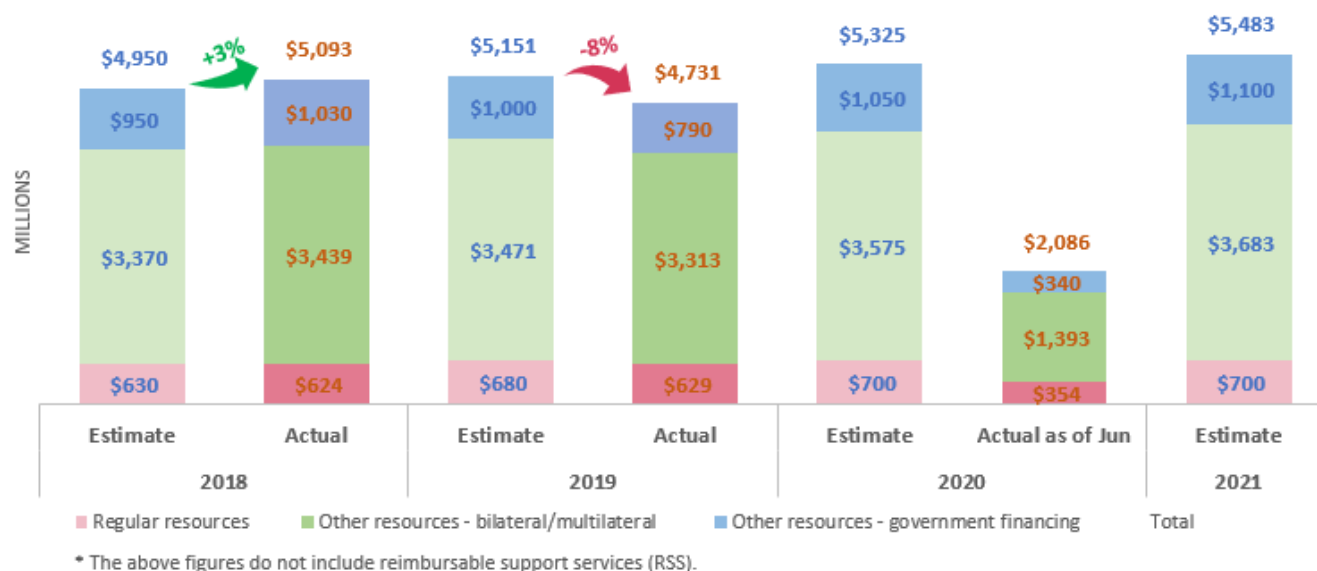
III. Resources supporting the UNDP Strategic Plan, 2018-2021

30. The UNDP Strategic Plan, 2018-2021 set the direction for a “Next Generation UNDP” to help countries achieve the Sustainable Development Goals, with tailored support framed around three broad development settings.

31. The integrated resources plan, 2018-2021 (DP/2017/39) set out the financial resources to deliver the Strategic Plan over the quadrennium. Against the planned contribution estimates for 2019, actual contributions reached \$4.7 billion, meeting 92 per cent of the planned level of \$5.1 billion.

32. Against the planned contribution estimates for the remaining period (2020-2021) of the Strategic Plan, as of June 2020, \$2.1 billion has been received, composed of \$0.4 billion in regular resources, \$0.3 billion from government financing and \$1.4 billion from bilateral/multilateral contributions.

Figure I
Strategic Plan, 2018-2021, estimated and actual contributions
(In millions of United States dollars)



A. Highlights and overall financial situation in 2019

33. Financial stability remained a top corporate priority in 2019 for UNDP. Total revenue, including voluntary contributions, was \$4.8 billion, a decrease of \$863 million (15 per cent) from \$5.7 billion in 2018. This includes 2019 voluntary contributions of \$4.5 billion, a decrease of \$887 million (17 per cent) from \$5.4 billion in 2018. Of this decrease, \$559 million is due to lower multi-year funding agreements signed in 2019 compared to 2018, and \$161 million can be attributed to exchange rate fluctuations.

34. Total expense in 2019, including programme delivery, was \$4.9 billion, a decrease of \$173 million (3 per cent) from \$5.1 billion in 2018. Programme expense was \$4.3 billion, a decrease of \$86 million (2 per cent) from \$4.4 billion in 2018. Total expenses remained \$94 million above the level of total revenue in 2019, by drawing upon the accumulated programme resources surplus from prior years, a positive step.

35. UNDP continued to reverse the institutional budget deficit and balanced its institutional budget for the third consecutive year. The year 2019 marked a second year of increasing regular resources, up \$5 million from 2018 to \$629 million;⁷ and compared to 2018, a 14 per cent increase in multi-year pledges to regular resources, a 54 per cent increase in investment in UNDP funding windows and a 28 per cent increase in engagement with United Nations Multi-Partner Trust Fund pooled funds.

36. Compared to 2018, the proportion of regular resources allocated to development programmes increased to 65.9 per cent from 62.6 per cent, while the proportion of regular resources used for institutional budget activities decreased from 37.4 per cent to 34.1 per cent, below the planned allocation of regular resources to institutional activities of 35.9 per cent in the integrated budget. UNDP is using these efficiency

⁷ Taking into account a \$12 million contribution for 2019 from the United States which was received in 2020.

gains to invest in higher-quality services to enable staff to work more effectively on programming.

Table 1
UNDP financial situation, 2018-2019

(In millions of United States dollars)

	2019	2018 (restated)	Increase/ (decrease)	Percentage change
Revenue ^a	4 829	5 692	(863)	(15%)
Expenses ^a	4 924	5 097	(173)	(3%)
Net revenue	(95)	595	(690)	(116%)
Assets	12 485	12 204	281	2%
Liabilities	2 790	2 575	215	8%
Net assets	9 695	9 629	66	1%
Composed of:				
Accumulated balance	9 409	9 337	72	1%
Reserves	286	292	(6)	(2%)
	9 695	9 629	66	1%

^a Revenue and expense amounts are after elimination of \$256 million in 2019 and \$258 million in 2018.

Before elimination: Total revenue - \$5,085 million in 2019; \$5,950 million in 2018
Total expense - \$5,180 million in 2019; \$5,355 million in 2018

Annual contributions

37. In 2019, UNDP refined its accounting policy on International Public Sector Accounting Standard (IPSAS) 23 (non-exchange) revenues. UNDP now records the full value of funding agreements when signed, even when cash has not been received for the majority of the contribution agreements. Any uncollected cash associated with funding agreements is held as a receivable.

38. Under the UNDP financial regulations and rules, UNDP is permitted to spend only up to the amount of cash received; hence, in the following sections of this document, “annual contributions” are presented to align with the past revenue recognition policies for contributions (i.e., cash received in a reporting year, plus receivables due in a reporting year).

Table 2
UNDP revenue, 2019
(In millions of United States dollars)

<i>Resources</i>	<i>2019</i>	<i>2018 (restated)</i>	<i>Increase/ (decrease)</i>	<i>Percentage change</i>
Revenue				
Voluntary contributions				
Annual contributions	4 796	5 173	(377)	(7%)
Future due contributions	3 947	4 280	(333)	(8%)
IPSAS 23 adjustments	(4 251)	(4 076)	(175)	4%
Subtotal: voluntary contributions	4 492	5 377	(885)	(16%)
Government contributions to local office costs	18	24	(6)	(25%)
Net contributor country contributions	8	8	–	–
Upper-middle-income-country contributions	9	9	–	–
Contributions in kind	15	16	(1)	(6%)
Transfer of funds and refunds to donors	(69)	(74)	5	7%
Voluntary contributions, net	4 473	5 360	(887)	(17%)
Investment revenue	167	134	33	25%
Other revenue	445	456	(11)	(2%)
Total revenue before elimination	5 085	5 950	(865)	(15%)
Elimination – internal UNDP cost recovery	(256)	(258)	2	1%
Total revenue after elimination	4 829	5 692	(863)	(15%)

39. Annual contributions in 2019 declined by 7 per cent to \$4.8 billion, from \$5.2 billion in 2018, with \$0.16 billion attributable to foreign currency fluctuations.

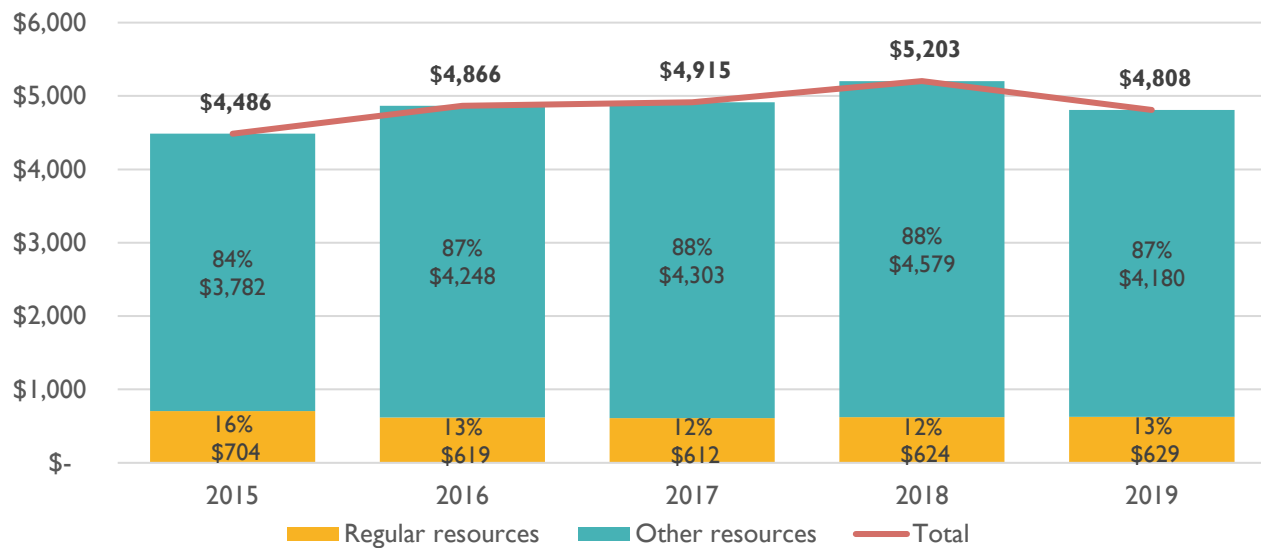
40. Regular resources annual contributions increased to \$629 million⁸ from \$624 million in 2018, including a \$23 million loss applicable to exchange rate fluctuations. Multi-year commitments to regular resources increased by 14 per cent from \$271 million in 2018 to \$363 million in 2019.

41. Annual contributions to other resources decreased to \$4.2 billion from \$4.6 billion in 2018, of which a loss of \$0.14 billion can be attributed to exchange rate fluctuations.

42. Over the past five years, UNDP has seen a modest growth in contributions, from \$4.5 billion in 2015 to \$4.8 billion in 2019. However, the proportion of regular resources has dropped to 13 per cent from 16 per cent in 2015, driven by the increasing growth of earmarked other resources, which has implications for the effectiveness of UNDP country programmes and undermines the investments required for long-term sustainability.

⁸ Taking into account a \$12 million contribution for 2019 from the United States which was received in 2020.

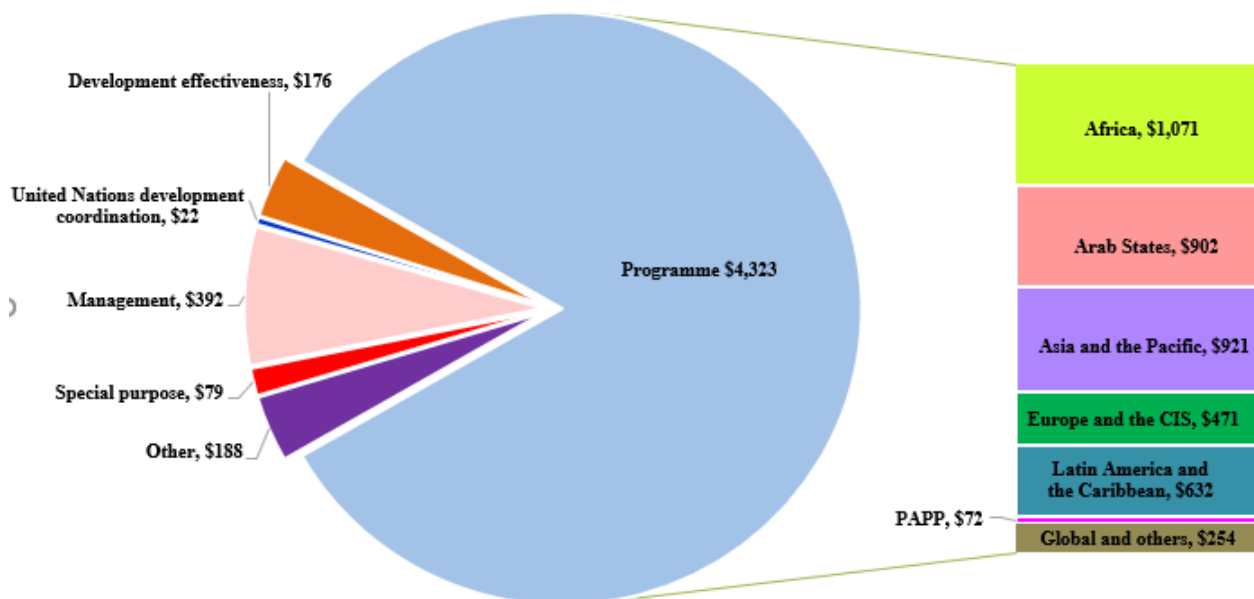
Figure II
Annual contributions to UNDP, 2015-2019
 (In millions of United States dollars)



Expenses

43. Of \$4.9 billion in total expense in 2019, \$4.3 billion or 88 per cent was spent on programme activities. Of the 10 largest UNDP programmes, nine are in fragile or crisis-affected countries, accounting for 40 per cent of total programme delivery.

Figure III
Total expenses by cost classification and programme expenses by UNDP region, 2019
 (In millions of United States dollars)



CIS = Commonwealth of Independent States; PAPP = Programme of assistance to the Palestinian people.

Financial position

44. Total assets registered of \$12.5 billion represent an increase of 2 per cent from 2018. UNDP assets consist mainly of investments to fund known liabilities and contributions receivable. Full details are set out in annex I, figure VI.

45. Contributions receivable of \$4.1 billion include \$3.9 billion committed by partners for future years, as set out in the payment schedule of signed agreements. This amount is programmed for delivery in future years and consists of \$358 million receivable for regular resources and \$3.6 billion for other resources.

46. Total liabilities amounted to \$2.8 billion, an increase of 8 per cent over \$2.6 billion in 2018. The change is mainly attributable to payables for the Multi-Partner Trust Fund Office which increased by \$150 million. Full details are set out in annex I, figure VII.

Accumulated surplus

47. At 31 December 2019, the accumulated balance, excluding reserves, increased by 0.8 per cent, to \$9.4 billion (2018: \$9.3 billion). As a result of the change in the revenue recognition policy, accumulated surplus now includes receivables from non-exchange transactions (net of past due) of \$3.9 billion at 31 December 2019. Under the UNDP financial regulations and rules, the organization is not permitted to spend the \$3.9 billion stated above.

48. In line with Executive Board decision 1999/9, a prudent level of liquidity for regular resources is equivalent to three to six months' expenditures. UNDP maintained the year-end liquidity position at 6.61 months of working capital (2018: 7.61 months).

49. See annex I for a full review of the UNDP 2019 financial situation.

B. Results and resources by Strategic Plan outcome

50. The integrated resources plan estimated a total development expenditure of \$21 billion across the three outcomes of the Strategic Plan, 2018-2021. In 2018-2019, development expenditure reached \$9 billion, or 43 per cent of the original estimate in the four-year plan. UNDP spent \$3.8 billion to advance poverty eradication in all its forms and dimensions (outcome 1), \$2.8 billion to accelerate structural transformations for sustainable development (outcome 2), \$1.9 billion to strengthen resilience to shocks and crisis (outcome 3), and \$0.6 billion to support legacy interventions from the previous Strategic Plan.

51. Based on the updated estimates from the midterm review of the integrated resources plan and integrated budget, 2018-2021 (DP/2020/9), the planned development expenditure (or resource gap) for the remaining two years of the Strategic Plan period (2020-2021) was \$11 billion as of 31 December 2019.

Figure IV
Programme expenditure, 2018-2019 versus resource plan, 2018-2021



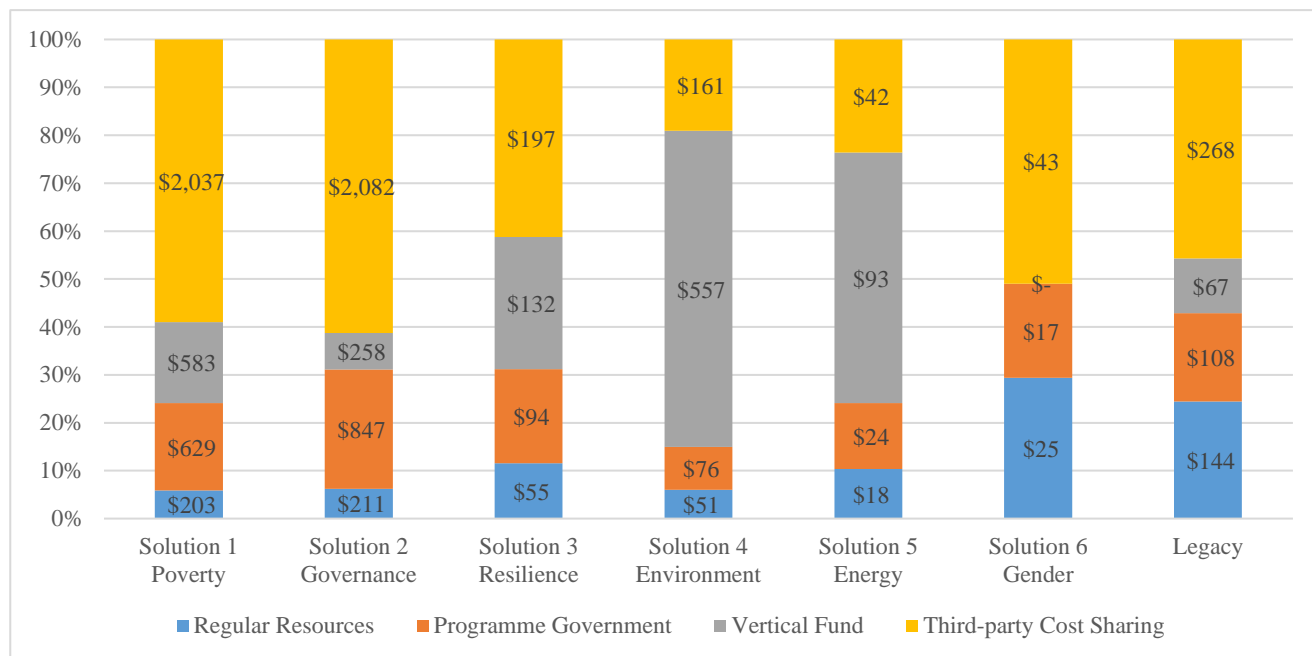
Criticality of regular resources

52. Regular resources underpin the UNDP operational capacity, networks and presence at global, regional and country levels. They enable UNDP to provide on-demand support to national Governments and to work with United Nations partners to maximize collective results on the ground. Sufficient and predictable regular resources are essential for UNDP to invest in programmes where the need is greatest. Being the most flexible funding modality, regular resources allow UNDP to lay the foundational work in programme design that will help attract more funding from other sources. The statistical analysis conducted during the midterm review of the Strategic Plan showed that programmes using a higher proportion of regular resources achieved higher-level development results.

53. Regular resources are distributed across all signature solutions as the backbone to achieve the objectives of the Strategic Plan, as well as pilot and scale innovative solutions to achieve the Sustainable Development Goals. Regular resources are critical for UNDP to respond to the immediate needs of countries affected by crisis, including the COVID-19 pandemic, and to fill funding gaps in critical areas of the Strategic Plan. For instance, signature solution 6 on gender equality and women’s empowerment has the largest proportion (29 per cent) of regular resources, demonstrating the criticality of regular resources to achieve results in underfunded areas as shown in figure V below.

Figure V
Programme expenditure by signature solution and funding channel, 2018-2019

(In millions of United States dollars)



54. Signature solution 2 on governance has benefited from the largest volume of regular resources. As it operates in a new context of shared vulnerabilities, risks and interests brought on by COVID-19, UNDP will work with Governments to transition to different models of societal and transnational innovations in its governance work. The support of Member States, through regular resources, will be a key enabler and a measure of their trust.

55. Some examples of how regular resources enable long-term development results include:

(a) In Burundi, \$20 million in regular resources supported the country's poorest populations by providing essential services and social protection, empowering vulnerable groups and building the capacities of local authorities;

(b) In Nepal, \$1.7 million in regular resources were utilized to tackle key barriers in localizing and accelerating Sustainable Development Goal implementation through partnerships with provincial and local governments;

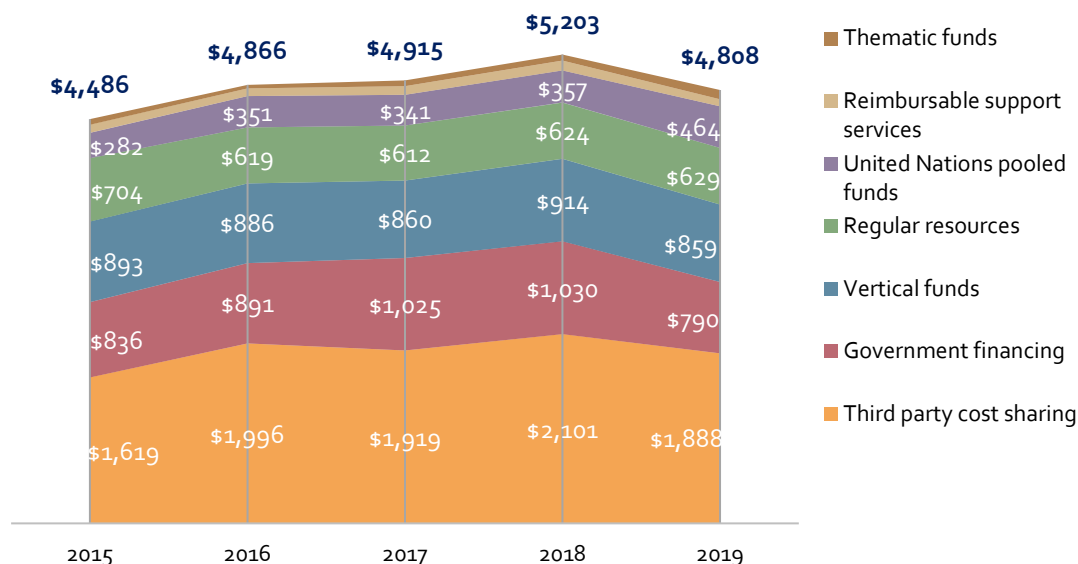
(c) In Senegal, regular resources promoted entrepreneurship through use of solar energy, promotion of value chains in agroforestry, and employment of women and youth in the Tambacounda, one of the poorest regions in the country.

56. Earmarked funding and government financing mostly funded UNDP work in poverty eradication, governance and resilience-building. Vertical funds mostly supported UNDP work in environment and energy; however, given the cross-cutting nature of the signature solutions, vertical funds also funded a share of UNDP poverty and governance programmes. Earmarked funding, however, is non-fungible and cannot be transferred to underfunded areas.

IV. Resource outlook by funding source

57. In 2019, while total annual contributions to UNDP declined by 7 per cent, funding from regular resources, United Nations pooled funding and thematic funding increased by 1 per cent, 28 per cent and 54 per cent, respectively. The share of earmarked resources, however, continues to make up 85 per cent of total contributions, with regular resources remaining at 13 per cent and thematic funding at 2 per cent.

Figure VI
Contributions by funding channel, 2015-2019
 (In millions of United States dollars)

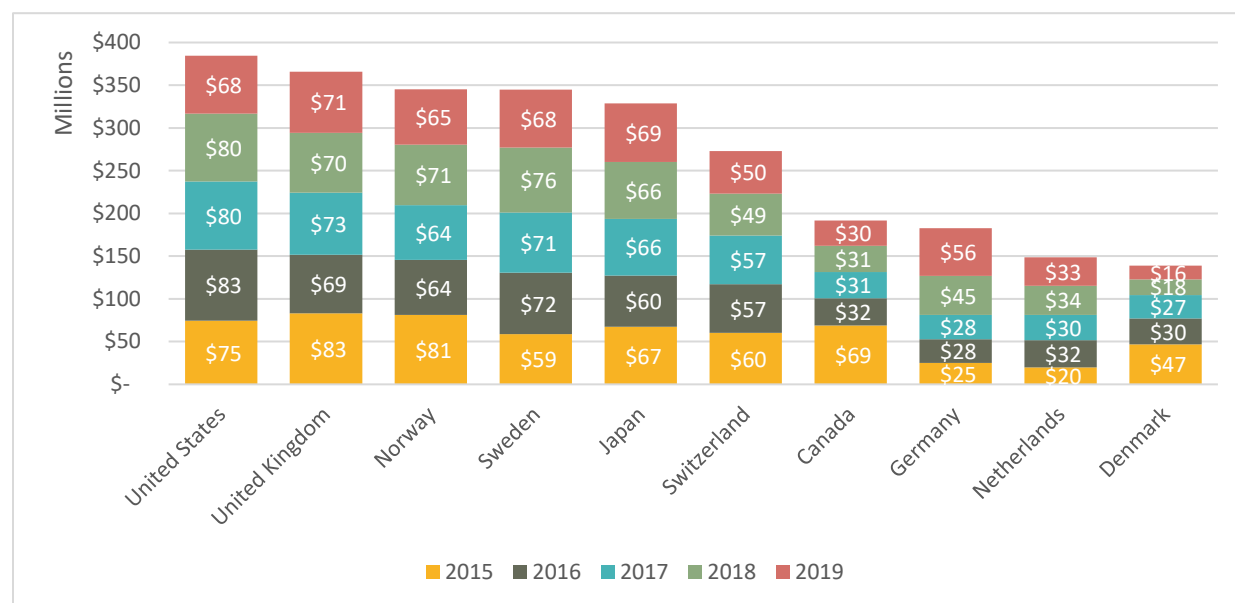


A. Regular resources

58. In 2019, UNDP received regular resources contributions totalling \$629 million⁹ from 52 Member States, an increase of \$5 million over 2018, indicating continued strong support from its funding partners. The increase would have been larger had it not been for a net loss of \$23 million due to exchange rate fluctuations. UNDP appreciates the increased contributions in 2019 from the Governments of Costa Rica, France, Germany, Japan, Luxembourg, Norway, Portugal, Spain and Switzerland, as well as the continued strong commitment of 33 Member States that maintained their steadfast contribution, led by the United States, the United Kingdom and Sweden from the top five contributors. Of the total regular resources received in 2019, 58 per cent came from multi-year commitments, a 14 per cent increase from 2018.

⁹ Taking into account a \$12 million holdover from the United States which was received in 2020.

Figure VII
Top 10 contributors to regular resources, 2015-2019



59. Regular resource contributions from countries that are not members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) and from programme countries amounted to \$24 million in 2019, with the largest contributions coming from Qatar (\$8 million), India (\$4.2 million), China (\$3.8 million), Saudi Arabia (\$2 million), Turkey (\$1.8 million), Russian Federation (\$1.1 million) and Thailand (\$900,000). Qatar and Turkey signed multi-year agreements and the Philippines returned as a contributor. UNDP wishes to see more non-DAC and programme countries contributing to regular resources to broaden the funding base and move closer to meeting the funding compact commitments.

60. Early payments facilitate effective planning and resource management and reduce the risks associated with currency fluctuations. UNDP is encouraged to note that as of early July 2020, it had received \$361 million in regular resources, 15 per cent higher than the amount received as of end June 2019. UNDP looks forward to more partners disbursing their payments early.

61. UNDP welcomes the increased 2020 contributions to regular resources from Germany, the United States, Denmark, and Finland and the existing multi-year commitments from Australia, Belgium, Canada, Denmark, the Netherlands, Norway, Qatar, Sweden, Switzerland, Turkey and the United Kingdom.

B. Thematic funds

62. The UNDP thematic funding windows provide a flexible funding mechanism over four themes: poverty and inequality; governance, peacebuilding, crisis and resilience; nature, climate and energy; and gender.

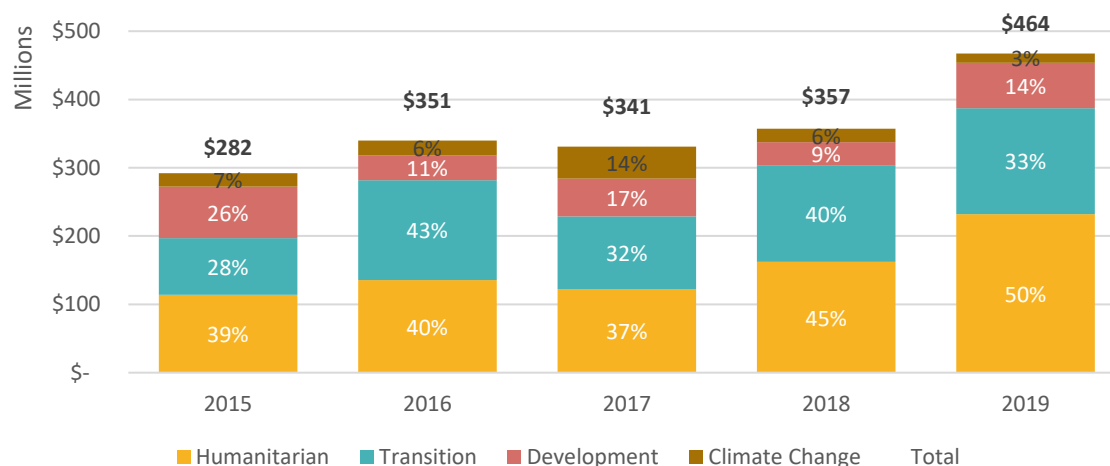
63. In 2019, thematic funding amounted to \$103 million, a 54 per cent increase from 2018, indicating growing support for this funding channel and benefiting from the alignment of the funding windows with the Strategic Plan. However, of the total received, 74 per cent was earmarked to global projects with the level of project earmarking increasing by 20 per cent from 2018. Eight partners contributed to thematic funding with Germany, Denmark and the Netherlands as the largest contributors.

C. United Nations pooled funds

64. In 2019, UNDP received \$477 million in inter-agency pooled funds and joint programmes, a 28 per cent increase from 2018, enabling it to surpass its 2019 Strategic Plan and funding compact milestones. UNDP pooled funding contributions are composed of development, humanitarian and transition funds, which include centrally managed and country-based pooled funds, and joint programmes. In 2019, the largest amounts of pooled funding received by UNDP were from humanitarian funds for the Democratic Republic of the Congo, South Sudan and Sudan.

Figure VIII

United Nations pooled funding to UNDP, 2015-2019*



* Amounts exclude administrative fees reported as reimbursable support services.

65. UNDP expects to see a continuing increase in pooled funds in 2020 and beyond, given the demand for multi-stakeholder partnerships, policy areas in which UNDP plays a leadership role such as in the socioeconomic response to COVID-19, and its long-standing expertise on pooled funds as host to the Multi-Partner Trust Fund Office.

D. Government financing

66. Government financing remains vital to UNDP efforts to support national priorities. It is a voluntary funding mechanism by which programme country Governments entrust their domestic resources, or loans extended by financial institution (IFIs), to UNDP to assist in the implementation of development initiatives in their respective countries. Political circumstances and currency exchange fluctuations contribute to volume swings in government financing.

67. In 2019, programme country Governments contributed \$790 million in government financing, a 23 per cent reduction from 2018, mainly due to currency exchange losses. The top five government financing contributors in 2019 were Ukraine, Argentina, Dominican Republic, Egypt and Colombia. Through government financing, UNDP assisted the Government of Argentina in guaranteeing food security and social services for people in vulnerable situations.

68. Government contributions financed by IFI loans in 2019 amounted to \$32 million, a \$1 million increase from 2018, including \$14 million from the Central American Bank for Economic Integration channelled to Honduras for a national identity card modernization programme implemented by UNDP.

69. UNDP continues to work with IFIs and programme Governments in assessing the socioeconomic impact of COVID-19, to help decision makers look beyond recovery, make choices and manage complexity.

E. Vertical funds

70. As a valued partner in designing and implementing programmes to address complex environmental and health issues, UNDP supported countries in accessing over \$2 billion in climate and environmental finance over the 2014–2018 planning cycle, and \$1.9 billion in health finance over the 2015–2020 implementation period.

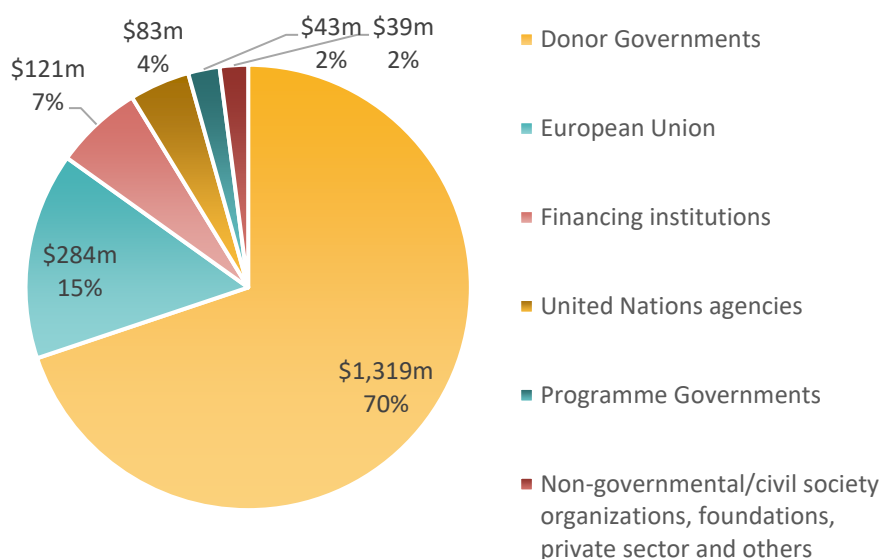
71. In 2019, UNDP received \$859 million from vertical funds, a 6 per cent decrease from 2018 and accounting for 18 per cent of total contributions, with the largest contributions coming from the Global Environment Facility (\$427 million), the Global Fund to Fight AIDS, Tuberculosis and Malaria (\$329 million) and the Green Climate Fund (\$66 million). COVID-19 will most likely have an impact on donor contributions to vertical funds. However, some like the Global Fund and Gavi, the Vaccine Alliance have an optimistic outlook from their recent replenishment rounds.

72. To maintain its high performance and mitigate future risks, UNDP continues to invest in strengthening its capacities in programme design, quality assurance and use of innovative financing tools.

F. Third-party cost sharing

73. Third-party cost sharing makes up the largest share of earmarked resources. In 2019, UNDP received \$1.9 billion in third-party cost sharing, 39 per cent of total contributions, with a significant share coming from donor Governments as shown in figure IX below. Funding from third-party cost sharing mostly supported programmes in fragile contexts in Afghanistan, Iraq and Yemen and the programme of assistance to the Palestinian People.

Figure IX
Third-party cost sharing by partner type, 2019
 (In millions of United States dollars)



V. Strategic considerations

COVID-19 tests the utility of development cooperation

74. The COVID-19 pandemic is having a devastating effect on all countries, extending far beyond health concerns to economic, political and social afflictions. It has already disrupted the global economy, which is projected to contract by 6 per cent in 2020, worse than the 2008-2009 financial crisis.¹⁰

75. With advanced economies in recession, some funding partners may prioritize responding to COVID-19 by redirecting funding from existing development assistance commitments. Hence, decisions about official development assistance will have a consequential impact for future years. It is critical that the international community unifies to respond to the immediate needs of COVID-19, but more importantly, address its longer-term socioeconomic impacts.

76. Flexible funding is crucial to support countries in tackling the pandemic quickly and effectively. The flexibility of regular resources allows UNDP to reprogramme existing funds and respond swiftly to national needs. UNDP was able to immediately launch a COVID-19 rapid response facility, allocating \$30 million to more than 80 countries to support the procurement of quality-assured personal protective equipment for health-care workers, medical devices and testing supplies; and local awareness-raising on the risk of COVID-19.

77. Ninety country offices rapidly repurposed their regular resources to respond to the pandemic. In Ethiopia, UNDP repurposed \$6.8 million to ensure continuity of critical government functions during the pandemic. In Niger, UNDP used \$2.5 million in regular resources to leverage an additional \$2.5 million in other resources, for digital e-governance solutions, community engagement and post-COVID recovery. In Afghanistan, UNDP combined \$3.4 million of regular resources with \$20 million of other resources to construct a testing facility and five hospitals for police personnel, and strengthen local government institutions for business continuity. UNDP supported the reprogramming of \$12.5 million from existing Global Fund grants in 14 countries, approval of \$25.6 million in new funding for nine countries and \$37.5 million for six countries awaiting decision.

78. Regular resources offers the opportunity for UNDP to collaborate closely with UNCTs under the leadership of the resident coordinator, and align its priorities with those of the Governments concerned.

79. The United Nations Volunteers (UNV) programme allocated \$1 million from its Special Volunteer Fund to enable the immediate deployment of 74 fully-funded volunteers to support public health functions, United Nations coordination and information management.

UNDP technical leadership in the socioeconomic response to COVID-19

80. The COVID-19 crisis poses a grave threat of reversing hard-earned development gains, and UNDP is committed to working with countries to continue their paths towards realizing the 2030 Agenda. The United Nations framework for the immediate socioeconomic response to the COVID-19 crisis recognizes that the pandemic is both a health and socioeconomic crisis which poses a threat to people's livelihoods and well-being.

81. The United Nations has identified socioeconomic response as one of three critical components, along with health and humanitarian response. As the pandemic

¹⁰ <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>;
<https://www.oecd.org/economic-outlook/>.

changes the lives of 7.8 billion people worldwide, the United Nations, with UNDP technical leadership, is working to support countries in policy- and decision-making, to look beyond recovery and start rethinking what life would be under a “new normal”.

82. UNDP is leading the United Nations system-wide effort of assessing the socioeconomic impacts of COVID-19, including formulating response plans, ensuring coherence with health and humanitarian interventions and engaging Governments in discussions around rebuilding better. UNDP worked with UNCTs and IFIs on over 70 assessments, advising policymakers on socioeconomic impact scenarios and consequences. Country-level engagement is pivotal to empower local actors to respond to the pandemic. With access to local actors, UNDP can provide the necessary support on the ground.

Innovative partnerships and financing for development after COVID-19

83. Engaging with actors across multiple sectors can bring innovative solutions to tackle a massive global challenge. Recognizing the potential for more strategic partnerships, UNDP has established a series of integrated policy and programme offers. Joint and coordinated action by UNDP with IFIs maximizes synergies, avoids duplication and helps Governments identify, develop and sequence bankable projects to build green economies and strengthen national institutions.

84. UNDP is engaging with over 50 Governments on integrated national financing frameworks to align the COVID-19 response with the Sustainable Development Goals. In partnership with the European Union and United Nations Department of Economic and Social Affairs and with resources from the Joint SDG Fund, UNDP is working with resident coordinators and agencies to implement the frameworks as part of its socioeconomic recovery work.

85. UNDP is working with the private sector in identifying investment opportunities through the Sustainable Development Goals impact investor maps, and with the insurance industry on risk financing instruments and risk modelling. The United Nations Technology Bank for Least Developed Countries, together with UNDP, the United Nations Conference on Trade and Development and the World Health Organization, launched the Technology Access Partnership with the private sector to support local production and transfer of technology for COVID-19-related health technologies. Together with the United Nations Capital Development Fund (UNCDF), UNDP is working with small and medium-sized enterprises to navigate post-pandemic scenarios with strategic foresight instruments. UNDP is also working with the Group of Seven¹¹ and OECD in aligning private finance with the Sustainable Development Goals.

Emerging from a crisis: Pathway for post-COVID multilateralism

86. The pandemic serves as a reminder that multilateralism and its underlying values have to be preserved. A strong interest in collaboration underpins the United Nations commitment to reinforce the humanitarian-development nexus and respond jointly to the COVID-19 crisis. Thus, it is critical that the international community fulfil the humanitarian appeal for COVID-19 response while protecting existing development commitments. Doing so will help to protect the most vulnerable from exposure to the pandemic’s effects.

87. While the COVID-19 crisis continues to put financial and political pressures on countries, it has also reminded the world of the importance of multilateralism and global cooperation. As the crisis interlinks the global economy with geopolitics and

¹¹ <http://www.g7.utoronto.ca/dev/2019-financing-for-sustainable-development.pdf>

social values, the international community should be reminded of the globally-shared sentiment of solidarity and cooperation that can revert to sustainable development post-pandemic.

Managing risk in the context of COVID-19

88. UNDP is proactively managing the risks associated with COVID-19 to its programming, operations and funding. UNDP streamlined its policies and procedures to be more agile in adapting programming, receive and deliver private sector and other financing, and ensure that staff are well supported and cared for as they help countries manage the crisis.

VI. Working with United Nations system assets

United Nations Volunteers

89. In 2019, the total financial volume amounted to \$221.3 million, a \$21.3 million increase from \$200 million in 2018, of which \$211.8 million consisted of programme resources.

90. The Special Voluntary Fund received contributions (including multi-year) amounting to \$4.5 million, a 14 per cent decrease compared to \$5.2 million in 2018. Contributions received for fully-funded UN Volunteers increased to \$22 million.

91. UNV received funding for institutional activities through UNDP regular resources amounting to \$8.6 million in 2019, a slight decrease compared to 8.8 million in 2018. UNV notes that it needs a stable and predictable level of UNDP regular resources to fulfil its mandate, provide high-quality volunteers and innovative, cost-effective solutions to UNDP and other United Nations entities.

United Nations Office for South-South Cooperation

92. The United Nations Office for South-South Cooperation benefited from a UNDP-provided institutional budget of \$2.3 million and a regular resources programme budget of \$3.4 million. Other resources contributions for the United Nations Fund for South-South Cooperation amounted to \$14.1 million, including \$9 million from India for the India-United Nations Development Partnership Fund, \$2 million for the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation, and various modest contributions under the Perez-Guerrero Trust Fund for South-South Cooperation, representing a 20 per cent decrease in other resources contributions compared to 2018.

United Nations Capital Development Fund

93. UNDP leverages the ability of UNCDF to deploy loans and guarantees that benefit small enterprises and local governments in least developed countries, including a partnership with the Development Bank of Ethiopia and the Government to guarantee \$1.1 million in loans to 12 renewable energy small and medium-sized enterprises, and a \$10 million UNCDF-issued guarantee in the Gambia which attracted commercial co-investment in a 10.5 megawatt solar power plant. UNDP and UNCDF are deepening their cooperation to implement the recommendations of the Secretary-General's Task Force on Digital Financing of the Sustainable Development Goals and serve some of the 1.7 billion unbanked worldwide.

Junior professional officers

94. As at 31 December 2019, UNDP administered 259 junior professional officers, 13 special assistants to resident coordinators and four development programme specialists. Thirty-two Governments have agreements to provide junior professional officers, five to provide special assistants to resident coordinators and five to provide development programme specialists.

95. In 2019, total contributions amounted to \$22 million, while expenses, including support costs, were \$19.5 million. The accumulated balance at the end of 2019 was \$21 million. UNDP received \$21.5 million from United Nations organizations and partners to administer 158 junior professional officers on their behalf.

UNDP administrative agent function

96. UNDP supports joint programming through its role in fund design and administration of joint programmes and multi-partner trust funds on behalf of the United Nations system, and through its programme implementation role as a participating United Nations organization. In 2019, contributions received for multi-partner trust funds on behalf of the system increased by 18 per cent, to \$1,252 million (2018: \$1,057 million). This growth can be attributed to the positive policy environment for United Nations pooled funding and the strong performance of a broad range of global and country-level funds, including the Peacebuilding Fund, the Law and Order Trust Fund for Afghanistan, the Multi-Partner Trust Fund for Somalia, the Spotlight Initiative, the Joint SDG Fund, the Central African Forest Initiative and the ongoing humanitarian portfolio. The net value of funds transferred by the Multi-Partner Trust Fund Office, in its role as administrative agent for all participating organizations, was \$1,186 million (2018: \$808 million).

Support to United Nations organizations

97. UNDP provides services, on a cost-recovery basis, to United Nations organizations, including peacekeeping missions.

United Nations development coordination activities

98. UNDP effectively supported the rapid transition of the United Nations development system, in line with General Assembly resolution 72/279. In 2019, UNDP support to the resident coordinator system was \$22.4 million, 0.4 per cent of total UNDP total expenses. This amount included the UNDP contribution of \$10.3 million to the cost-sharing arrangement among United Nations development system entities, double that of 2018, and an additional \$12.1 million of legacy coordination support activities continued on a transitional basis at the request of the Development Coordination Office and its funding partners. UNDP collected and transferred \$2.6 million to the United Nations Secretariat as part of the 1 per cent levy on tightly earmarked other resources contributions.

United Nations-mandated security costs

99. In 2019, UNDP spent \$30.2 million (2018: \$31.2 million) for security costs, of which \$21.2 million (2018: \$21.2 million) was associated with its share of the United Nations field security coordination programme; and \$9.0 million (2018: \$10.0 million) with security advisory services and security investments to ensure compliance with minimum operating security standards.

VII. Conclusion

100. UNDP extends its appreciation to all funding partners that entrusted their resources to UNDP, allowing it to deliver on its commitments. While UNDP values all types of funding, regular resources remain most essential for UNDP to respond with agility to deliver results on the ground.

101. While COVID-19 is still spreading, it is already having a devastating impact on marginalized and poor populations in particular. UNDP calls on its partners to prioritize regular resources, enter into multi-year commitments and make early and timely disbursements to enable UNDP to improve its ability to respond rapidly to countries' demands, and continue to offer integrated development solutions to realize the 2030 Agenda.

102. A reduction in regular resources will negatively impact the ability of UNDP to achieve the outcomes of the Strategic Plan, 2018-2021; minimize the imbalance across programmatic areas; maintain standards of quality assurance and transparency; and support independent oversight, United Nations system-wide assets and the United Nations development system.

103. UNDP will continue to engage with the Executive Board, through the structured funding dialogue, to make progress in shifting from highly-earmarked to regular resources or flexible other resources, on discussing progress made towards the mutual commitments of the funding compact, and to further shape the approach to the structured dialogue, along with sister United Nations agencies, in support of the Secretary-General's reform efforts.

104. Recalling the commitments of the funding compact, UNDP urges Member States to: (a) increase or provide voluntary contributions in a manner consistent with their capacities; (b) contribute on a multi-year basis in a sustained and predictable manner; (c) shift contributions from highly-earmarked to less earmarked flexible resources; and (d) advocate among Member States to prioritize contributing to UNDP regular resources, in a timely and predictable manner, to enable UNDP to deliver the intended results of the Strategic Plan and lead a coherent United Nations development system in implementing the 2030 Agenda. For its part, UNDP will invest in meeting the funding compact indicators, regularly monitor progress at all levels and communicate progress with Member States through the structured funding dialogue.