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Structured funding dialogue

Structured dialogue on financing the results of the UNDP Strategic Plans, 2018-2021 and 2022-2025

Summary

The present report has been prepared in response to decisions of the Executive Board, most recently decision 2021/16, on the UNDP structured funding dialogue on financing the results of the Strategic Plan, including harmonized annual reporting on progress made on the entity-specific commitments of the funding compact.

The report provides an update on the structured funding dialogues, an overview of resource trends and progress made under the UNDP Strategic Plan, 2018-2021, and the resource estimates for the Strategic Plan, 2022-2025. A full review of the 2021 financial situation is presented in annex I, and progress on the entity-specific commitments of the funding compact in annex II.

In 2021, UNDP spent \$4.7 billion of programme resources, the highest level for the plan periods 2014-2017 and 2018-2021. UNDP further improved its efficiency ratio, balanced its budget for a fifth consecutive year and remained the most transparent United Nations organization.

The impact of the coronavirus disease (COVID-19) pandemic has created a difficult and uncertain funding climate, particularly for contributions to regular resources. In 2021, UNDP regular resources dropped by 7 per cent and the share of regular resources against total funding declined from 13 to 12 per cent.

The funding picture for 2022 and beyond remains highly uncertain with cuts in contributions to regular resources and reallocation of aid towards humanitarian emergencies and the costs to donor countries of hosting refugees. Regular resources remain critical for UNDP to support the poor and marginalized, eradicate poverty, respond to crises with agility, test innovative approaches and fill critical resource gaps in underfunded areas of the Strategic Plan. As 82 per cent of regular resources go to least developed countries, cuts will disproportionately affect the world's poorest countries. It is vital that Member States and funding partners continue to invest in UNDP to deliver the outcomes of the Strategic Plan, 2022-2025 and avoid reversing development gains.

Elements of a decision

The Executive Board may wish to:

- (a) Welcome the report on the structured dialogue on financing the results of the UNDP Strategic Plan (DP/2022/28) and its annexes, including progress made on entity-specific commitments of the funding compact;
- (b) Note the importance of sufficient and predictable regular resources, and express concern about the current low level of regular resources and the impact of any further cuts on the ability of UNDP to deliver the intended results of the Strategic Plan, restore development gains that have been eroded by the COVID-19 pandemic and multiple crises, and maintain robust internal control and accountability systems;
- (c) Recall the importance of funding predictability and multi-year contributions for 2022 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, 2022-2025;

- (d) Note the importance of flexible thematic funding, which is critical for UNDP to accelerate programming to meet the Sustainable Development Goals;
- (e) Encourage UNDP to continue its engagement with Member States, through structured funding dialogues, on shifting from highly-earmarked to regular and flexible resources and adhering to the mutually reinforcing commitments of the funding compact.

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Annexes (available on the Executive Board website)

- I. Detailed annual review of the financial situation, 2021
- II. Progress against entity-specific commitments to the funding compact

I. Introduction: the structured funding dialogue

1. This report provides an update on efforts to finance the results of the UNDP Strategic Plans, 2018-2021 and 2022-2025, progress made on entity-specific commitments of the funding compact and financial highlights for 2021. UNDP has made significant progress in harmonizing its structured funding dialogue report with those of the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and improving the quality of the dialogues through joint informal sessions with Member States.

2. The structured funding dialogues provide UNDP the opportunity to have critical discussions with Member States about improving funding behaviour to enable UNDP to deliver results towards sustainable development. They also provide the space for UNDP to make the case for securing adequate levels of flexible and predictable funding to achieve the objectives of its Strategic Plan and the funding compact.

3. Even as the coronavirus disease (COVID-19) pandemic continued to dominate headlines in 2021, UNDP advanced integrated development solutions to resolve multidimensional challenges through its \$1.6 billion COVID-19 response; supported 120 countries through the Climate Promise to adopt more ambitious plans for climate mitigation and adaptation; and delivered essential services to millions in crisis-affected settings.

4. In the difficult funding environment of 2021, UNDP continued to enjoy dedicated support from partners. UNDP received \$5.3 billion in total contributions, including \$648 million in regular resources. Unfortunately, the proportion of regular resources fell to 12 per cent of total resources, far below the funding compact goal of 30 per cent. The rise of earmarking could lead to further fragmentation, affecting strategic alignment, programmatic coherence, effectiveness and legitimacy.

5. Ongoing multidimensional global challenges underscore the importance of development cooperation and multilateralism. It is critical that Member States continue working closely with the United Nations development system to ensure sustainable funding, protect investments in sustainable development, support the multilateral system on which the world depends to address global challenges and honour the funding compact commitments.

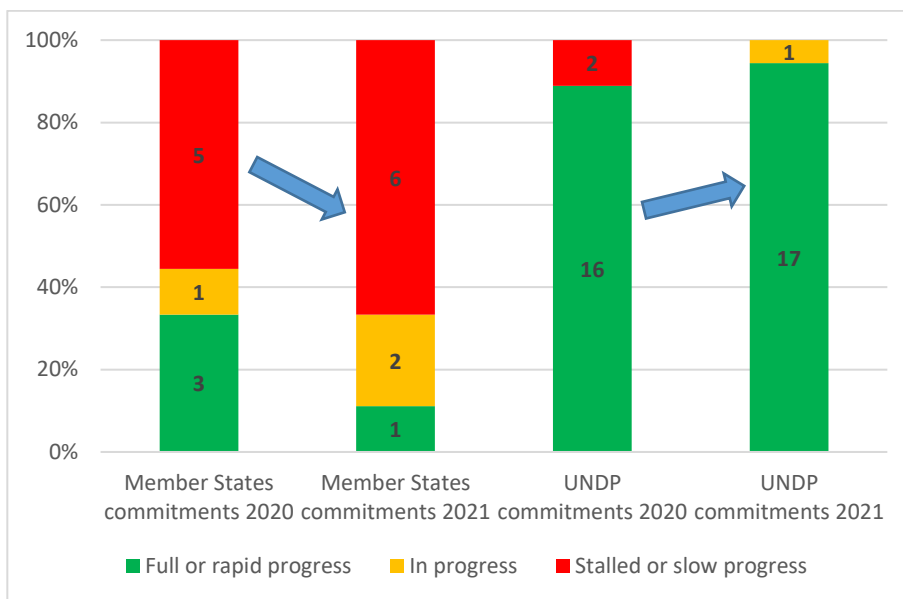
II. The United Nations funding compact

6. The funding compact is a shared commitment between Member States and the United Nations development system to improve the way the system is funded and delivers results. With mounting development and humanitarian needs, fulfilling these commitments is critical to ensuring that the system can support countries to respond to complex challenges and be on track to achieve the Sustainable Development Goals.

Tracking the funding compact commitments

7. Three years of funding compact implementation show a mixed picture. While there was progress on 86 per cent of the commitments of the United Nations Sustainable Development Group (UNSDG) in 2021, the comparable share for Member States was only 47 per cent. For commitments tracked and reported by individual agencies, UNDP met 94 per cent of its commitments but observed progress on only 33 per cent of Member States' commitments (see figure I). Member States' slow progress in meeting their commitments is reflected in a declining share of regular and thematic flexible funding, the reduced number of contributors and fewer multi-year funding commitments. This trend, if not reversed, undercuts the effectiveness of UNDP and its ability to meet the expectations of Member States. Annex II provides full details of the latest progress by UNDP against its entity-specific funding compact commitments.

Figure I. Progress on funding compact commitments, 2021



Aligning funding to the requirements of the Strategic Plan

8. Although UNDP managed to mobilize 99.3 per cent of the estimated \$20.9 billion in contributions envisaged in the Strategic Plan 2018-2021, the balance between regular and other resources remained unhealthy. Regular resources accounted for 12 per cent of total funding in 2021, far below the funding compact target of 30 per cent. This imbalance between regular and other resources is observed across the United Nations development system, where voluntary (non-assessed funding) contributions represented 17.2 per cent of total contributions in 2020, a decrease from 2019 (19.6 per cent).

9. In 2021, the decline in contributions to regular resources was offset by growth in other resources, particularly from government financing, which reached \$1.3 billion. However, the number of Member States contributing to regular resources fell to 43, six less than in 2020, despite concerted efforts to advocate for regular resources. UNDP continues to make a strong case for quality funding and improve visibility for partners, and will redouble efforts to broaden the regular resource contributor base by targeting new and emerging partners.

10. Predictable funding in the form of multi-year commitments allows UNDP to address medium- to long-term development outcomes. The share of contributions received through multi-year agreements declined from 50 per cent in 2020 to 37 per cent in 2021.

11. The share of other resources contributions to the United Nations development system channelled through inter-agency pooled funds continued to increase, reaching 11.7 per cent in 2020, surpassing the funding compact target of 10 per cent. However, the share of other resources contributions to UNDP from pooled funding declined from 8 to 7 per cent between 2020 and 2021.

12. The funding windows are the primary UNDP vehicle for receiving flexible thematic funding, a critical complement to regular resources. In 2021, the share of resources channelled through the funding windows remained at 2 per cent, with a 14 per cent increase in the proportion of flexible contributions. UNDP is concerned about the slow progress in moving from highly-earmarked to flexible funding. Together with regular resources, contributions to thematic funding remain one of the commitments for which Member States are lagging.

13. The Strategic Plan makes clear that UNDP needs to change “how” it goes about its work to be fit for purpose in tackling increasingly complex development challenges. Specifically, its funding will not be well aligned to its purpose or plans as long as 86 per cent of resources remain earmarked for individual projects. That is why UNDP is continuing to shift from projects to portfolios, including through the new portfolio initiation framework, designed to help UNDP and its partners incorporate innovation and systems thinking into their work.

14. Forty-five countries have already applied a portfolio sense-making approach in building their new country programmes. National Governments and local authorities, including in Armenia, Georgia, Malawi and North Macedonia, are increasingly adopting this approach. It builds on the vision of early investors like the Government of Denmark, which supported the UNDP Innovation Facility, and the European Union, which committed 10 million euros to pursue a portfolio approach to urban transformation in Europe and Central Asia.

15. For the portfolio approach to be effective, it must be financed. As a key part of its integrator role, UNDP is looking to Member States and other partners for immediate support in pushing beyond funding single-issue projects. To further incentivize partners, UNDP is broadening participation in substantive dialogues on funding windows beyond contributing partners, enhancing communication capacity at country and regional levels and strengthening results planning.

16. In the Strategic Plan, 2022-2025, UNDP raised its ambition to push for transformational changes and keep alive the hope of realizing the 2030 Agenda for Sustainable Development. However, this will be difficult to achieve without notable changes in partners’ funding behaviour to ensure adequate, flexible and predictable funding. The recent trend of cuts in overall official development assistance (ODA) and regular resources contributions poses a major challenge to the United Nations development system and its ability to support countries facing multiple complex development challenges and at risk of being left further behind.

Accelerating results on the ground through deeper partnerships with United Nations entities

17. Greater collaboration and joint results remain priorities for UNDP, which pursued joint analyses and interventions through partnerships and strengthened collaboration within the United Nations development system and beyond. Forty-two UNDP country offices performed joint analysis and planning with United Nations country teams (UNCTs) in countries affected by disasters or conflicts, the highest number yet. In 2021, 10 per cent of other resources expenditures were allocated to joint programmes.¹ Eleven per cent of programme expenditure involved UNDP partnering with United Nations organizations and 4 per cent (and growing) with international financial institutions (IFIs) (see paragraph 66).

18. Notable collaborations in critical areas demonstrated the UNDP role within a United Nations development system that was more than the sum of its parts. UNDP works with over 35 partners on the Climate Promise and provides technical leadership on integrated national financing frameworks. UNDP technical leadership of the United Nations socioeconomic response to the pandemic, specifically the development and roll-out of 150 socioeconomic impact assessments in more than 100 countries and 121 socioeconomic response plans covering 139 countries, provides valuable lessons on which the UNSDG can build. An important contribution in this area is the work of UNDP with resident coordinators and UNCTs in 41 countries to ensure the integration

¹ It is important to note that the United Nations system, through the Development Coordination Office, is establishing a common definition for joint activities that captures the full range of collaborative efforts that will allow for comparison across the system.

of the response plans into the respective United Nations Sustainable Development Cooperation Frameworks (UNSDCFs).

19. Demonstrating the integrated response to COVID-19 at the country level, UNDP and the Development Coordination Office, in close collaboration with partner United Nations development system entities, developed a dashboard through which 131 UNCTs reported data on their COVID-19 responses, making it the most comprehensive data set on the United Nations response and the first of its kind to report on system-wide programmatic outcomes.

20. UNDP has ensured full alignment of its country programmes with the UNSDCFs, including by adopting the outcomes verbatim into the country programme documents. The number of new country programmes that are fully aligned to the UNSDCFs increased from 31 in 2020 to 49 in 2021. With the adoption of the new management accountability framework in September 2021, UNDP held a series of sensitization sessions to ensure compliance at all levels. Analysis of implementation to date confirms that UNDP is fully compliant with the framework's provisions.

Commitment to transparency, visibility and accountability

21. Since 2016, UNDP has been a leader in transparency, publishing financial, procurement and programme information, including all independent evaluation and audit reports, on public websites. UNDP has led outreach efforts with partner countries and United Nations agencies to champion the new aid transparency standard and make it relevant for national development planning, public financial management, mutual accountability and other processes at country level.

22. The UNDP [funding compendium](#) recognizes all funding partners, highlighting contributors to regular resources and thematic and pooled funds. Contributions to regular resources are also acknowledged via the #PartnersAtCore social media handle. The annual report on the funding windows and [online portal](#) recognize contributors to thematic funds. The UNDP [transparency portal](#) allows open, comprehensive public access to data on more than 4,000 UNDP projects with links to profile pages for every donor.

23. In 2021, the UNDP Independent Evaluation Office continued to collaborate with other United Nations entities in conducting joint evaluations. The office presented the results of a joint evaluation, with the Global Environment Facility (GEF), of the GEF/UNDP Small Grants Programme to the respective governing bodies. At country level, the office collaborated with its UNICEF and UNFPA counterparts in evaluating the Cabo Verde common country programme. The office also contributed to the study of the evaluability of the United Nations system-wide response to the COVID-19 pandemic. All UNDP evaluation plans, reports and management responses are available in the public domain.

Increasing efficiencies

24. UNDP regularly updates the Executive Board on its support to the advancement of [the Secretary-General's efficiency agenda](#). As part of its contribution to United Nations development system reform efforts, UNDP provided critical support to the implementation of business operations strategies in 131 countries, helped to accelerate collaboration on supply chain management, provided significant support to the development and maintenance of new demands on the online business operations strategy platform and mainstreamed provisions of the "mutual recognition" principles. The percentage of UNDP country offices consolidating common facility services and premises increased from 87 per cent in 2020 to 93 per cent in 2021. UNDP improved its management efficiency ratio from 7.48 per cent in 2020 to 7.39 per cent in 2021.

25. Strategic institutional investments since 2018 have strengthened the capacity of UNDP to act on complex challenges. Over the last four years, UNDP has invested extensively in risk management and due diligence processes to meet the challenges of

the Strategic Plan. Improvements in institutional performance saw an extra three cents of every United States dollar spent on programmatic rather than institutional expenditure, a difference equivalent to \$506 million in programmatic resources over the course of the last Strategic Plan period. UNDP continues to invest in institutional enhancements, organizational learning, oversight and accountability, all of which are supported by regular resources. For example, the new enterprise resource platform, Quantum, will support digitized procurement sourcing that automates several controls, further improving efficiency, risk management, results and resources planning, monitoring and impact measurement.

Harmonized approach to structured funding dialogues and the funding compact

26. Taking note of requests by their Executive Boards to further improve the quality of the structured funding dialogue, UNDP, UNFPA, UNICEF and UN-Women harmonized their structured funding dialogue reporting and agreed on methodologies for better comparability and improved analysis of resource gaps.

27. UNDP has deepened its collaboration with UNFPA, UNICEF and UN-Women, carrying out joint analyses, sharing experiences and holding informal dialogues with Member States on a regular basis. Joint structured funding dialogues with the Executive Boards of the four agencies have taken place since 2019, the latest in May 2022, focusing on the impact of multiple crises on development cooperation and financing. It is, however, critical for Member States to fulfil their funding compact commitments and reciprocate the efforts of the United Nations development system to implement their commitments.

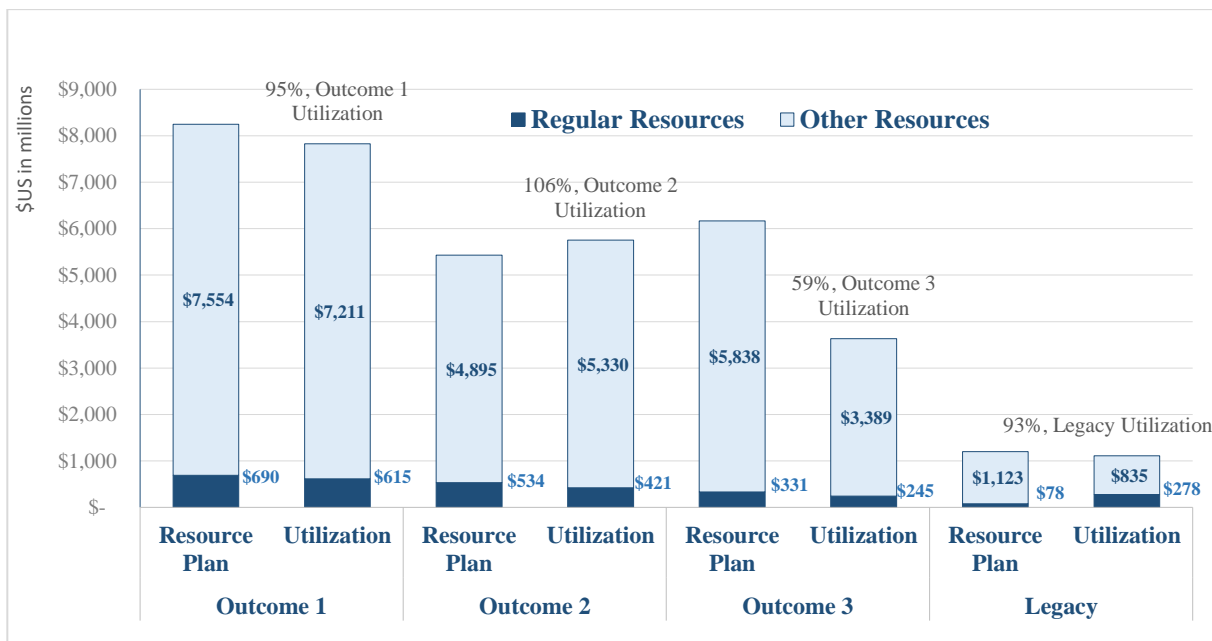
III. Resources supporting the UNDP Strategic Plan

A. UNDP Strategic Plan, 2018-2021

28. The integrated resources plan (DP/2017/39) set out the financial resources required to deliver the planned results of the Strategic Plan, 2018-2021. Against the total planned contribution estimate of \$20.9 billion, UNDP met 99.3 per cent of the planned amount, receiving \$20.7 billion comprising \$2.6 billion in regular resources, \$4.2 billion from government financing and \$13.9 billion in bilateral/multilateral contributions.

29. Over the period 2018-2021, UNDP spent \$18.3 billion of programme resources, or 94.4 per cent of the total planned programme expenditure, as shown in figure II. UNDP spent \$7.8 billion or 43 per cent on outcome 1, \$5.7 billion or 31 per cent on outcome 2 and \$3.6 billion or 20 per cent on outcome 3.

Figure II. Programme expenditure, 2018-2021 versus resource plan, 2018-2021
(In millions of United States dollars)



30. Under outcome 1, to advance poverty eradication, UNDP assisted 71 million people in 36 countries in obtaining essential services such as water, housing and health care. In 25 countries, 40 million people accessed financial services, gaining resources to improve their lives and spur broader economies. Sixty-two countries now sustainably manage 30 million acres of forests, a critical step towards preserving biodiversity and slowing climate change.

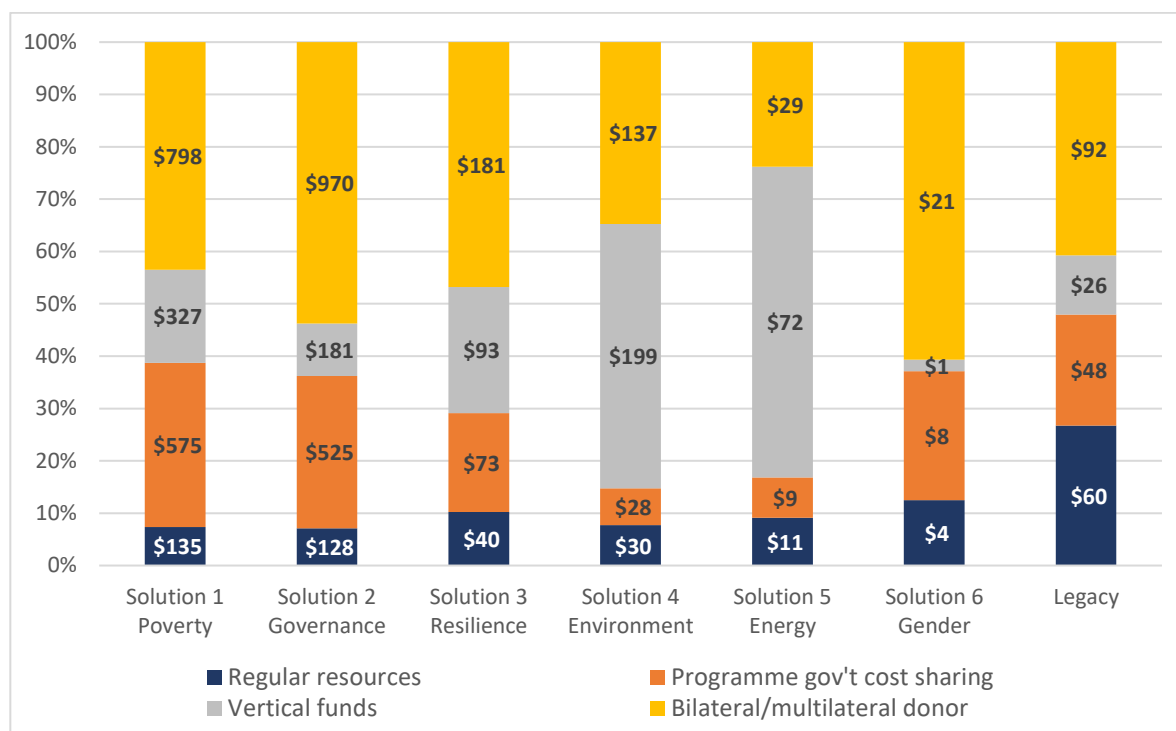
31. Under outcome 2, to accelerate structural transformations for sustainable development, UNDP support to countries holding elections resulted in 38 million more people registered to vote in 30 countries, 80 per cent of whom were women. In 34 countries, 32 million people realized legal rights and protection through access to justice.

32. Under outcome 3, to strengthen resilience to shocks and crisis, in 2021, 3 million people, half of them women, obtained jobs and better livelihoods in 29 countries facing or recovering from crisis. Some 750,000 women benefited from recovery programmes and 3 million displaced persons benefited from durable solutions aimed at lasting security, freedom of movement and well-being. Results achieved under the three Strategic Plan outcomes are discussed in more detail in the annual report of the Administrator (DP/2022/17).

33. In 2021, UNDP spent \$4.7 billion of programme resources, the highest level over the last two Strategic Plan periods (2014-2017 and 2018-2021). UNDP spent \$2.2 billion (47 per cent) on outcome 1, \$1.6 billion (34 per cent) on outcome 2 and \$719 million (15 per cent) on outcome 3. The six signature solutions operate in tandem on the premise that integrated strategies solve complex problems and propel progress towards the Sustainable Development Goals. The UNDP investment in the signature solutions in 2021 is illustrated in figure 3 below.

Figure III. Programme expenditure by signature solution and funding channel, 2021

(In millions of United States dollars)



34. In 2021, the \$1.8 billion investment of UNDP in signature solution 1, on poverty, helped 81 countries to implement policies informed by the COVID-19 socioeconomic impact assessments produced by the United Nations development system, with UNDP as the technical lead.

35. UNDP sustained its investments in governance, spending \$1.8 billion on signature solution 2 in 2021. This enabled UNDP to assist 30 electoral authorities to establish inclusive and transparent electoral processes that foster social cohesion; and partner with UN-Women to support access to justice and services for over 34,000 people in 14 conflict-affected countries, nearly 90 per cent of them women and girls.

36. Its investment in signature solution 3, on resilience, including \$40 million from regular resources, enabled UNDP to offer integrated solutions for stabilization, social cohesion, the return and reintegration of displaced persons and security sector reform that have improved the lives of nearly 16 million people in Iraq.

37. Vertical funds mostly supported UNDP work in environment and energy; however, given the cross-cutting nature of the signature solutions, vertical funds also contributed to UNDP work on poverty, governance and resilience. Earmarked funding, however, is non-fungible and cannot be transferred to underfunded areas.

38. Amid the severe economic consequences of COVID-19 for women, UNDP expanded support to 73 countries to make social protection gender-responsive and open opportunities for women-led businesses. To combat gender-based violence, UNDP supported 96 countries to address immediate concerns that arose during the pandemic, such as lockdowns trapping women in homes with abusers.

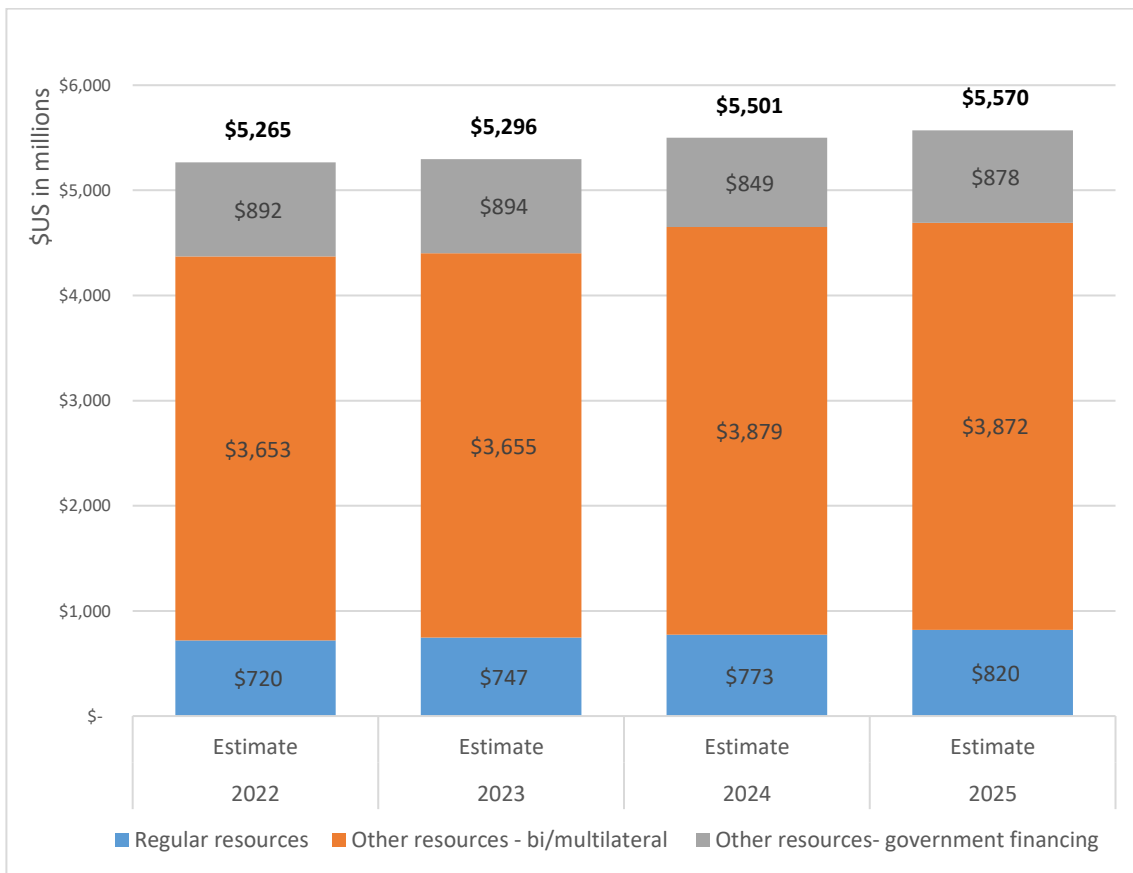
39. Signature solution 6, on gender, remains underfunded. Regular resources fill this critical funding gap, as shown by the highest proportion of regular resource investment in gender among the six signature solutions. Cuts to regular resources therefore directly impact funding for gender-related initiatives. New, ambitious and flexible

funding from Member States is required if UNDP is to implement its new gender equality strategy.

B. UNDP Strategic Plan, 2022-2025

40. The integrated resources plan and integrated budget estimates (DP/2021/29), which set out the financial resources required to implement the Strategic Plan, 2022-2025, projected total contributions of \$21.6 billion (\$3.0 billion in regular resources and \$18.6 billion in other resources).

Figure IV. Projected contributions for 2022-2025 by year and funding source*
(In millions of United States dollars)



* Reflects 3 per cent annualized growth from the estimated level from 2022 to 2025.

41. The impact of COVID-19 has created a difficult and uncertain funding climate, particularly for contributions to regular resources. This has been exacerbated by lingering supply chain issues, rising energy and food prices, inflation and the effects of multiple humanitarian crises, including in Ukraine.

42. The funding picture for 2022 and beyond remains highly uncertain. The continued preference of partners for earmarking for specific projects, major cuts in regular resources funding and reallocation of aid towards defence, refugee and humanitarian needs will reverse development gains and have lasting effects on the most vulnerable.

43. While early payments facilitate effective planning and reduce the risks associated with currency fluctuations, most contributions to regular resources are received in the third or last quarter of the year. As of end-June 2022, UNDP has received \$170 million in regular resources, only 24 per cent of the estimated contribution for 2022. UNDP

continues to encourage partners to disburse their payments early or at the start of a multi-year planning period whenever possible.

44. The integrated resources plan estimated total expenditures for 2022-2025 at \$24.1 billion, an increase of \$3.2 billion (15 per cent over the period, or 4 per cent per year) from \$20.9 billion in projected expenditure in 2018-2021. UNDP will allocate \$21.3 billion to programmatic and \$2.8 billion to institutional activities in 2022-2025.

IV. The UNDP financial situation, 2021

45. In 2021, total revenue, including voluntary contributions, was \$5.6 billion, a decrease of \$1.0 billion (15 per cent) from 2020. Voluntary contributions were \$5.3 billion, a decrease of \$1.0 billion (16 per cent) from 2020. The decrease in voluntary contributions revenue was due primarily to fewer multi-year agreements signed in 2021 and a decrease of \$112 million in contribution revenue to the Law and Order Trust Fund for Afghanistan.

46. Total expenses were \$5.4 billion, an increase of \$334 million (7 per cent) from 2020. Programme expenses (i.e., delivery) were \$4.7 billion, an increase of \$263 million (6 per cent) from 2020, the highest level in over a decade.

47. The funds available for programming in future years decreased by 84 per cent to \$252 million from the previous year's \$1.6 billion, due to fewer multi-year voluntary contribution agreements coupled with an increase in total expenses. The 2021 institutional budget was fully balanced for a fifth consecutive year.

48. In 2021, 66 per cent of regular resources were allocated to development programmes (69 per cent in 2020) and 34 per cent to institutional activities (31 per cent in 2020). The increase reflected the UNDP decision to use carry-over institutional budget resources from 2020 for institutional activities in 2021. By 2021, the four-year allocation of regular resources to programmatic activities of 66 per cent exceeded the 65 per cent target indicated in the 2018-2021 integrated resources plan and integrated budget. In 2021, 91 cents of every dollar spent went to programmes and services to achieve development results, unchanged from prior years.

Table 1. The UNDP financial situation, 2020-2021

(In millions of United States dollars)

	2021	2020	Increase/ (decrease)	Percentage change
Revenue^a	5 637	6 618	(981)	(15%)
Expenses^a	5 385	5 051	334	7%
Net revenue	252	1 567	(1 315)	(84%)
Assets	15 151	14 299	852	6%
Liabilities	3 574	3 029	545	18%
Net assets	11 577	11 270	307	3%
Composed of:				
Accumulated balance	11 275	10 968	307	3%
Reserves^b	302	302	-	-
	11 577	11 270	307	3%

^a Revenue and expense amounts are after elimination of internal cost recovery of \$261 million in 2021 and \$256 million in 2020.

^b On calculating the operational reserves for 2021, a net transfer of \$0.7 million was made from accumulated surpluses which does not show in the table above due to rounding. The operational reserve was established in 1979 by the Governing Council (now the Executive Board) of UNDP to ensure adequate liquidity of UNDP by funding such reserve through a defined formula that is calculated yearly.

Before elimination: Total revenue: \$5,898 million in 2021; \$6,874 million in 2020
Total expense: \$5,646 million in 2021; \$5,307 million in 2020

Annual contributions²

49. Annual contributions decreased by 4 per cent to \$5.3 billion in 2021, from \$5.5 billion in 2020. Annual contributions to regular resources decreased by 7 per cent to \$648 million, down from \$696 million in 2020 as illustrated in figure V below. Annual contributions to other resources decreased by 3 per cent to \$4.7 billion, from \$4.8 billion in 2020. Table 2 below shows the revenue breakdown, including annual contributions.

Table 2. UNDP revenue, 2021

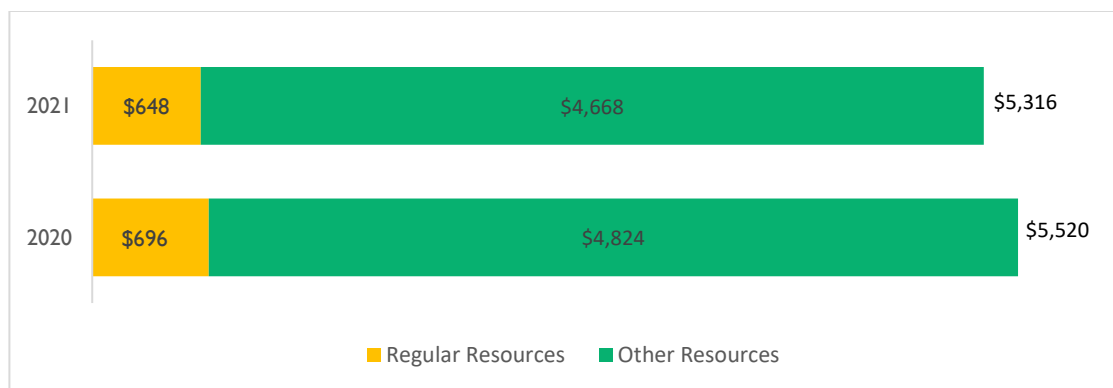
(In millions of United States dollars)

Resources	2021	2020	Increase/ (decrease)	Percentage change
Revenue				
Voluntary contributions				
Annual contributions *	5 316	5 520	(204)	(4%)
Net movement of future due contributions	(12)	768	(780)	-
Subtotal: voluntary contributions	5 304	6 288	(984)	(16%)
Government contributions to local office costs	25	19	6	32%
Net contributor country contributions	9	7	2	29%
Upper-middle-income-country contributions	9	9	-	-
Contributions in kind	22	15	7	47%
Transfer of funds and refunds to donors	(65)	(65)	-	-
Voluntary contributions, net	5 304	6 273	(969)	(15%)
Investment revenue	135	118	17	14%
Other revenue	459	483	(24)	(5%)
Total revenue before elimination	5 898	6 874	(976)	(14%)
Elimination – internal UNDP cost recovery	(261)	(256)	(5)	(2%)
Total revenue after elimination	5 637	6 618	(981)	(15%)

* The 2020 total amount was restated from \$5.563 million to \$5.520 million to accurately reflect annual contribution received in the year.

Figure V. Annual contributions to UNDP, 2020-2021

(In millions of United States dollars)



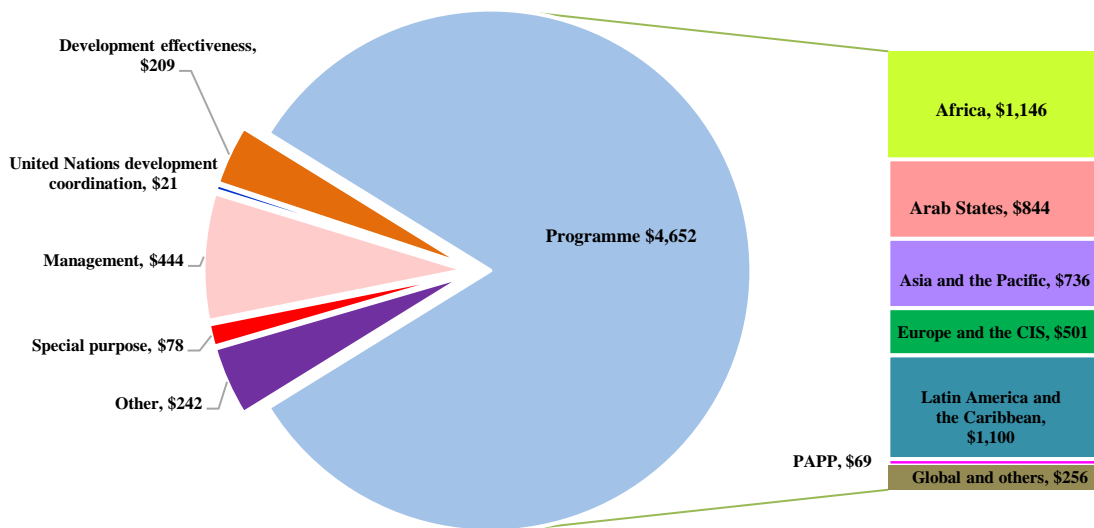
² In 2019, UNDP refined its accounting policy on International Public Sector Accounting Standard (IPSAS) 23 (non-exchange) revenues. Following the policy, UNDP records the full value of funding agreements when signed, even when cash has not been received for the majority of the contribution agreements. Any uncollected cash associated with funding agreements is held as a receivable. Under the UNDP financial regulations and rules, UNDP is permitted to spend only up to the amount of cash received; hence, “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) where applicable in this document.

Expenses

50. Of the \$5.4 billion in total expenses in 2021, \$4.7 billion or 86 per cent was spent on programmatic activities. Thirty-five per cent of UNDP programme expenses (\$1.6 billion of \$4.7 billion) were attributed to the 10 largest country offices. Figure VI breaks down total expenditure by cost classification and region.

Figure VI. Total expenses by cost classification and programme expenses by UNDP region, 2021

(In millions of United States dollars)



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

Financial position

51. Total assets registered of \$15.2 billion represent an increase of 6 per cent from 2020. UNDP assets consist mainly of investments to fund known liabilities and contributions receivable.

52. Contributions receivable of \$4.7 billion include \$4.6 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 \$380 million receivables for regular resources and \$4.4 billion for other resources.

53. Total liabilities amounted to \$3.6 billion, an increase of \$545 million, or 18 per cent over 2020 (\$3.0 billion). The change is attributable to funds held in trust for the Multi-Partner Trust Fund Office which increased by \$418 million, accounts payable which increased by \$80 million and employee benefits, which increased by \$19 million.

Accumulated surplus

54. As of 31 December 2021, the accumulated balance, excluding reserves, increased by 3 per cent, to \$11.3 billion (2020: \$11.0 billion). The accumulated surplus primarily consists of restricted programme funds, and only \$5.4 billion is available for programming. The accumulated surplus includes \$4.8 billion of receivables and investments of \$1.1 billion for after-service health insurance and end-of-service liabilities. Under the UNDP financial regulations and rules, the organization is not permitted to spend the aforementioned total of \$5.9 billion.

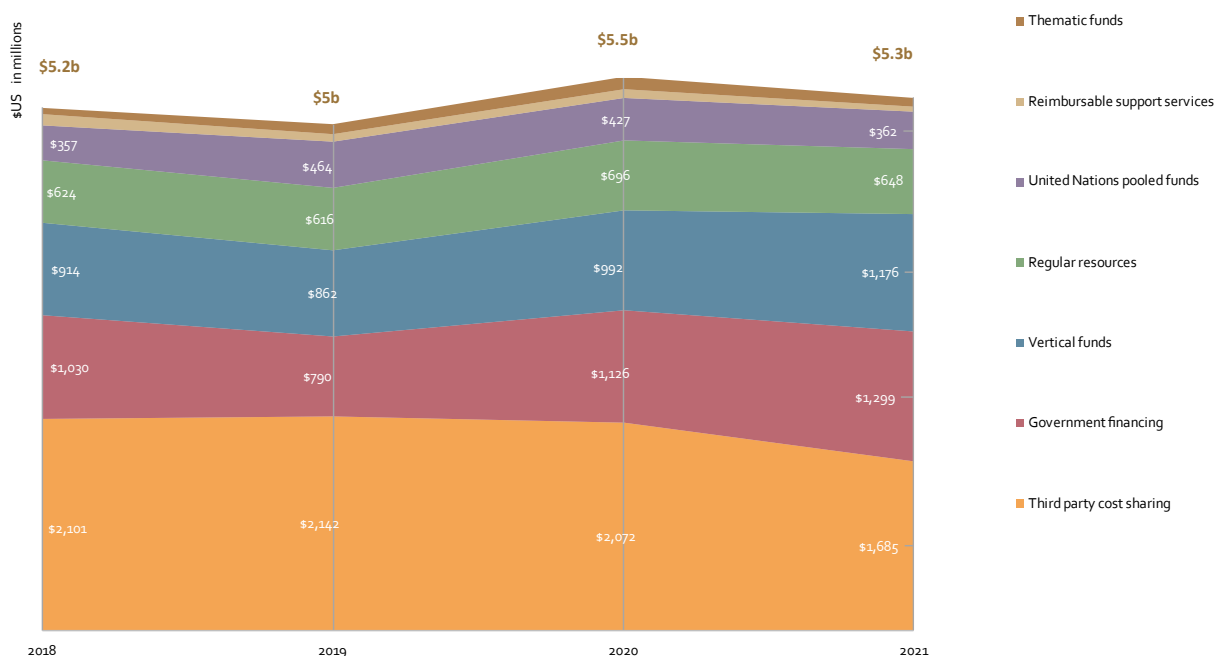
55. In line with Executive Board decision 1999/9, a prudent level of liquidity for regular resources is equivalent to three to six months’ expenditures. UNDP exceeded the minimum liquidity requirement for regular resources with 6.4 months of average expenditures in 2021 (2020: 7.2 months).

56. Annex I provides a full and detailed review of the UNDP financial situation for 2021.

V. Resources by funding source

57. Over the period of the Strategic Plan 2018-2021, UNDP received its highest level of contributions in 2020 and 2021, with increased resources in response to the COVID-19 pandemic.

Figure VII. Contributions by funding channel, 2018-2021
(In millions of United States dollars)



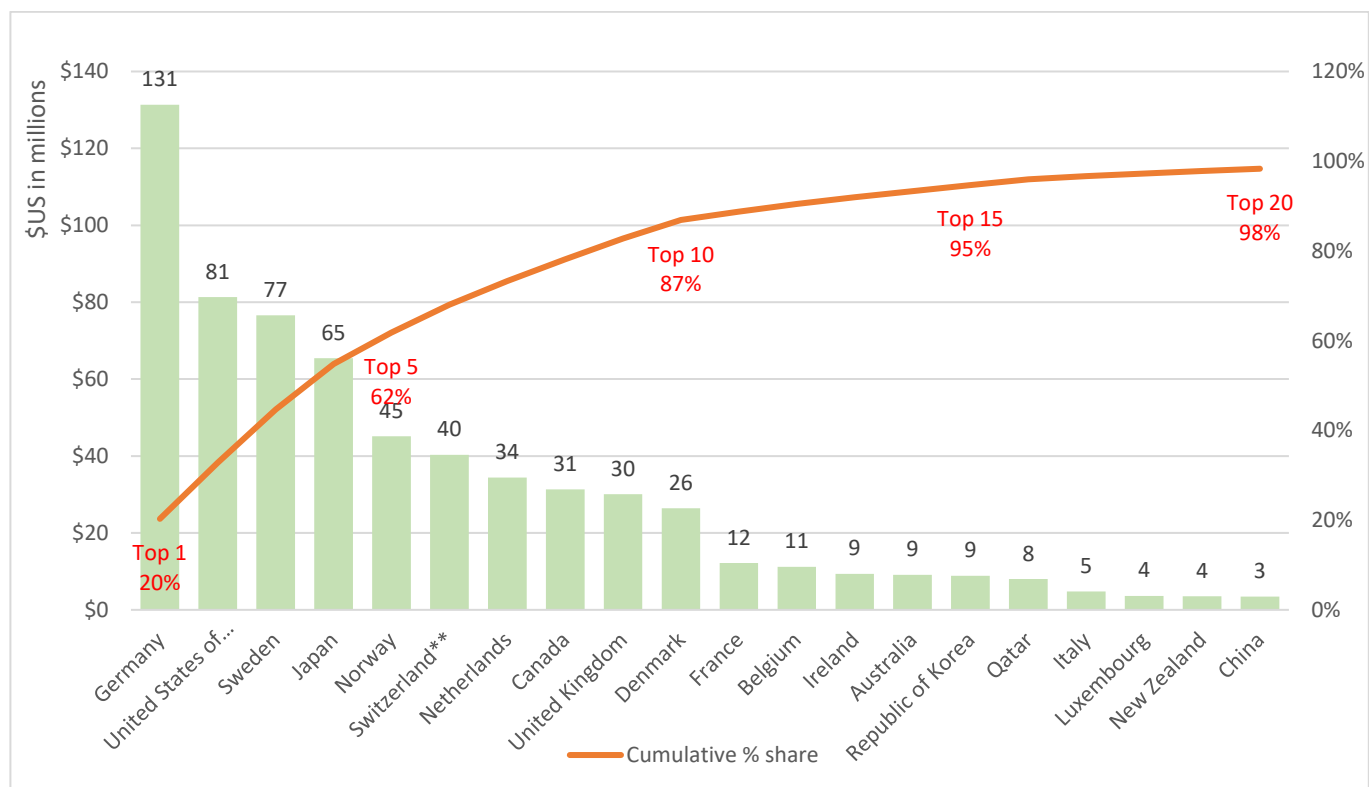
A. Regular resources

58. While UNDP understands the difficult economic situations faced by countries as a result of the COVID-19 pandemic, it notes that due to significant cuts and late or withheld contributions from key partners, annual contributions to regular resources in 2021 decreased by 7 per cent to \$648 million from \$696 million in 2020. UNDP appreciates the increased contributions to regular resources in 2021 from the Governments of France and the Republic of Korea.

59. Countries that are not members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development contributed \$18 million in regular resources in 2021, including contributions from the Governments of Qatar (\$8 million), China (\$3.5 million), Saudi Arabia (\$2 million), Türkiye (\$1.8 million) and the Russian Federation (\$1.1 million). The contribution of India for 2021 (\$4.4 million) was received in early 2022. UNDP encourages more non-DAC and programme countries to contribute to regular resources to broaden the funding base and notes the contributions of programme countries in funding UNDP local office costs amounting to \$25 million in 2021.

60. The top 20 contributors to UNDP continue to account for 98 per cent of total contributions to regular resources as shown in figure VIII.

Figure VIII. Top 20 contributors to regular resources, 2021
(In millions of United States dollars)



61. Nine Member States (Australia, Belgium, Denmark, Netherlands, Norway, Qatar, Sweden, Türkiye and the United Kingdom) had multi-year agreements or bridge-year amendments in 2021, down from 11 in 2020. Contributions backed by multi-year agreements made up 37 per cent of total regular resources contributions in 2021, down from 50 per cent in 2020.

Figure IX. Multi-year agreements 2021 and future years

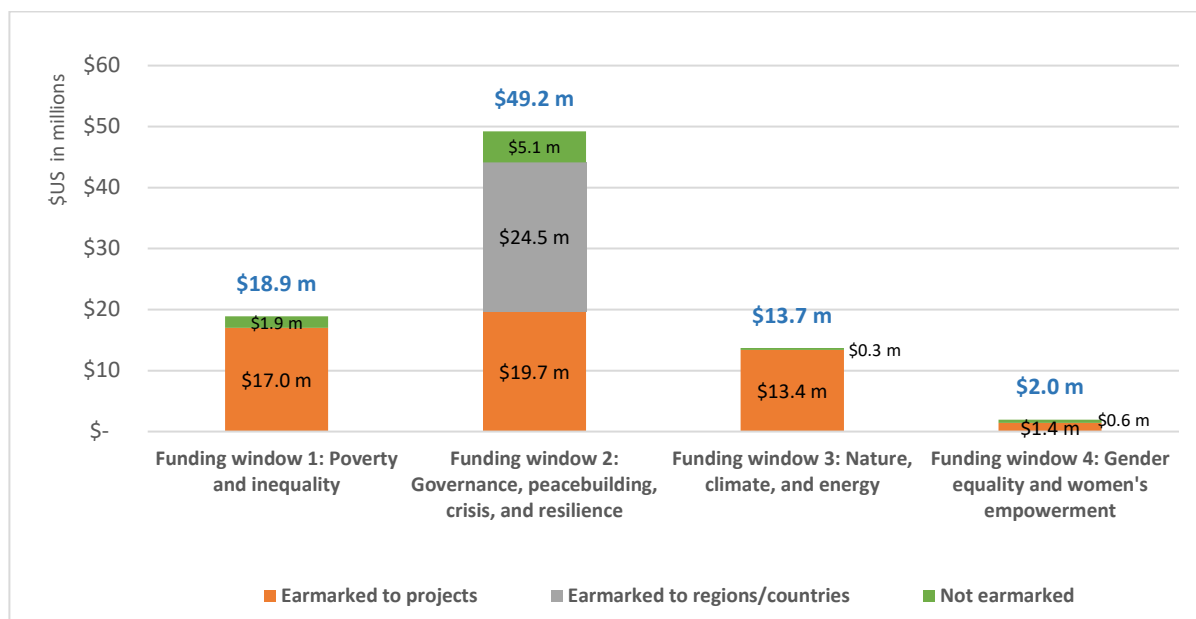


B. Thematic funds

62. The funding windows are the primary UNDP vehicle for receiving thematic other resources funding, a critical complement to regular resources. In 2021, contributions to the funding windows decreased by 33 per cent to \$84 million from \$125 million in 2020; however, the proportion of contributions not earmarked to specific projects increased by 14 per cent. UNDP is grateful for the continued support of the Governments of Germany, Denmark, Netherlands, Switzerland, Luxembourg, Republic of Korea and Sweden for this funding channel.

63. In 2021, funding window interventions led to the creation of over 12,000 short-term jobs in 14 countries facing or recovering from crisis; over 35,000 people establishing small and medium-sized businesses; supported elections in eight countries and 10 countries on access to justice, case management systems and mediation services.

Figure X. Contributions to funding windows, 2021
(In millions of United States dollars)



C. United Nations pooled funds

64. In 2021, contributions from inter-agency pooled funds to UNDP decreased by 14 per cent to \$377 million from \$438 million in 2020.

65. With greater demand for multi-stakeholder partnerships in policy areas where UNDP plays a leadership role, its long-standing expertise on pooled funds as host to the Multi-Partner Trust Fund Office and funding compact commitments to increase the share of flexible and pooled funding, UNDP expects to reverse the decline in pooled funding received in 2022 and beyond.

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 IFIs, to UNDP to assist in the implementation of development initiatives in their respective countries.

67. In 2021, contributions from government financing reached \$1.3 billion, a 15 per cent increase from \$1.1 billion in 2020, led by the Governments of Argentina, Dominican Republic, El Salvador, Honduras, Belarus, Colombia, Egypt, Turkmenistan, Brazil and Panama. Programme countries in the Latin America and Caribbean region contributed 64 per cent of total government financing, followed by Europe and the Commonwealth of Independent States (CIS) (16 per cent), the Arab States region (8 per cent), Africa (8 per cent) and Asia and the Pacific (4 per cent).

68. Within the framework of local cost-sharing agreements, government contributions financed by loans from IFIs rose to \$187 million in 2021, a 78 per cent increase from \$105 million in 2020. UNDP partners with IFIs to support countries in accelerating the achievement of national development plans and the Sustainable Development Goals.

69. UNDP is called upon to play a stronger and increasingly strategic role in influencing development finance policies, as set out in the 2021 performance evaluation by the Independent Evaluation Office. The commitment of UNDP management to do so is manifest, with development finance as an “enabler” of the Strategic Plan, and a \$1 trillion dollar “moon shot” included as a goal to be achieved in partnership with Governments, the private sector, other United Nations partners and IFIs.

E. Vertical funds

70. Through its partnership with vertical funds, UNDP continues to design and implement programmes addressing complex nature, climate, energy and health issues. In 2021, UNDP forged stronger links between energy and a spectrum of development issues, in collaboration with the Green Climate Fund (GCF) and the GEF. In Afghanistan, partnering with the Global Fund to Fight AIDS, Tuberculosis and Malaria, UNDP paid nearly 26,000 non-governmental health workers to keep more than 2,100 health facilities open and serving over 3 million Afghans.

71. In 2021, UNDP received \$1.2 billion from vertical funds, an 18 per cent increase from \$988 million in 2020, with the largest contributions coming from the Global Fund (\$546 million), the GEF (\$297 million) and GCF (\$284 million). With the climate emergency escalating, UNDP remains in a strong position to continue working with vertical funds through its Climate Promise to support countries in achieving their climate-related Sustainable Development Goals. UNDP has worked to meet a high bar on oversight in its partnerships with the GEF and GCF. Its implementation of all audit and assessment recommendations resulted in the renewal and upgrade of its accreditation with GEF and GCF, respectively, in 2021.

F. Third-party cost sharing

72. Third-party cost sharing continues to make up the largest share of earmarked resources to UNDP making up 32 per cent of total contributions.

73. The European Union continues to be a strong partner to UNDP contributing \$334 million in 2021, a 31 per cent decrease from the \$483 million received in 2020, mostly benefiting countries in the Europe and CIS and Africa regions.

74. Through their strengthened collaboration with UNDP, IFIs contributed \$307 million in 2021, an increase of 4 per cent from \$294 million in 2020. This amount comprises \$120 million in direct grants including \$74 million from KfW, the German development bank, reflected in the contributions of the Government of Germany to UNDP; and \$187 million in indirect contributions signalling a strong demand for UNDP support for loan implementation.

G. Transforming finance for the Sustainable Development Goals

75. The UNDP Strategic Plan 2022-2025 emphasizes expanding alliances with the private sector and recognizes development financing as an enabler to promote the investment of over \$1 trillion of public and private finance to achieve the Sustainable Development Goals.

76. While contributions from the private sector, foundations, non-governmental organizations, academic, training and research institutions only make up 1 per cent of total contributions, UNDP is scaling up its ambition, through new and innovative financing mechanisms, to support accelerated implementation of the Goals at country level. This responds to recommendations from the Independent Evaluation Office, which found that the UNDP “moon shot” on access to clean energy for 500 million people will require a specific strategy “to ensure that UNDP can deliver and leverage finance from other actors.” As with IFIs, UNDP is poised to accelerate its engagement with the private sector in pursuit of its Strategic Plan objectives, guided by a clear vision and prioritization, committed to robust risk management, and foster development innovation and agility.

77. The mobilization of \$3.8 billion in Sustainable Development Goal bonds in 2021 demonstrated the growing reach of UNDP in innovative finance. A UNDP partnership with Stanbic Bank Uganda launched the Youth4Business Innovation and Entrepreneurship Facility, providing more than \$3 million in grants and incubation support to over 7,500 youth-owned enterprises. UNDP also launched an offer on

sustainable finance and provided tailored partnership opportunities to more than 20 private sector arms of development banks.

VI. Strategic considerations

Development finance under stress from multiple crises and policy shifts

78. The COVID-19 pandemic and the war in Ukraine have caused significant effects on commodity markets and supply chains, and steepened a slowdown in global economic growth from 6.1 per cent in 2021 to 2.9 per cent in 2022. War-induced commodity price increases pushed up the global consumer price inflation by approximately 2.5 per cent, exacerbating a cost-of-living crisis in emerging and developing economies.

79. Beyond the devastation in Ukraine, UNDP estimates about 1.7 billion people in 107 economies are “severely exposed” to rising food and fuel prices, or have governments struggling to make debt payments. External borrowing costs are rising and the World Bank warns that over the next 12 months, as many as a dozen developing economies could prove unable to service their debt.

80. Despite the consequences of the COVID-19 pandemic, development aid reached a record \$179 billion in 2021. Since the beginning of the war in Ukraine, countries have announced major shifts in foreign, defence and aid policies. Recent decisions by some donors to reallocate their aid budgets to finance the costs of hosting refugees pose serious risks to the availability of funding for other humanitarian and development needs and jeopardize the fight against global poverty.

The case to protect investment in sustainable development

81. The combined impact of COVID-19, inequality and commodity price hikes could lead to 263 million more people living in extreme poverty in 2022, resulting in a total of 860 million people living in extreme poverty. A cost-of-living crisis risks pushing vulnerable countries into political unrest and off track from realizing the 2030 agenda.

82. As the [2022 Financing for Sustainable Development Report](#) emphasized, developing countries require reliable access to affordable financing from concessional and non-concessional sources to stay on course to achieve the Goals. Countries with high debt burdens require urgent attention, including debt relief and restructuring. Leveraging additional resources using ODA and aligning private finance to the Goals should be a key part of the solution.

83. Past trends show ODA to be resilient to economic shocks. Of late, ODA faces increasing pressure and scrutiny. The prioritization of emergency responses at the expense of immediate and long-term development investments could reverse hard-earned gains, perpetuate short-term interventionist strategies, undermine the ability to address root causes and enhance the prospect of future crisis in many fragile situations. Humanitarian responses should not be financed by defunding development solutions that provide hope beyond handouts. Budget increases announced in response to the Ukraine crisis must not come at the expense of funding for early recovery and development and other global development and humanitarian needs.

84. For the United Nations to coordinate global responses to multiple crises, it needs sufficient flexible funding. Recent decisions to cut or reallocate development assistance will have far-reaching consequences for the work of UNDP and the wider United Nations on poverty reduction and sustainable development. The UNDP Strategic Plan, 2022-2025 lays out ambitious objectives to address increasingly complex and overlapping issues which can be achieved only with adequate funding and strong financial support from Member States.

Criticality of regular resources to prevent, respond to and recover from crisis

Regular resources underpin the operational capacity, networks and presence of UNDP at global, regional and country levels in 170 countries and territories. Because regular resources are not earmarked, they can be used quickly for crises and development. They enable United Nations development system entities to be present on the ground before, during and after emergencies, to direct vital assistance and resources where they are most needed. In Ukraine, regular resources enable the United Nations to remain operational and support the Government to maintain governance structures and services throughout the conflict and UNDP to continue providing high-quality operational services to the United Nations system. UNDP is working with UN-Women and UNFPA on gender-based violence, and with other agencies on cash assistance, livelihoods and resilience. Regular resources allowed UNDP to procure and deliver medical equipment, diagnostic tools and 1,723 tons of food and non-food items for over half a million people in Ukraine.

In Afghanistan, regular resources enabled UNDP to help communities withstand shocks, pursue livelihoods, access basic services and be more resilient. Regular resources allowed UNDP to work with a consortium of civil society partners to support 14,000 women-owned enterprises and 25,000 small farmers; deliver critical services including providing 18,000 households with solar/hydro mini-grids; and provide 3.2 million Afghans with access to medical care. UNDP used regular resources for the \$2 million inception phase of a cash assistance programme, to restore the banking system and revive the country's economy.

In Myanmar, using regular resources, UNDP provided access to data that uncovered reduced food consumption, damage to livelihoods and regressing gender equality which helped the UNCT, Myanmar civil society and other stakeholders to target their support.

With the declining trend in contributions to regular resources, the flexibility that enabled UNDP and the United Nations development system to provide timely and critical support before, during and after emergencies is under serious threat.

VII. Working with United Nations system assets

85. The following section details UNDP work with the broader United Nations system as supported through the UNDP operational policy and systems infrastructure at country, regional and global levels. Financial activities in support of other United Nations entities, including common services and service clearing accounts, are detailed in annex I.

United Nations Volunteers programme

86. In 2021, the financial value of the activities of the United Nations Volunteers programme (UNV) totalled \$270.0 million, an increase of \$32.6 million, or 13.7 per cent, from \$237.4 million in 2020.

87. The UNV continued to monitor its costs and align them with financial resources and future projections. The total cost from regular resources, extrabudgetary, cost-recovery funds and the Special Voluntary Fund increased by only 5 per cent in 2021.

88. In 2021, Member States contributed regular resources amounting to \$8.6 million to UNV through UNDP. This was consistent with the annual average in the period of the strategic framework, 2018-2021, of \$8.67 million, and a 15 per cent decrease compared to the annual average of the previous strategic framework period, 2014-2017.

89. The UNV relies on the Special Voluntary Fund for research on and promotion of volunteerism, emergency and crisis response and innovative solutions. In 2021, nine Governments contributed to the fund (Bangladesh, China, Czech Republic, France,

Germany, Ireland, Kazakhstan, Switzerland and Thailand), along with individual donations through the Digital Giving platform. Contributions totalled \$4.8 million, inclusive of interest, of which over 97 per cent came from three donors (Germany, Switzerland and France).

90. Contributions to the UNV full funding programme amounted to \$25.1 million in 2021, an increase of 21 per cent over 2020.

United Nations Office for South-South Cooperation

91. The United Nations Office for South-South Cooperation implemented its strategic framework through an allocation of \$2.3 million (2020: \$2.3 million) from the UNDP institutional budget and \$3.4 million (2020: \$3.7 million) in regular resources.

92. In addition, the office received \$15.7 million in contributions through its trust funds: \$10.6 million from the India-UN Development Partnership Fund; \$3.0 million from the United Nations Fund for South-South Cooperation; \$2.0 million from the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation; and \$100,000 from the Pérez-Guerrero Trust Fund for South-South Cooperation.

93. In 2021, the office achieved 126 per cent (\$15.7 million) of its other resources mobilization target (\$12.5 million). Favoured by the lifting of COVID-19 restrictions that impacted project delivery, implementation of South-South trust fund resources exceeded \$16.5 million, bringing total delivery by the office to \$22.2 million.

UNDP administrative agent function

94. 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 implementation role as a participating United Nations organization. In 2021, contributions received for multi-partner trust funds on behalf of the United Nations system increased by 17 per cent, to \$1.8 billion (2020: \$1.5 billion). This growth can be attributed to the positive policy environment for pooled funding and the strong performance of a broad range of funds channelling substantial resources to joint United Nations action on the ground. The net value of funds transferred by the Multi-Partner Trust Fund Office in its role as administrative agent for all participating organizations was \$1.4 billion (2020: \$1.4 billion).

Support to United Nations organizations

95. UNDP continued to provide high-quality operational services to the United Nations system in 2021 and maintained its role as the principal operational service provider to the resident coordinator system, supporting \$2.82 billion in financial transactions for approximately 118 United Nations and other agencies in over 170 countries. UNDP provided common premises for other agencies in at least 126 countries, where they could avail of common services, including travel management.

United Nations development coordination activities

96. UNDP continued to actively support and advance the repositioning of the United Nations development system. In 2021, UNDP provided an annual contribution of \$10.3 million (2020: \$10.3 million) to the UNSDG through the cost-sharing arrangement among system entities, thereby continuing to provide the highest cost-sharing contribution of any single system entity to the funding of the resident coordinator system. UNDP collected and transferred \$6.9 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

97. In 2021, UNDP spent \$28.4 million (2020: \$27.6 million) for security costs, of which \$18.7 million (2020: \$18.0 million) was associated with its share of the United Nations field security coordination programme; and \$9.7 million (2020: \$9.6 million) with security advisory services and investments to ensure compliance with minimum

operating security standards, as well as staff safety and duty-of-care measures in response to the COVID-19 pandemic.

VIII. Conclusion

98. 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 to respond with agility in crisis situations and deliver results on the ground, as exemplified by the UNDP response to the COVID-19 pandemic.

99. As global recovery remains highly uncertain, UNDP calls on its partners to: prioritize and refrain from cutting their contributions to regular resources; avoid redirecting ODA away from global human development; enter into multi-year commitments; support the shift towards portfolios to decrease projectization of solutions; and make early and timely disbursements to enable UNDP to continue responding rapidly to countries' demands and offer integrated development solutions to realize the 2030 Agenda.

100. A reduction in regular resources will negatively impact the ability of UNDP to: achieve the outcomes of its Strategic Plan; align resources to emerging priorities; develop integrated responses; 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.

101. UNDP will continue to engage with the Executive Board, through the structured funding dialogue, to advance shifting from highly-earmarked to regular resources or flexible other resources, to discuss progress made towards the mutual commitments of the funding compact, and to further shape the approach to future funding dialogues, along with sister agencies, in advancing and consolidating United Nations development system reform efforts.
