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Project Services**

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Structured funding dialogue

**Structured dialogue on financing the results of the UNDP Strategic Plan,
2022-2025**

Summary

This report has been prepared in response to decisions of the Executive Board 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 present report provides an update on the structured funding dialogues, an overview of resource trends and progress made against the UNDP Strategic Plan, 2022-2025. A full review of the 2022 financial situation is presented in annex I and progress on the entity-specific commitments of the funding compact in annex II. In decision 2022/18, the Board requested UNDP to provide an analysis of factors contributing to the decline in contributions to regular resources, which is presented in annex III.

In 2022, UNDP achieved programme delivery of \$4.8 billion, the highest in a decade, meeting 95 per cent of planned programmatic targets for the year. UNDP obtained a clean audit opinion from the United Nations Board of Auditors for the seventeenth consecutive year and was ranked the second most transparent United Nations agency in the [2022 Aid Transparency Index](#). UNDP balanced its institutional budget for a sixth consecutive year and increased the share of regular resources allocated to development programmes.

Global economic conditions dampened the fiscal situation for many UNDP funding partners in 2022. Contributions to regular resources dropped by 9 per cent and the share of regular resources against total funding remained at only 12 per cent.

The funding picture for 2023 and beyond remains highly uncertain due to cuts in contributions to regular resources and reallocation of aid towards humanitarian emergencies and in-donor refugee costs. Regular resources remain critical to UNDP efforts to support the most marginalized, respond to urgent needs, fill critical resource gaps in underfunded areas of the Strategic Plan and fulfil the promise of development. As 82 per cent of regular resources go to least developed countries, cuts will disproportionately affect those left further behind. It is vital that Member States and funding partners continue to invest in UNDP so it can deliver the outcomes of the Strategic Plan, 2022-2025 and leave poverty, crises and planetary destruction behind.



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/2023/26) 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 coronavirus disease (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 2023 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) Welcome the shift towards portfolios by UNDP and 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, 2022
- II. Progress against entity-specific commitments to the funding compact
- III. Analysis of factors causing a decline in regular resources

I. Introduction: the structured funding dialogue

1. This report provides an update on efforts to finance the results of the UNDP Strategic Plan, 2022-2025, progress made on entity-specific commitments of the funding compact and financial highlights for 2022. 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 an 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. In a difficult funding environment exacerbated by crises, UNDP continued to enjoy dedicated support from partners. In 2022, UNDP received \$4.9 billion in annual contributions, including \$591 million in regular resources. Unfortunately, this is a 7 per cent decline from \$5.3 billion received in 2021 and the proportion of regular resources remained at 12 per cent of total resources. The continued preference of donors for earmarking contributions to projects, while UNDP is moving towards a portfolio approach, could lead to further fragmentation affecting strategic alignment, programmatic coherence, effectiveness and legitimacy.
4. Ongoing multidimensional global challenges underscore the importance of development cooperation and a multilateral response. It is critical that Member States continue working closely with the United Nations system to ensure sustainable funding, protect investments in sustainable development, support the system to address global challenges and honour the funding compact commitments.

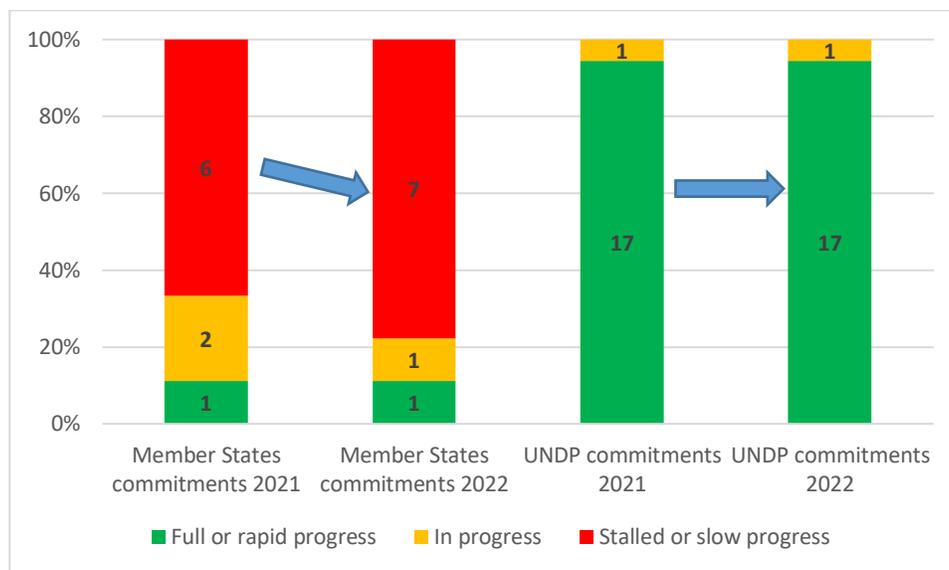
II. The United Nations funding compact

5. 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. It is built on the premise that adequate and predictable funding, combined with enhanced transparency and accountability, are preconditions for the system to deliver more collaboratively, effectively and efficiently. 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

6. Four years of funding compact implementation show a mixed picture. While there was progress on 83 per cent of the commitments of the United Nations Sustainable Development Group (UNSDG), the comparable share for Member States was only 48 per cent. For commitments tracked and reported by agencies, UNDP met 94 per cent of its commitments but observed progress on only 22 per cent of Member States' commitments related to UNDP (see figure I). The slow progress of Member States 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, will negatively impact UNDP work in poverty reduction and fragile settings, and its efforts to maintain high standards in transparency, oversight and accountability. Annex II provides details of the latest progress by UNDP against its entity-specific funding compact commitments.

Figure I. Progress on funding compact commitments, 2022



Aligning funding to the requirements of the Strategic Plan

7. In the current difficult funding reality, UNDP saw contributions to regular and other resources decline in 2022. This alarming trend goes against the ambition expressed in the Strategic Plan, 2022-2025. The balance between regular and other resources remained unhealthy. Regular resources continued to account for only 12 per cent of total funding in 2022, far below the funding compact target of 30 per cent. While the case of UNDP is more severe, this imbalance between regular and other resources is observed across the system.

8. Besides the decline in the volume of contributions, the number of Member States contributing to regular resources fell to 39, four fewer than in 2021.¹ The share of contributions received through multi-year agreements also declined, from 37 per cent in 2021 to 33 per cent in 2022. This is happening despite concerted efforts to advocate for flexible and predictable funding, and improve visibility for contributors. UNDP continues to make a strong case for quality funding and is redoubling efforts to broaden the regular resource contributor base. Strengthening engagement with traditional supporters and increasing financial and political support from new strategic partners are key pillars of the corporate resource mobilization strategy, along with the third iteration of the #PartnersAtCore campaign, which focuses on deepening advocacy with regular resources contributors at country level.

9. The funding windows are the primary UNDP vehicles for receiving flexible thematic funding, a critical complement to regular resources. While the share of other resources channelled through the funding windows increased from 2 per cent in 2021 to 3 per cent in 2022, it is still shy of the 5 per cent milestone; and the share of tightly earmarked contributions still prevails over flexible contributions. UNDP continues to be concerned about the dominance of highly- earmarked funding and the diversion of funding from regular resources to the funding windows.

¹ The Governments of Bulgaria, Guyana, Russian Federation, Samoa, Slovak Republic and the United Kingdom contributed in 2021 but not in 2022. The Governments of Kuwait and Spain contributed in 2022 but not in 2021.

10. The share of other resources contributions to the system channelled through inter-agency pooled funds reached 12.3 per cent in 2021, surpassing the funding compact target of 10 per cent. However, the share of other resources contributions to UNDP from pooled funding continued to decline, from 7 to 5 per cent between 2021 and 2022. Contributions from pooled funding to UNDP are discussed further under chapter V.

11. UNDP continues to be concerned about the slow progress in moving from highly earmarked to flexible funding. The slow progress on the funding compact commitments and the unfavourable funding reality make it difficult for UNDP to effectively tackle increasingly complex development challenges. Specifically, its funding will not be well aligned with its strategic objectives if 85 per cent of resources remain earmarked for individual projects.

12. To counter this reality, UNDP has intensified its political and strategic engagements with long-contributing major donors and with new strategic partners to mobilize flexible funding and prevent further cuts in regular resources contributions. UNDP rolled out thematic offers to mobilize flexible funding to priority areas of the Strategic Plan. To further incentivize partners, UNDP is broadening participation in substantive dialogues on funding windows beyond contributing partners, enhancing communication capacity at the country and regional levels and strengthening results-based planning. The switch to a portfolio approach is taking root but to be effective, it must be financed. In 2022, with support from the Accelerator Labs, 40 country offices and teams applied the portfolio approach, which considers the breadth and complexity of entire development systems and pursues innovations to drive large, lasting changes.

13. 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.

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

14. Greater collaboration and joint results remain priorities for UNDP, which pursued joint analyses and interventions through partnerships and strengthened collaboration within the development system and beyond. In 2022, 11 per cent of other resources expenditures were allocated to joint programmes, slightly higher than in 2021.²

15. Notable collaborations in critical areas demonstrated the role of UNDP within a system that was more than the sum of its parts. For example, in support of advancing Sustainable Development Goal financing, UNDP has steered the development and implementation of integrated national financing frameworks in 86 countries, which in turn have unleashed new financing sources, expanded partnership opportunities with international financial institutions (IFIs), the private sector and others, and has linked the financing frameworks to national policy efforts, such as nationally determined contributions to the global response to climate change. In 2022, 44 common country analyses and 40 United Nations Sustainable Development Cooperation Frameworks (UNSDCFs) were reviewed to develop a common understanding of what is working well, capture lessons learned and identify key challenges and areas for improvement. UNDP, in partnership with the United Nations Environment Programme (UNEP), launched the Global Biodiversity Framework Early Action Support programme, covering 140 countries, to fast-track readiness and early actions to implement the Global Biodiversity Framework.

16. UNDP has ensured full alignment of its country programmes with the UNSDCFs. All 35 country programmes presented to and approved by the Executive Board in 2022 are anchored

² 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.

in national priorities and fully aligned with the Strategic Plan, 2022-2025. On the programming side, all 35 are in full alignment in substance and sequencing with the UNSDCF's and have the requisite resident coordinator certification. UNDP demonstrated its commitment to full implementation of the Management and Accountability Framework at all levels, including through policies, mechanisms and corporate guidance. These are detailed in the annual UNDP information note on the [Update on implementation efforts on the repositioning of the United Nations development system](#).

17. As part of its UNSDG commitments, UNDP continued to provide the highest cost-sharing contribution of any single development system entity: \$10.6 million in 2022. It collected an additional \$8.8 million for the 1 per cent coordination levy as a “pass through” to the Special Purpose Trust Fund, bringing to \$19.4 million the amount channelled by UNDP to the trust fund in 2022. UNDP remains fully committed to supporting a fully funded resident coordinator system. However, with decreasing levels of contributions to regular resources, any increase in UNSDG cost sharing will significantly impact the ability of UNDP to meet the entirety of its Strategic Plan objectives. Hence the push for securing sustainable funding for the resident coordinator system should factor in addressing the overall funding of the United Nations system as outlined in the funding compact.

Commitment to transparency, visibility and accountability

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

19. 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 campaign and 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 5,200 UNDP projects with links to profile pages for every donor.

20. In 2022, the UNDP Independent Evaluation Office collaborated with other United Nations entities in conducting 60 joint evaluations. The office partnered with the UN-Women Independent Evaluation Service in producing a *Reflections* paper on boosting women's political participation. At the global level, UNDP, together with the United Nations Department of Political and Peacebuilding Affairs and UNEP, evaluated the Climate Security Mechanism. At country level, UNDP collaborated with UNICEF, UNFPA and the Office of the Resident Coordinator in evaluating the Costa Rican United Nations Development Assistance Framework, 2018-2022. The Independent Evaluation Office engaged in two system-wide evaluations and all UNDP evaluation plans, reports and management responses are available in the public domain.

Increasing efficiencies

21. 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 system reform efforts, UNDP helped achieve the target of establishing business operations strategies in 131 countries, accelerate collaboration on supply chain management, maintain the online platform and mainstream provisions of the “mutual recognition” principles. In 2022, 78 per cent of UNDP premises were located within common United Nations premises, well above the 50 per cent milestone. Overall, UNDP efficiency gains for 2022 amounted to \$24.4

million, comprising mainly \$7.1 million of entity-specific efficiency gains and \$17.1 million of efficiencies achieved through implementation of the UNSDG business operations strategy.

22. Strategic institutional investments since 2018 have strengthened the capacity of UNDP to respond to 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. UNDP continues to invest in institutional enhancements, organizational learning, oversight and accountability, all of which are supported by regular resources. The new enterprise resource platform, Quantum, launched in 2022 by UNDP and seven other United Nations organizations, became the most significant digital operational shift in nearly 20 years, integrating business processes from procurement to human resources to project management. Quantum automated nearly 3,000 business processes while ensuring compliance with modern data privacy standards. Greater optimization of business processes and systems is being realized by ensuring the stability and efficiency of clustered common services. UNDP hosts the United Nations system's largest follow-the-sun service centre network to support its offices in over 170 countries and territories as well as 85 United Nations entities, allowing it to meet the diverse needs of clients across different time zones while maximizing operational effectiveness and efficiency.

Harmonized approach to structured funding dialogues and the funding compact

23. 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.

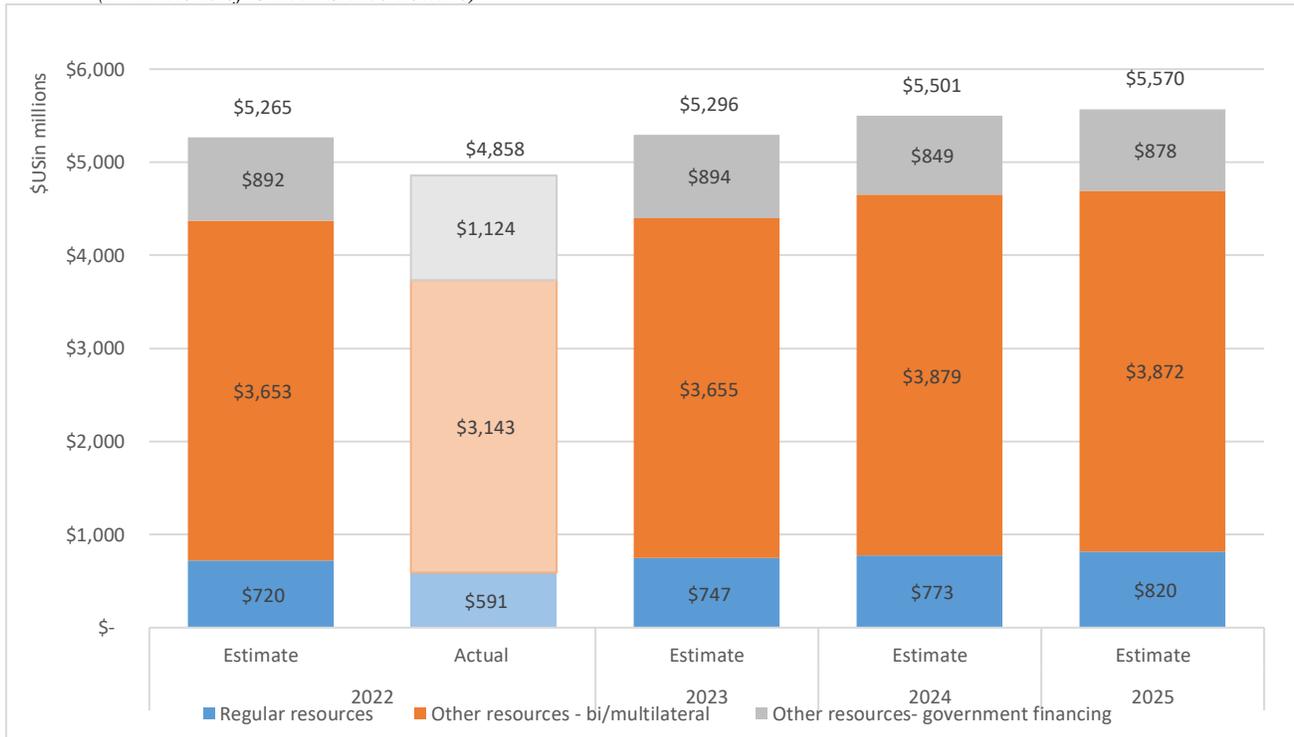
24. UNDP has deepened its collaboration with UNFPA, UNICEF and UN-Women, carrying out joint analyses, sharing experiences and holding informal dialogues with Member States on a regular basis since 2019. The latest joint structured funding dialogue, held in May 2023, tackled: (a) the critical role of regular resources in support of the 2030 Agenda for Sustainable Development; (b) continued efforts for diversifying the donor base; (c) causes of reduced regular resources funding and their consequences; and (d) exploring ways to help Member States improve the quality and quantity of their regular resources contributions. It remains critical, more than ever, for Member States to fulfil their funding compact commitments and reciprocate the efforts of the United Nations system in meeting its commitments.

III. Resources supporting the UNDP Strategic Plan, 2022-2025

25. 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).

26. Against the planned contribution estimate of \$5.3 billion for 2022, UNDP met 92 per cent of the planned amount, receiving \$4.9 billion comprising \$0.6 billion in regular resources, \$1.1 billion from government financing and \$3.2 billion in bilateral/multilateral contributions. Government financing exceeded the contribution estimate by 26 per cent, a testament to programme countries' continued commitment to UNDP.

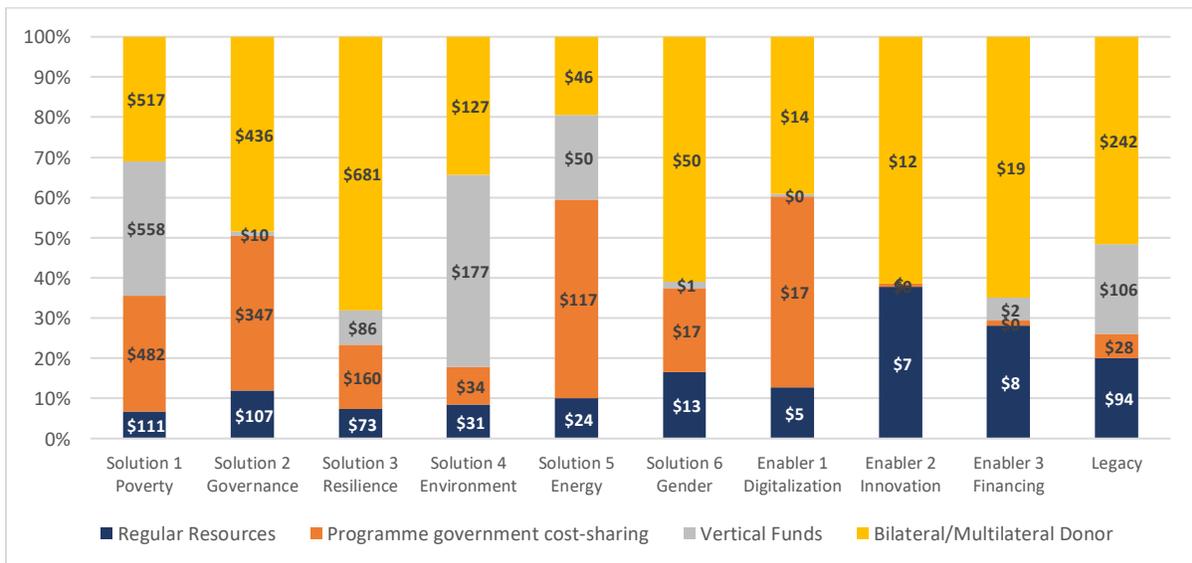
Figure II. Projected contributions for 2022-2025 and actual contributions for 2022*
(In millions of United States dollars)



* Excludes reimbursable support services (\$76 million).

27. With programme delivery of \$4.8 billion spread across the six signature solutions of the UNDP Strategic Plan, 2022-2025 and through key enablers – digitalization, strategic innovation and development financing – that increase the potential scale and impact to achieve more, strong results were evident across all signature solutions.

Figure III. Programme expenditure by signature solution and funding channel, 2022
(In millions of United States dollars)



28. In 2022, the UNDP \$1.7 billion investment in poverty reduction helped 25 million people gain access to health, education, water and other basic services essential to human well-being. UNDP supported 47 countries to improve social protection and 44 countries to increase the quality and reach of essential services.

29. The UNDP investment in governance enabled the registration of 27 million new voters, more than half of them female; and in 40 countries, legislative changes and digital solutions gave 3.3 million people a legal identity and choices such as to vote and own property.

30. The \$1 billion UNDP investment in resilience resulted in 11 million people benefiting from jobs and improved livelihoods in crisis or post-crisis settings. In Yemen, nearly 3.9 million people gained education, health, water and other essential services.

31. The UNDP environmental portfolio, resourced at \$3.9 billion, leveraged \$15.1 billion in additional public and private funds to confront the planetary crisis.

32. With the UNDP investment in energy, 4.6 million people gained access to clean, affordable and sustainable energy.

33. In 2022, UNDP supported more than 90 countries on ending gender-based violence while 46 countries implemented risk-informed and gender-responsive recovery solutions.

34. Through UNDP programmes in 2022, 7 million more people used digital technologies and services to get an education, access health care, find a job, check the veracity of online information and otherwise improve their lives. Its Accelerator Labs network backed innovations in 115 countries, improving air quality, upholding human rights and enhancing food security, among others. Through its partnerships with Governments, IFIs and businesses, UNDP is unblocking new streams of Sustainable Development Goal financing through bond issuance, investor maps, tax reforms and insurance financing.

35. Results achieved under each signature solution are discussed in detail in the annual report of the Administrator (DP/2023/14).

IV. The UNDP financial situation, 2022

36. In 2022, total revenue, including voluntary contributions, was \$5.3 billion, a decrease of \$315 million (6 per cent) from 2021. Voluntary contributions were \$5.0 billion, a decrease of \$306 million (6 per cent) from 2021. The decrease in voluntary contributions was the result of lower revenue from regular resources and cost-sharing contributions.

37. Total expenses were \$5.3 billion, a decrease of \$38 million (1 per cent) from 2021. Programme expenses were \$4.6 billion, a decrease of \$19 million (1 per cent) from 2021.

38. Total revenue less total expenses resulted in a deficit of \$25 million, compared to a surplus of \$252 million in 2021. The decrease stems from the fact that UNDP funding is received on a cyclical basis, i.e., the revenue from multi-year agreements with donors is recorded in full when those agreements are signed, provided that certain criteria are met. However, spending is only available to UNDP once cash is received from donors.

39. The 2022 institutional budget was fully balanced for a sixth consecutive year.

40. In 2022, 69 per cent of regular resources were allocated to development programmes (66 per cent in 2021), and 31 per cent to institutional activities (34 per cent in 2021). The increase reflects the UNDP decision to increase 2022 development programme allocations together with cost containment measures undertaken for institutional activities. The planned ratio of programmatic activities to institutional budget in the 2022–2025 integrated resources plan and integrated budget is 68 per cent to 32 per cent.

41. Overall in 2022, 91 cents of every dollar spent went to programmes and services to achieve development results, remaining unchanged from prior years. Every \$1 in regular resources dollar spent on programmes leveraged \$10 in other programme resources.

Table 1. The UNDP financial situation, 2021-2022

(In millions of United States dollars)

	2022	2021	Increase/ (decrease)	Percentage change
Revenue^a	5 322	5 637	(315)	(6%)
Expenses^a	5 347	5 385	(38)	(1%)
Net revenue	(25)	252	(277)	(110%)
Assets	14 822	15 151	(329)	(2%)
Liabilities	3 073	3 574	(501)	(14%)
Net assets	11 749	11 577	172	1%
Composed of:				
Accumulated balance^b	11 440	11 275	165	1%
Reserves^c	309	302	7	3%
	11 749	11 577	172	1%

^a Revenue and expense amounts are after elimination of internal cost recovery of \$270 million in 2022 and \$261 million in 2021.

^b \$11.4 billion total accumulated surpluses in 2022 include:

- \$5.1 billion of non-cash receivables, of which \$4.7 billion of accumulated surpluses represent funds to be programmed in future years. These funds are not available for programming currently.
 - \$978 million of cash and investments for after-service health insurance and end-of-service portfolios which are ringfenced and not available for programming.
- ^c On calculating the operational reserves for 2022, a net transfer of \$8 million was made from accumulated surpluses which is shown as \$7 million 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: \$5 592 million in 2022; \$5 898 million in 2021
Total expense: \$5 618 million in 2022; \$5 646 million in 2021

Annual contributions³

42. Annual contributions are calculated to provide information to align with previous revenue recognition policies for contributions, representing cash received in a reporting year, plus receivables due in a reporting year.

43. Annual contributions decreased by 7 per cent to \$4.9 billion in 2022, from \$5.3 billion in 2021. Annual contributions to regular resources decreased by 9 per cent to \$591 million, down from \$648 million in 2021 as illustrated in figure IV below. Annual contributions to other resources decreased by 7 per cent to \$4.3 billion, from \$4.7 billion in 2021. Table 2 below shows the revenue breakdown, including annual contributions.

³ 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.

Table 2. UNDP revenue, 2022
(In millions of United States dollars)

Resources	2022	2021	Increase/ (decrease)	Percentage change
Revenue				
Voluntary contributions				
Annual contributions *	4 934	5 316	(382)	(7%)
Net movement of future due contributions	86	(12)	98	-
Subtotal: voluntary contributions	5 020	5 304	(284)	(5%)
Government contributions to local office costs	21	25	(4)	(14%)
Net contributor country contributions	9	9	-	-
Upper-middle-income-country contributions	9	9	-	-
Contributions in kind	17	22	(5)	(24%)
Transfer of funds and refunds to donors	(79)	(65)	(14)	(21%)
Voluntary contributions, net	4 998	5 304	(306)	(6%)
Investment revenue	101	135	(34)	(25%)
Other revenue	493	459	34	7%
Total revenue before elimination	5 592	5 898	(306)	(5%)
Elimination – internal UNDP cost recovery	(270)	(261)	(9)	(3%)
Total revenue after elimination	5 322	5 637	(315)	(6%)

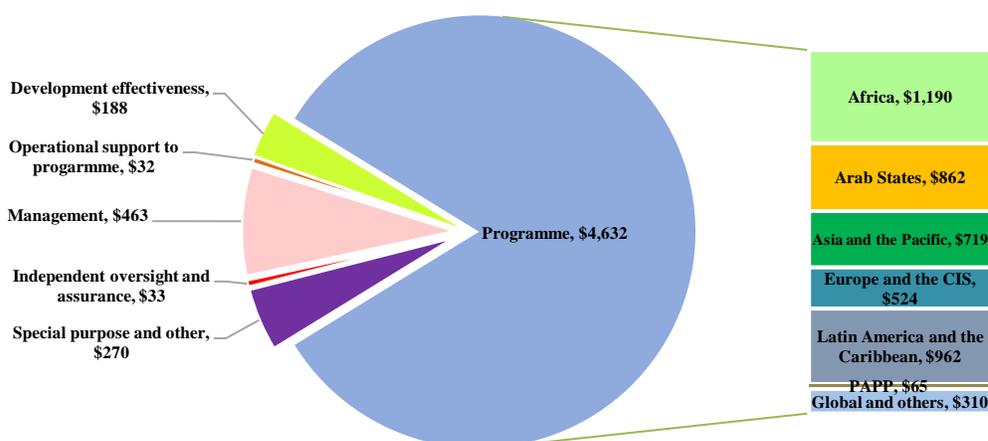
Figure IV. Annual contributions to UNDP, 2021-2022
(In millions of United States dollars)



Expenses

44. Of total expenses of \$5.6 billion (excluding the effect of the elimination of internal cost recovery of \$270 million), \$4.6 billion or 82 per cent was spent on programmatic activities. Thirty per cent of UNDP programme expenses (\$1.4 billion of \$4.6 billion) were attributed to the 10 largest country offices, in Argentina, Iraq, Zimbabwe, Afghanistan, Yemen, Colombia, Lebanon, Nigeria, Egypt and Ukraine. Figure V below breaks down total expenditure by cost classification and region.

Figure V. Total expenses by cost classification and programme expenses by UNDP region, 2022
(In millions of United States dollars)



CIS = Commonwealth of Independent States; PAPP = Programme of Assistance to the Palestinian People

Financial position

45. Total assets registered of \$14.8 billion represent a decrease of 2 per cent from 2021. UNDP assets comprise investments of \$8.5 billion (2021: \$9.0 billion), cash and cash equivalents of \$868 million (2021: \$964 million) and non-exchange receivables of \$5.0 billion (2021: \$4.7 billion).

46. Contributions receivable of \$5.0 billion include \$4.7 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 contributions receivable of \$369 million for regular resources and \$4.6 billion for other resources.

47. Total liabilities amounted to \$3.1 billion, a decrease of \$501 million, or 14 per cent comparing to 2021 (\$3.6 billion). The change is attributable mainly to funds held in trust for the Multi-Partner Trust Fund Office, which decreased by \$155 million; accounts payable, which decreased by \$75 million; and employee benefits, which decreased by \$310 million.

48. UNDP holds \$917 million in cash and investments to fund its after-service health insurance liabilities (103 per cent funded ⁴) (2021: \$1.0 billion and 85 per cent funded) and \$61 million in cash and investments to fund its end-of-service/repatriation liabilities (61 per cent funded) (2021: \$70 million and 65 per cent funded).

Accumulated surplus

49. As of 31 December 2022, the accumulated balance, excluding reserves, increased by 1 per cent, to \$11.4 billion (2021: \$11.3 billion). The accumulated surplus includes \$5.1 billion of non-cash receivables (2021: \$4.8 billion) and \$978 million of cash and investments for after-service health insurance and end-of-service portfolios. A significant portion of accumulated surpluses is therefore not available for programme delivery. Under its Financial Regulations and Rules, UNDP is permitted to spend only when the cash is received. It should be noted that the present value of future after-service health insurance liabilities was reduced in 2022 due to the discount rate applied to the actuarial valuation of the liability. This had a positive financial impact on the accumulated surplus which is not expected to recur.

⁴ The excess in funding is temporary in nature and primarily due to the volatility of the actuarial valuation of the after-service health insurance liabilities.

50. 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 5.0 months of average expenditures in 2022 (2021: 6.1 months).

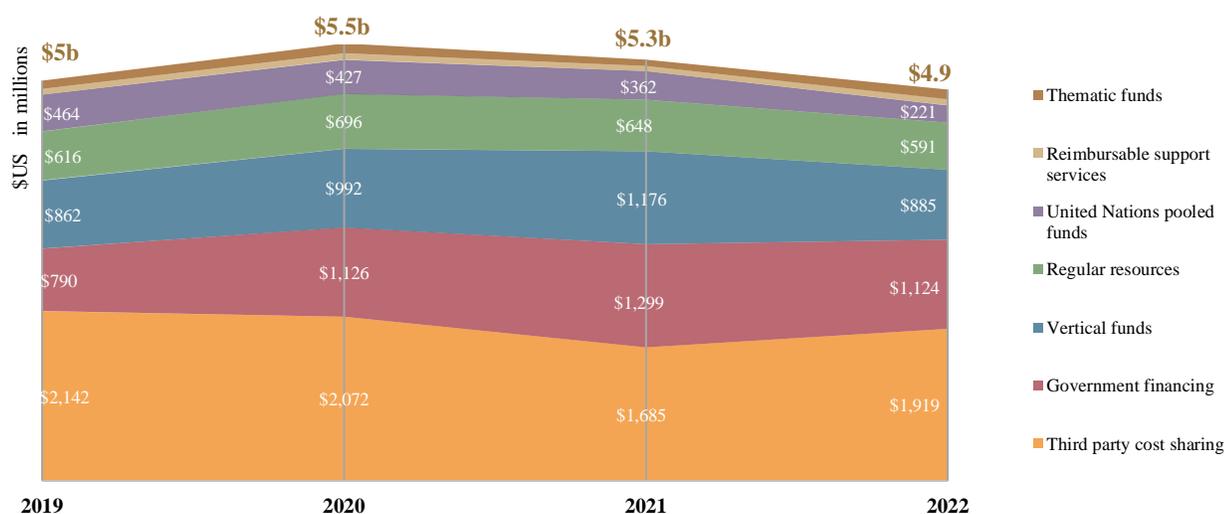
51. Annex I provides a full and detailed review of the UNDP financial situation for 2022.

V. Resources by funding source

52. The outlook for a global economic recovery from the COVID-19 pandemic, was dealt a hard blow by the conflict in Ukraine and its spillover effects, including elevated debt levels, inflation and financial market volatility leading to downgraded global economic forecasts.

53. The funding picture for 2023 and beyond remains highly uncertain. The [International Monetary Fund's World Economic Outlook](#) forecasts global growth to fall from 3.4 per cent in 2022 to 2.8 per cent in 2023. Total annual and regular resources contributions for 2022 have been the lowest in four years, as shown in figure VI. The continued preference of partners for earmarking funds for specific projects cuts into regular resources funding and reallocation of aid towards domestic and humanitarian needs threaten to reverse development gains and leave the most vulnerable behind.

Figure VI. Contributions by funding channel, 2019-2022
(In millions of United States dollars)



A. Regular resources

54. While UNDP understands the difficult economic situations faced by countries as a result of multiple crises, it notes that due to significant cuts or late contributions coupled with currency fluctuations, annual contributions to regular resources in 2022 decreased by 9 per cent to \$591 million from \$648 million in 2021, meeting only 82 per cent of the planned contribution estimate. This decline follows the 7 per cent decrease from 2020 to 2021.

55. UNDP appreciates the increased contributions to regular resources in 2022 from the Governments of Australia, Austria, Iceland, Italy, Japan, Luxembourg, Norway, Sweden, Spain and the United States.

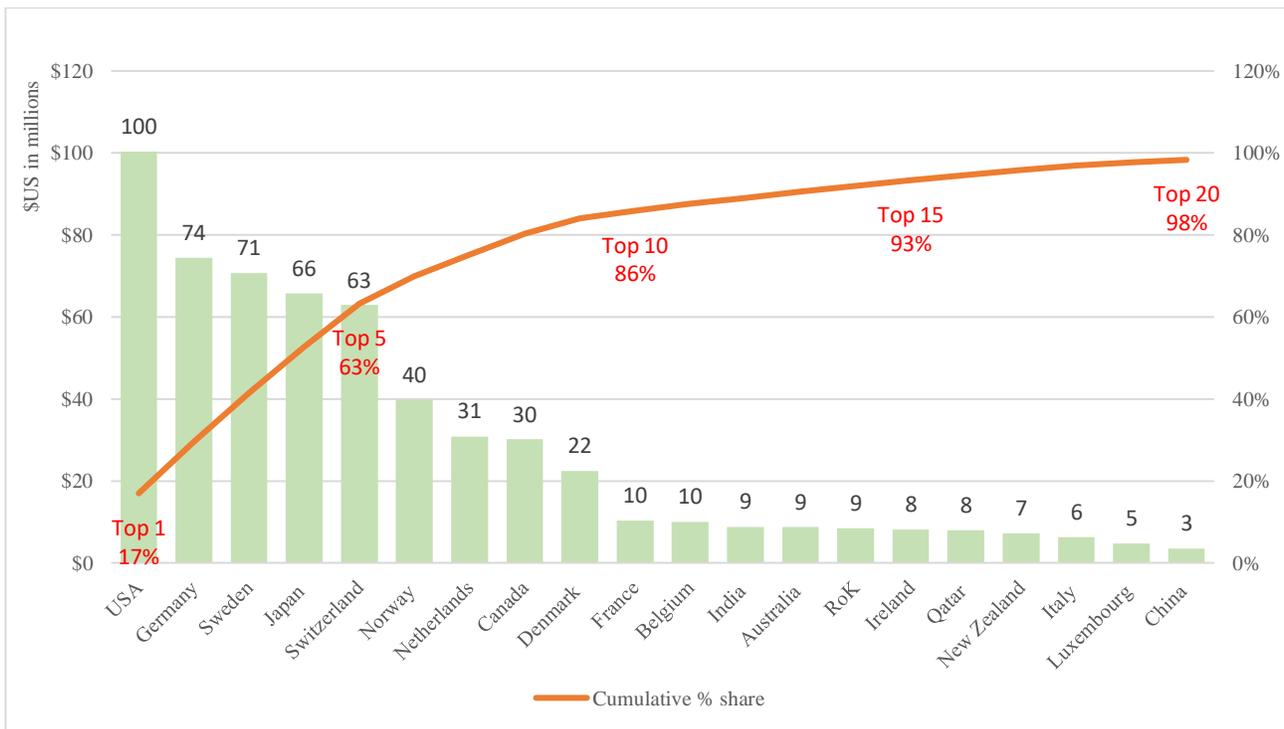
56. Countries that are not members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development contributed \$26 million in regular resources in 2022, including contributions from the Governments of Qatar (\$8

million), India (\$4.4 million late payment for 2021 and \$4.4 million for 2022), China (\$3.5 million), Saudi Arabia (\$2 million) and Türkiye (\$1.2 million). In addition, 70 programme countries contributed to funding UNDP local office costs amounting to \$21 million in 2022. UNDP encourages more non-DAC and programme countries to contribute to regular resources to broaden the funding base, as called for by the Executive Board in decisions 2020/14 and 2022/18.

57. While UNDP encourages partners to disburse their payments early to facilitate effective planning and reduce the risks associated with currency fluctuations, most contributions to regular resources are received in the last two quarters of the year. As of end May 2023, UNDP has received \$313 million in regular resources, or 42 per cent of the estimated contribution for 2023, per the integrated resources plan.

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

Figure VII. Top 20 contributors to regular resources, 2022
(In millions of United States dollars)



59. Nine Member States (Australia, Belgium, Denmark, Luxembourg, New Zealand, Qatar, Sweden, Switzerland and Türkiye) had multi-year agreements in place in 2022. Contributions backed by multi-year agreements made up 33 per cent of total regular resources contributions in 2022, down from 37 per cent in 2021.

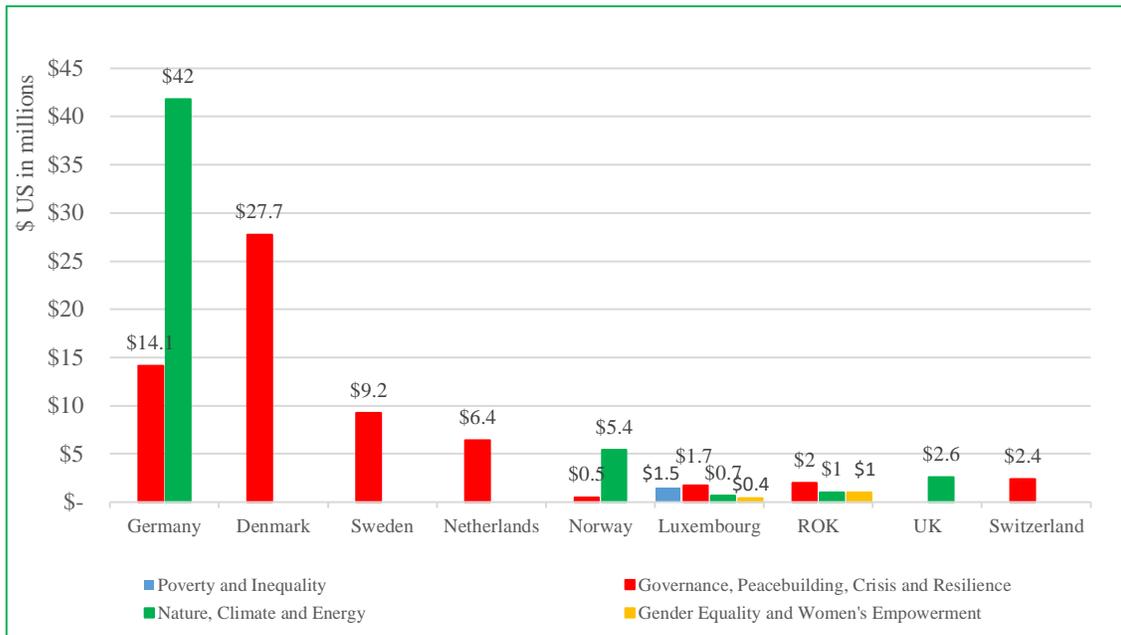
Figure VIII. Multi-year agreements in 2022 and future years

B. Thematic funds

60. Thematic funding is a critical complement to regular resources. In 2022, contributions to the funding windows increased by 42 per cent to \$119 million from \$84 million in 2021. UNDP is grateful for the continued support of the Governments of Denmark, Germany, Republic of Korea, Luxembourg, Netherlands, Norway, Sweden, Switzerland and United Kingdom for this funding channel.

61. In 2022, the funding windows delivered \$97 million in over 117 countries, including 40 least developed countries. The funding windows supported income-generation and livelihood opportunities in 21 countries for over 61,000 individuals, more than 2,000 businesses and the creation of over 8,400 short-term jobs. The funding windows also supported durable solutions for internally displaced persons, migrants and host communities in 18 countries; supported access to energy in 10 countries, including through more than 940 solar solutions in seven crisis settings; and contributed to improved water access in 10 countries, 9 of which are crisis settings. Finally, the funding windows helped build more than 1,000 public infrastructures in 18 countries, helping UNDP move closer to achieving the development “moonshots”.

Figure IX. Contributions to the funding windows, 2022
(In millions of United States dollars)



C. United Nations pooled funds

62. Contributions from inter-agency pooled funds to UNDP decreased by 34 per cent to \$249 million in 2022 from \$377 million in 2021. The decline is in part due to changes in operating modalities in Afghanistan and reduced involvement as management agent in implementation by non-governmental organizations. However, UNDP remained second among participating organizations receiving transfers from inter-agency pooled funds, according to the [2022 annual report of the Multi-Partner Trust Fund Office](#).

63. The report on [financing the United Nations development system](#) noted that while inter-agency pooled funds are on an upward trend, humanitarian funds have represented the larger share from 2010-2020. In 2020, however, the proportion of development-related funds has grown to 50 per cent. With this positive trend, along with the growth of climate-related inter-agency pooled funds and long-standing expertise as host to the Multi-Partner Trust Fund Office, UNDP hopes to reverse the declining trend in contributions received from pooled funds.

D. Government financing

64. 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.

65. In 2022, contributions from government financing amounted to \$1.1 billion, a 13 per cent decrease from \$1.3 billion in 2021, with the Governments of Argentina, Democratic Republic of the Congo, Colombia, Egypt and Dominica as top contributors. The Governments of Pakistan, Indonesia, Iraq and Saudi Arabia provided substantial increases over their 2021 contributions. Contributions from government financing exceeded the planned contribution estimate for 2022.

66. Programme countries in the Latin America and Caribbean region contributed 52 per cent of total government financing, followed by Africa (19 per cent), the Arab States region (11 per cent), Europe and the Commonwealth of Independent States (CIS) (10 per cent) and Asia and the Pacific (8 per cent).

67. Within the framework of local cost-sharing agreements, government contributions financed by loans from IFIs decreased to \$119 million in 2022 from \$187 million in 2021, a level that was due to increased support for the procurement of medical equipment in response to the COVID-19 pandemic. UNDP partnerships with IFIs are critical to support countries in accelerating the achievement of their national development plans and the Sustainable Development Goals.

E. Vertical funds

68. Through its partnership with vertical funds, UNDP continues to design and implement programmes addressing complex nature, climate, energy and health issues to curb the global environmental crisis.

69. In 2022, UNDP received \$885 million from vertical funds, 24 per cent lower than in 2021, led by the Global Fund to Fight AIDS, Tuberculosis and Malaria (\$461 million), the Global Environment Facility (GEF) (\$262 million) and the Green Climate Fund (GCF) (\$128 million). Contributions for the Global Fund were lower in 2022 as 2021 was an exceptional year in terms of resources, with increased resources to address COVID-19. For GEF, 2022 was a year between cycles, typically with limited resources available for programming. Similarly for GCF, 2022 was a period of negotiating the renewal of the UNDP Accreditation Master Agreement which was approved by the GCF Board in March, 2023. UNDP continues to remain the largest GCF agency in terms of the number of approved projects and volume of funds mobilized. Through its Climate Promise and support around nationally determined contributions, UNDP remains in a strong position to continue working with vertical funds.

F. Third-party cost sharing

70. Third-party cost sharing amounting to \$1.9 billion continues to make up the largest share of earmarked resources to UNDP, making up 39 per cent of total contributions.

71. The European Union continues to be a strong partner to UNDP, contributing \$363 million in 2022, a 9 per cent increase from the \$334 million in 2021, mostly benefiting programmes in Ukraine, Albania and Yemen.

72. Through their strengthened collaboration with UNDP, IFIs contributed \$302 million in 2022, a 2 per cent decrease from \$307 million in 2021. This amount comprises \$183 million in direct grants including \$96 million from KfW, the German development bank, reflected in the contributions of the Government of Germany to UNDP; and \$119 million in indirect contributions through government financing for UNDP support for loan implementation. To further leverage financing from IFIs, UNDP is advancing new ways of working through tripartite partnerships to support loan implementation, leveraging funding from vertical funds, and pursuing joint initiatives with IFIs, Governments and traditional donors.

G. Transforming finance for the Sustainable Development Goals

73. The UNDP Strategic Plan, 2022-2025 emphasizes expanding alliances with the private sector to promote the investment of over \$1 trillion of public and private finance to achieve the Sustainable Development Goals.

74. While contributions from the private sector, foundations, non-governmental organizations and academic, training and research institutions make up only 1 per cent of total contributions, amounting to \$64 million in 2022, UNDP through its Sustainable Finance Hub is collaborating with over 40 countries on debt restructuring and thematic bond issuance, which generated over \$11 billion for the Goals and climate action by the end of 2022.

75. UNDP technical support to 86 developing countries in establishing their integrated national financing frameworks offers these countries a platform to facilitate private investments and bring multiple channels of development resources behind the Goals.

VI. Strategic considerations

Development funding remains under stress

76. Rising geopolitical tensions, increased inflationary pressure and unsustainable debt levels continue to put downward pressure on the global economic recovery and development finance. While official development assistance (ODA) increased by 13.6 per cent in 2022, reaching \$204 billion, the increase was primarily due to a jump in aid to Ukraine and in-donor refugee costs. ODA flows to least developed countries and sub-Saharan Africa declined by 0.7 and 7.8 per cent, respectively. The recent significant shifts in how ODA is allocated, including to cover for in-donor refugee costs and the growing humanitarian emergencies, impacts development funding and results.

77. Reports on the [funding of the](#) United Nations development system reveal a worrisome trend of declining quality funding. While the system remains the largest channel of multilateral ODA, it is the only channel that receives far less in regular resources than other resources. Out of the 2020 funding to the system, 71 per cent was earmarked, compared to 24 per cent for the World Bank Group and International Monetary Fund and only 3 per cent for the European Union. Insufficient levels of regular resources pose major challenges to the system and its ability to support countries facing multiple complex development challenges that are at risk of being left further behind.

Factors contributing to a decline in regular resources funding

78. Several factors drive investment away from regular resources funding and perpetuate the practice of earmarked funding. Maintaining a high level of funding through regular resources requires significant political considerations by Governments. With earmarked funding, decision makers find it easier to justify to their constituencies that public money is being spent on a project or country, aligned with their government's global or political interests. Through advocacy efforts explaining the value and impact of regular resources on their programmes, agencies are hoping to strengthen the case for regular resources among decision makers.

79. Economic factors such as growth performance, fiscal space, budget considerations and currency fluctuations also affect regular resources funding. During a period of economic hardship, domestic budget constraints are often used to justify cuts. The appreciation of the United States dollar against other currencies also contributed to a lower volume of regular resources as the majority of contributions is received in other currencies.

80. Donors' policy priorities change over time, shifting to national security or domestic interests over funding for the multilateral system; or towards providing bilateral aid going directly to recipient countries.

81. Additional funding mechanisms such as pooled and thematic funds complement regular resources; however, contributions channelled through these instruments should not be made at the expense of regular resources. At country level, where most resource mobilization takes place, funding is often made available as earmarked project resources, fostering a business model that supports these funding opportunities. A detailed analysis of these factors is presented in annex III.

Making the case for development funding

82. A continuous decline in regular resources funding will have tremendous implications on the system's ability to carry out its work effectively and coordinate global responses to multiple crises. The shifts in ODA from multilateral to bilateral cooperation, and from development to humanitarian activities, undermine the United Nations system's ability to be strategic and

effective in responding to mounting global challenges, addressing long-term development objectives, upholding international standards and carrying out its mandate.

83. A decline in flexible funding to the system will have cascading effects in terms of reduced development impact and operational agility, heightened competition for funding and limited leveraging opportunities. Without adequate flexible funding, the system will not have the means to design and pilot innovative programmes which can be scaled up to attract additional resources. The system needs quality funding to assist developing countries leverage additional resources using ODA, and align public and private capital to the Sustainable Development Goals.

84. With heightened geopolitical conflict and multiple crises, the role of a global, inclusive and extensive multilateral platform – the United Nations system – is indispensable. Without adequate levels of regular resources funding, the system may not be present on the ground before, during and after emergencies, to service the international community in directing resources where they are most needed, as exemplified by the system’s recent support to Sudan and Ukraine.

85. While calling for urgent actions to address the crisis in regular resources funding, it is important that the system continue to implement the funding compact commitments and demonstrate effectiveness, accountability, coordination and reduced overlaps. Reversing the decline in regular resources funding will require political commitment and a concerted effort by the system, working with Member States, to communicate the value of multilateralism, showcase the development impact of their contributions, build capacity, improve performance and explore new and innovative forms of financing. Decisions from prior structured funding dialogues reiterate the importance of sufficient and predictable regular resources for agencies to deliver on their strategic plans.

VII. Working with United Nations system assets

86. 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

87. In 2022, the financial value of United Nations Volunteer (UNV) activities totalled \$287.6 million, an increase of \$17.6 million, or 7 per cent, from \$270 million in 2021, mainly reflecting an increase in volunteer mobilization by United Nations agencies, funds and programmes.

88. Thanks to its focus on operational efficiencies and customization of UNV services to specific partner and country contexts, UNV managed to maintain the recurring cost-recovery rate at 13 per cent. In line with the strategic framework target for achieving improved operational results, UNV will continue to focus on streamlining its services and procedures, with a view to improving the experiences of volunteers and partner entities, while achieving further efficiency gains by the end of 2025.

89. In 2022, Member States contributed regular resources amounting to \$8.8 million to UNV through UNDP.

90. UNV continues to rely on the Special Voluntary Fund for research and promotion of volunteerism, emergency and crisis response and innovative solutions. In 2022, contributions to the fund totalled \$5.2 million from 10 donors – China, Czechia, France, Germany, India, Ireland, Kazakhstan, Sweden, Switzerland and Thailand – as well as from individual donations through the Digital Giving platform.

91. Contributions to the UNV full funding programme in 2022 amounted to \$18.7 million, a decrease of 26 per cent from 2021. This was mainly due to multi-year contributions from several partners received in 2021, changes in priorities of some funding partners and exchange rate losses between the euro and the United States dollar.

United Nations Office for South-South Cooperation

92. The United Nations Office for South-South Cooperation implemented its strategic framework through an allocation of \$2.3 million (2021: \$2.3 million) from the UNDP institutional budget and \$3.6 million (2021: \$3.4 million) in regular resources.

93. The office received \$19.1 million in contributions through its trust funds: \$15.0 million from the India-United Nations Development Partnership Fund; \$3.1 million from the United Nations Fund for South-South Cooperation; \$1.0 million from the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation; and \$160,000 from the Pérez-Guerrero Trust Fund for South-South Cooperation.

94. In 2022, the office achieved 152 per cent (\$19.1 million) of its other resources mobilization target (\$12.5 million). Implementation of South-South trust fund resources exceeded \$17.7 million, bringing total delivery by the office to \$23.3 million.

UNDP administrative agent function

95. 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, in addition to its implementation role as a participating organization in multi-partner trust funds and joint programmes. In 2022, the net value of funds transferred to all participating organizations by the Multi-Partner Trust Fund Office increased to \$1.7 billion (2021: \$1.4 billion), marking the highest volume of administrative service provision to the United Nations system since the office's creation.

96. New contributions received for multi-partner trust funds and joint programmes decreased to \$1.5 billion (2021: \$1.8 billion). However, particular climate-related pooled funds and new generation country-level pooled funds supporting UNSDCF implementation, together with the majority of country-based humanitarian funds, experienced a growth in contributions.

Support to United Nations organizations

97. UNDP continued to provide operational support services to its United Nations system partners in 2022. It disbursed \$1.9 billion in 114 currencies through its payroll system, more than half (53 per cent) of which was on behalf of partner organizations. UNDP supported \$3.1 billion (2021: \$2.8 billion) in financial transactions for approximately 118 United Nations entities and other agencies in over 170 countries. This included \$46.2 million (2021: \$57.9 million) of expenses related to services provided to the resident coordinator system.

98. In 2022, UNDP also provided common premises for other agencies in at least 126 countries, where they could avail of common services, including travel management.

United Nations-mandated security costs

99. In 2022, UNDP spent \$29.2 million (2021: \$28.4 million) for security costs, of which \$18.7 million (2021: \$18.7 million) was associated with its share of the United Nations field security coordination programme; and \$10.5 million (2021: \$9.7 million) with security advisory services and investments to ensure compliance with minimum operating security standards.

VIII. Conclusion

100. UNDP extends its appreciation to all funding partners that entrusted their resources to UNDP in a difficult funding environment, 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.

101. 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 multilateral channels and international development; commit to multi-year funding agreements; 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.

102. A reduction in regular resources will negatively impact the ability of UNDP ability to: achieve the outcomes of its Strategic Plan; work in poverty reduction and crisis settings; 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 and the United Nations development system.

103. UNDP will continue to engage with the Executive Board, through the structured funding dialogue, to maintain a healthy level of regular resources, discuss progress made towards the mutual commitments of the funding compact, and to further shape the approach to future funding dialogues with sister agencies, in advancing and consolidating system reform efforts.
