UNDP Structured Funding Dialogue and Integrated Budget

29 August 2017, New York
Strengthening our role: from funding to financing

**SUSTAINABLE DEVELOPMENT IMPACT**
- Demand-driven financing
- Bridging funding gaps across SDGs
- More effective use of ODA and other resources
- Better alignment of public and private financing for SDGs

**HELPING COUNTRIES PLAN, ACCESS, LEVERAGE & MEASURE FINANCING FOR SDGs**
- **PLAN**: SDG financing frameworks
- **ACCESS**: Mobilize public and private funds
- **LEVERAGE**: Co-create solutions, de-risking
- **MEASURE**: Impact on SDGs

**DESIGNING NEW FINANCIAL INSTRUMENTS - UPDATING RULES AND POLICIES**
Low value grants, performance-based grants, on-granting, loans and guarantees

**MOBILIZING AND PROVIDING GRANTS**

**FUNDING**

**FINANCING**
UNDP Funding Architecture

- Total funding remained stable – approx. $5B/year
- Growth in third-party, government cost-sharing and vertical funds
- Declining core, a pattern across UNDS
- Core/non-core ratio (15:85, 2014-16)
UNDP Funding Objectives

- Stabilizing and reversing core in line with ambition of the 2030 agenda, QCPR and new SP
- Advocating for UN pooled funds in SDG implementation
- Increasing access to resources from vertical funds
- Increasing domestic resources for sustainable development
- Deepening and expanding partnerships with IFIs and private sector
SP 2018-21 Funding Outlook

- 2017 (estimated): $4.5b
- 2018: $4.9b
- 2019: $5.1b
- 2020: $5.3b
- 2021: $5.5b

**Funding Outlook**

- **Core**
- **Non-core bilateral/multilateral**
- **Non-core Gov CS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Core</th>
<th>Non-core bilateral/multilateral</th>
<th>Non-core Gov CS</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>$0.60</td>
<td>$3.00</td>
<td>$0.92</td>
</tr>
<tr>
<td>2018</td>
<td>$0.63</td>
<td>$3.37</td>
<td>$0.95</td>
</tr>
<tr>
<td>2019</td>
<td>$0.68</td>
<td>$3.47</td>
<td>$1.00</td>
</tr>
<tr>
<td>2020</td>
<td>$0.70</td>
<td>$3.58</td>
<td>$1.05</td>
</tr>
<tr>
<td>2021</td>
<td>$0.70</td>
<td>$3.68</td>
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Leveraging Financing for Development

Potential (additional) resources to be leveraged

Funding channeled through UNDP

- Additional resources that can be leveraged
- Contributions to UNDP from GEF/GCF, PS and IFIs
- Contributions to UNDP from other sources
Agenda for a Funding Dialogue

Unlocking Resources for country-led SDG results

ACCELERATION
Strategic partnerships with governments for SDG acceleration

DIVERSIFICATION & DIFFERENTIATION
Broadening the resource and partner base with customized offers

PREDICTABILITY
Multi-year funding commitments through strategic dialogues

ADDITIONALITY
Leveraging resources using new modalities (e.g. innovative/blended finance) and partnerships

CLARITY
In aligning resources to results

A transformed UNDP that delivers its Strategic Plan

REGULAR STRUCTURED FUNDING DIALOGUES FOR GREATER:
- Strategic Policy engagement
- Alignment of funding with SP priorities
- Quality and predictability
- Effectiveness, transparency and mutual accountability
Key objectives of the Integrated Resources Plan and Integrated Budget

- Accelerate delivery of top quality development results
- Strengthen link between results and resources, also facilitate sensitivity analysis
- Leverage UNDP’s strength of CO presence to support Partners including the UN system, by providing an integrator platform
- Articulate the role of core and reverse the downward trend
- Respond to crisis in a timely and effective manner, and integrate pathways towards recovery and sustainable development
- Strive for continued efficiency
Relationship between the Integrated Resources Plan and the Integrated Budget

Integrated Resource Plan

- Non core resources

Integrated Budget

- Core resources

LEGEND:
- Programmatic component
- Institutional component
Key features of the 2018 – 21 Integrated Resources Plan estimates

Enhanced resource mobilization strategy for sustainable development, resulting in contributions increasing from $18b to $21b

Increased expenditure from $20b to $24b, representing acceleration of development activities, improved costing of services, and higher level of institutional expenditure in the first biennium (i.e. 2018-19) as compared to the second biennium (i.e. 2020-21), to ensure organizational sustainability to enhance effectiveness and efficiency, and resources for implementation of strategic initiatives

Draw-down from accumulated resources provided for multi-year programmes from $3.0b to $1.6b

The 2018-21 Integrated Resources Plan and Integrated Budget estimates will be adjusted in line with any changes in the proposed Strategic Plan
Possible areas for strategic investments

*Estimated value of strategic investments for 2018-2021: $50 million*

- Innovate signature services
- Develop integrator platform
- Invest in differentiated country office network
- Leverage shared service centers
The role of regular (core) resources

The core resources enable UNDP to leverage on its key strengths to deliver on its SP and to contribute to SDGs, and provide an integrator platform for partners including the UN system.

### Country office network
- Sustain long term trusted relationships
- Optimize country support and presence at national and sub-national levels
- Enable coordinated, flexible and rapid response to development and emergencies
- Serve as operational backbone to UN system

### Integrator platform
- Provide institutional, operational and programme and policy capability for multi-sectoral responses – based on country ownership and priorities - for Partners including the UN system

### Thought leadership, innovation and quality assurance
- Enhance thought leadership, expertise and technologies, innovation, quality assurance, M&E
- Develop top line knowledge management practices and systems, enabling access to specialized expertise

### Leveraging financing for SDGs
- Support programme countries to plan, access, leverage and measure financing for SDGs, with focused support to LICs and LDCs
Consequence of drop in core for LICs

- **Planned** 2014-2017 Allocation for LICs of TRAC-1/TRAC-2 was: $1.48 billion
- **Actual** 2014-2017 allocation for LICs was: $1.16 billion
- **Reduction:** $0.32 billion (22% reduction)

**Reason** for reduction of allocation for LICs:
- Reduction of $0.32 billion in TRAC-1/TRAC-2 (22% of planned level of $1.48 billion)
- Whilst TRAC-1 was shielded, and hence the LICs received the same proportion of the TRAC-1
- TRAC-2 was not shielded, and hence the LICs received a reduced level of TRAC-2
- LICs received $0.92 billion of TRAC-1 (as originally planned, as TRAC-1 is shielded per EB decision) and $0.24 billion of TRAC-2 (compared to $0.57 billion planned, as TRAC-2 was not shielded)
**Core programmatic resources - implication of shielding**

### Re-cap of 2014-17 shielding:
1. Focus on LICs (85-91%) and LDCs (at least 60%)
2. Shielding of TRAC-1, TRAC-3, SRC, HDRO, South-South resulted in reduction of core resources available for non-shielded lines, e.g., regional programmes, TRAC-2, programmatic support to UNCDF and lines for DE related activities

### Proposals for 2018-21 (drawing on above):
1. Continued focus on LICs (85-91%) and LDCs (at least 60%)
2. Proposals will be presented to revise the current shielding methodology:
   a) A threshold of core resources will be established
   b) In the event that resources exceed the threshold, the shielded lines will increase and the non-shielded lines will not increase
   c) In the event that resources fall below the threshold, the shielded lines will not be reduced, but non-shielded lines will be reduced
   d) In the event that resources fall further, both the shielded and the non-shielded lines will be proportionally reduced
   e) This will prevent the heavy reduction in the non-shielded lines that are important in delivering a top quality programme, recognizing that development effectiveness (DE) plays a complementary role to programme

* Sum of 2014-2016 Actuals and 2017 Forecast
Core programmatic resources – Development Effectiveness (DE) budget lines

Development Effectiveness i.e. thought leadership, innovation and quality assurance

Global programme
Policy advisory services
Gender mainstreaming
Development support services
Economist advisory services

Global and regional support for country programming
In-country development effectiveness support for programming

POINTS TO NOTE:
1. Above DE related activities support the integration of professional standards, norms and quality assurance through specialized technical expertise to help countries access financing, by enhanced knowledge management practices and systems
2. Consider possible consolidation of these core programmatic lines with ‘DE’ related activities
3. These ‘DE’ lines were not shielded in 2014 - 2017
4. Consolidation would enhance focus and reduce fragmentation of core resources in the integrated budget framework
Role of cost recovery in financing UNDP institutional activities

Key messages:
1. IRP and IB, 2018-2021, are based on the present cost recovery methodology and rates approved by the joint Executive Boards of UNDP, UNICEF, UNFPA and UN WOMEN in their January 2013 joint session
2. UNDP will continue to improve cost alignment through improved costing of services and implementation of the cost-recovery policy with the support of UNDP funding partners
## Way forward

### SECOND REGULAR SESSION OF EXECUTIVE BOARD (EB, 5-11 SEP.)

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- Expected approval of final draft Regional Programmes and Global Programme
- Submission of data-populated IRRF to the EB
Questions - Comments - Guidance