Outline

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ODA context

Legacy effects of COVID-19, conflicts, and climate change are impeding global economic recovery.

With the war in Ukraine continuing, other ongoing crises could become peripheral, increasing the gap in financing humanitarian and development needs.

Recent policy shifts on aid budgets, security, and national interest influence how ODA gets allocated, channeled, and prioritized.

In 2022, ODA reached $204 billion, 13.6% higher than the previous year (the increase was mainly due to $29.3 billion (14.4% of total ODA) spent to cover in-donor refugee costs).
UN Development System Financing context

**STRENGTHS**

Adequately funded, the UNDS is an unparalleled multilateral platform to advance reform and the SDGs.

Funding Compact 2.0 offers an opportunity for ambitious and measurable indicators for stronger accountability and commitment from Member States and the UNDS.

**WEAKNESSES**

Growing pressure on ODA and increased earmarked funding compound an already challenging operational landscape for UNDS.

Declining core, heavy reliance on project-based funding and a handful of donors risk fundamentally changing the organizational character of UNDS entities.

**OPPORTUNITIES**

**THREATS**
2022 Financial Performance

$5.3 billion in total revenue, including voluntary contributions, a decrease of 6% from 2021

Core contributions decreased by 9% to $591 million from $648 million in 2021

$24.4 million in efficiency gains mostly from implementation of UNSDG business operations strategy

$4.8 billion in programme delivery - the highest in a decade

Increased allocations to programmes to 69% of regular resources from 66% in 2021

91 cents of every dollar spent went to programmes; every core dollar spent on programmes leveraged $10 in other resources

Received a 17th consecutive unqualified audit opinion and balanced the institutional budget for the 6th year in a row

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91 cents of every dollar spent went to programmes; every core dollar spent on programmes leveraged $10 in other resources

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Core contributions of $591 million were 9% lower than in 2021.

10 partners increased their core contributions and 6 partners signed new multi-year agreements bringing the total to 9.

Most funding streams were down in 2022 except for thematic funds and 3rd party cost sharing.

Contributions to thematic funds (funding windows) increased by 42% to $119 million.

Third-party cost sharing increased by 14% and accounts for 39% of total contributions.

Government financing amounted to $1.1 billion, exceeding the planned contribution estimate for 2022.

Contributions to local office costs (GLOC) amounted to $29 million in 2022.
Core contributors

THANK YOU
TO ALL OUR 2022 PARTNERS AT CORE
Progress on the MSs’ commitment remains slow while UNDP continues to deliver on its commitments.

The next iteration of the Funding Compact to have clearly measurable indicators, stronger ownership, and commitment across all MSs and translate into action from agencies and donors alike at both global, regional, and country levels.
Evolution of UNDP’s funding mix

**Past**
- Modest earmarked funding (branches)
- Strong core (trunk) support
- Considerable support base from donor and programme countries

**Present**
- Increased earmarked funding
- Weakening core support
- Declining support base (particularly from traditional funding partners)

**Future**
- Balanced levels of earmarked funding
- Healthy and growing core support
- Diversified and broadened support base from state and non-state partners
Factors contributing to the decline in core funding

**Factors contributing to the decline in core funding**

- System-Wide
  - Increased competition over flexible funding
  - Perceived inefficiencies in implementing organizations
  - Lack of diversification of core donors
  - Donors’ concerns regarding accountability, reporting and visibility requirements
  - Supply & demand problem: agencies chasing project funding for survival

- Economic
  - Oscillations in GNI and economic downturns
  - Volatility in markets and currency fluctuations
  - Domestic budget constraints
  - Donors’ economic interests vis a vis development goals
  - Lack of awareness on the need for sustained investments to address systemic issues

- Political
  - Political accountability towards constituencies
  - Political dynamics of donor institutions overseeing ODA
  - Political choice to prioritize core for other multilateral institutions over the UNDS
  - Policy gap between donor and organization
  - Prioritization of new emergencies over long term development issues

- Institutional
  - Donors' concerns regarding accountability, reporting and visibility requirements

- Perception
  - Trust deficit and skepticism toward multilateralism

- Policy
  - Choice of loans modality over grants

Decline in core funding to UN(DP)
Consequences of reduced core funding

1. Undermining the drive to end extreme poverty
   A cut in core funding will hit the most vulnerable hardest, making it difficult to implement programs and initiatives aimed at eradicating poverty, improving livelihoods, and achieving the SDGs.

2. Increased competition, misalignment between funding and results
   Earmarking encourages competition, where resource mobilization becomes driven not by mandate, but rather by funding opportunities (MOPAN 2020).

3. Slow and ineffective crisis response
   Without adequate levels of core funding, the UN system will face challenges in being present on the ground before, during, and after emergencies.

4. Less ability to leverage partnerships and resources
   Core resources remain critical to design and pilot innovative programmes that can be scaled up and generate additional funding from donors, IFIs, private sector.

5. Less funding to bolster oversight functions
   Core funding helps UN agencies to meet the highest standards in transparency, oversight, evaluation, and accountability.
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<th>Ways to address the decline in flexible funding</th>
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### Action by UNDP and the UNDS
- Accelerated Core action
- Diversifying core
- Engaging New Strategic Partners
- Thematic Funding Windows
- Innovative Digital Partnerships

### Action by Member States
- Renew and demonstrate political commitment through core support
- Provide multi-year funding commitments
- Support advocacy efforts
- Enhance policy coherence
- Engage in funding dialogue and seek solutions
Partners At Core campaign in Action

Mohamed Yahya
President Representative, UNDP Nigeria

A partnership between YAGA Africa, Local NGO, UNDP, and Government of the Netherlands.

Mohamed Yahya
President Representative, UNDP Nigeria

We are living in a crisis-torn world – investing in development is the only long-lasting solution.

@UNDevelopment & @UNDPAtCore explain how partnerships can help to transform communities and meet our promise to leave no one behind, go.un.org/QUJ1 RUNDPC PartnersAtCore

Core Resources

September 7, 2022

All eyes are on Ukraine right now, where the feasibility of Core Resources is enabling us to work as swiftly and decisively as the situation demands. But the devastating consequences of the war in Ukraine have spread far beyond the region’s borders. Coming on top of a world made ever more fragile by COVID-19, the conflict is one of the factors pushing hundreds of millions into poverty and creating the century’s biggest cost-of-living crisis.

UNDP’s support to those living in some of the hardest places, in the most difficult of times – whether in Ukraine, Pakistan, Afghanistan, Yemen, Haiti and beyond – is made possible thanks to flexible funding which allows us to work with those who need help the most from Day One.