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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. The present report provides an update on the structured funding dialogues, an overview of resource trends and progress made towards financing the UNDP Strategic Plan, 2022–2025, and harmonized annual reporting on the implementation of entity-specific commitments of the funding compact. A full review of the 2023 financial situation is presented in annex I and progress on the entity-specific commitments of the funding compact in annex II.

At the midpoint of the 2022–2025 Strategic Plan, UNDP continues to experience a decline in flexible and predictable funding with contributions to regular resources for 2022 and 2023 falling short of targets by 21 per cent. Had the targets been met, UNDP modelling estimated that 14.4 million more people could have accessed services to escape poverty, 5.1 million more could have gained access to clean energy and 88 million more could have participated in elections.

Contributions to regular resources for 2023 dropped by 4 per cent and the share of regular resources against total funding fell to 11 per cent. As the share of regular resources funding to UNDP drops, its ability to operate as a global public institution providing integrated solutions in response to demand from programme Governments is severely undermined.

UNDP makes every effort to perform at the highest possible level, delivering \$4.8 billion in programme expenses and meeting 95 per cent of planned programmatic targets for 2023. With continued fiscal discipline, UNDP balanced its institutional budget for the seventh consecutive year and increased expenditure towards development programmes and services to 92 cents of every United States dollar, surpassing the projected target of 91 cents for the 2022–2025 period and obtained a clean audit opinion from the United Nations Board of Auditors for the eighteenth consecutive year. This situation, however, is not sustainable as lagging contributions will impose growing constraints on the organization's capacity to fund the programmatic and institutional activities required to scale up investments, maintain institutional stability in an uncertain and demanding world, and realize the ambitions of its Strategic Plan.

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/2024/26) 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 continuing decline of regular resource contributions and the impact on the ability of UNDP to deliver the intended results of the Strategic Plan, restore and accelerate progress towards the Sustainable Development Goals and maintain robust oversight and accountability systems;
- (c) Recall the importance of funding predictability and multi-year contributions 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 to complement regular resources, 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 prioritizing contributions to regular resources, shifting from highly earmarked to 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, 2023
- 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 Plan, 2022-2025, progress made on entity-specific commitments of the funding compact and financial highlights for 2023. The report also includes information on resources budgeted and expended for each signature solution of the Strategic Plan, as called for in Executive Board decision 2023/20.

2. The structured funding dialogues provide an opportunity for UNDP to have critical discussions with Member States and make the case for securing adequate levels of flexible and predictable funding to achieve the objectives of the Strategic Plan and the funding compact.

3. In 2023, UNDP received \$5 billion in annual contributions, including \$566 million in regular resources. Despite a 1 per cent increase in annual contributions from 2022, regular resources declined by 4 per cent and the proportion of regular resources fell to 11 per cent from 12 per cent in 2022, moving farther away from the funding compact target of 30 per cent. The increased effort to give visibility to contributors to regular resources and the results achieved with support of regular resources has not yet translated to increased contributions, suggesting that further work and engagement with donors is required.

4. Regular resource contributions will determine the achievement by UNDP of the overall objectives of the Strategic Plan. While UNDP will continue to perform at the highest possible levels of effectiveness, efficiency and accountability, lagging contributions pose a real risk of missing the ambition of the Strategic Plan and the chance to fully capitalize on progress through integrated responses to crisis and development.

II. The United Nations funding compact

5. The initial funding compact, adopted in 2018, reached its last year of implementation in 2023. Despite a concerted effort to fulfil the funding compact commitments by both Member States and the United Nations development system, the funding behaviour and patterns remain too fragmented, inflexible and unpredictable to be impactful. There is a recognition that the United Nations development system is facing overwhelming demands but persistent underfunding to address them effectively. Having reflected on the progress, challenges and lessons learned, Member States and the United Nations development system initiated a consultative process and developed a revamped funding compact, which has been discussed by the Economic and Social Council at its 2024 operational activities segment.

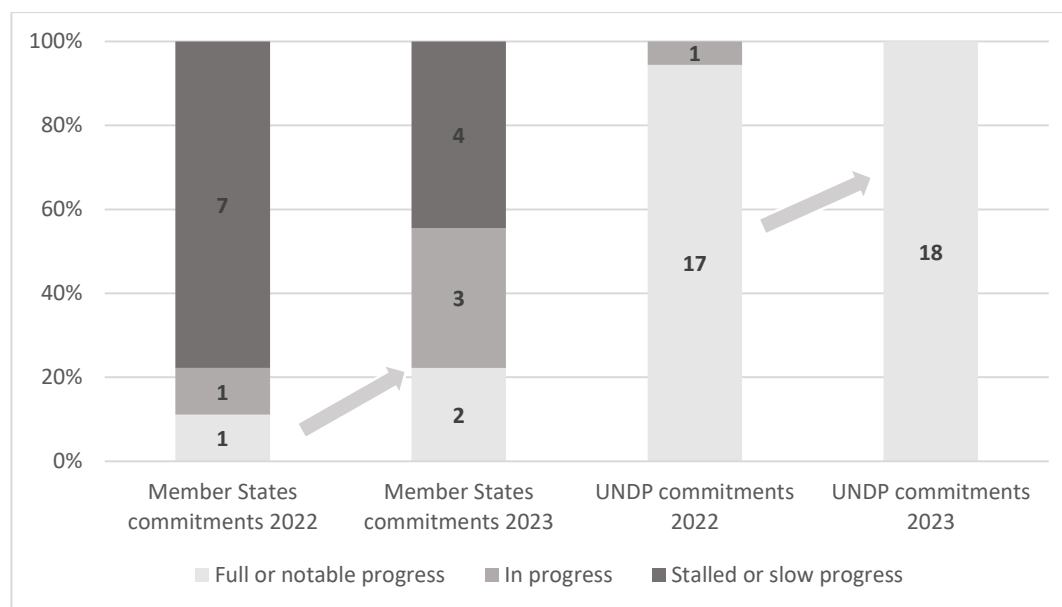
Tracking the funding compact commitments

6. The implementation of the funding compact over the last five years reveals a mixed outcome. At the system level, the United Nations Sustainable Development Group fulfilled 83 per cent of its commitments while Member States only achieved 48 per cent. The United Nations remains the multilateral institution with the highest share of earmarked funding, which the funding compact was unable to significantly resolve. As noted by the [Report of the Secretary-General](#), contributions to regular resources accounted for just 16.5 per cent of the \$54.5 billion in funding received by the United Nations development system. Excluding assessed contributions, core funding accounted for only 12 per cent of total voluntary funding in 2022, the lowest share ever, which poses a real threat to the coherence and effectiveness of the United Nations development work.

7. In 2023, UNDP managed to meet all its entity-specific commitments, including increased development-related expenditures on joint activities which has been lagging. On the Member States' side, progress has been made on 56 per cent of commitments related to increased support to flexible thematic and pooled funding (see figure I). However, contributions to UNDP regular resources funding remain far below the funding compact target. This is

accentuated further by a lack of growth in the number of contributors to regular resources and multi-year funding agreements. With this trend, UNDP may find it difficult in the near future to adequately respond to country demands and adhere to high transparency, oversight and accountability standards.

Figure I. Progress on funding compact commitments, 2023



Aligning funding to the requirements of the Strategic Plan

8. In the current challenging funding climate, UNDP saw a further erosion in regular resource contributions in 2023, counter to the ambitions of the Strategic Plan. The balance between regular and other resources remained poor, with regular resources constituting only 11 per cent of total funding, well below the 30 per cent target. Across the United Nations development system, a similar imbalance is evident.

9. Moreover, the number of Member States contributing to regular resources dropped to 37, 2 less than in 2022, and the proportion of multi-year agreement contributions fell to 31 per cent from 33 per cent in 2022. Along with efforts to promote flexible and predictable funding and enhance contributor visibility, UNDP is intensifying its advocacy for quality funding and efforts to expand its regular resource contributor base. Through its corporate resource mobilization strategy, UNDP prioritized stabilizing core funding and expanding strategic partnerships, including making a strong case for financial and political support from existing and new partners, supported by the PartnersAtCore campaign, which focuses on visibility at the country level.

10. Funding windows remain vital for UNDP to receive flexible thematic funding, complementing regular resources. Although funding through these windows increased from \$119 million in 2022 to \$126 million in 2023, it still only represents 3 per cent of other resources, below the 6 per cent milestone. The number of contributors to the funding windows increased from 9 to 12 in 2023.

11. The share of other resource contributions to the overall United Nations development system through inter-agency pooled funds was 11.4 per cent in 2022, slightly down from 12.3 per cent in 2021 but above the 10 per cent target. Contributions to UNDP from pooled funding, as a share of other resources remained at 5 per cent, with further discussion in chapter V.

12. UNDP remains concerned about the slow shift from highly earmarked to flexible funding. This sluggish progress and the challenging funding landscape hinder its ability to address complex development challenges effectively. With 86 per cent of resources earmarked for specific projects, alignment with strategic objectives is compromised.

13. To combat this, UNDP is implementing its resource mobilization strategy by deepening political and strategic engagements with long-standing major donors and new partners to secure flexible funding and prevent further reductions in regular resource contributions. It has launched thematic offers to mobilize flexible funding for priority areas of the Strategic Plan and is expanding substantive dialogues on funding windows beyond contributing partners, enhancing communication at the country and regional levels and strengthening results-based planning.

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

14. UNDP deepened partnerships with United Nations entities in 2023, conducting joint activities and achieving results. It met the 15 per cent target for allocating other resources expenditures to joint programmes and collaborated with several United Nations entities across diverse areas including human rights, social protection and resilience. UNDP also supported system-wide interventions at global, regional and country levels through closer partnerships with United Nations entities.

15. In advancing the Sustainable Development Goal financing agenda, UNDP led the development and implementation of integrated national financing frameworks in 50 of 89 fragile and conflict-affected countries, unlocking new financing sources and expanding partnerships with international financial institutions (IFIs) and the private sector.

16. In 2023, 44 common country analyses and 40 United Nations Sustainable Development Cooperation Frameworks were reviewed to identify successes, lessons learned and key challenges for improvement. UNDP ensured full alignment of its country programmes with the Cooperation Frameworks, with 113 aligned to date, including 29 new ones in 2023. This alignment was confirmed through internal compliance mechanisms and verified by resident coordinators.

17. UNDP contributed the highest cost-sharing amount of any single development system entity at \$10.6 million in 2023 and collected an additional \$8.6 million for the 1 per cent coordination levy, totalling \$19 million channelled to the Special Purpose Trust Fund. However, decreasing regular resource contributions challenges the organization's ability to fully meet its funding obligation to the resident coordinator system, highlighting the need for sustainable funding for the resident coordinator system and the overall United Nations system as outlined in the funding compact.

Commitment to transparency, visibility and accountability

18. Since 2016, UNDP has been a leader in transparency, publishing financial, procurement, programme, evaluation and audit information on public websites. It has also led outreach with partner countries and United Nations agencies to promote the aid transparency standard for national development planning and other country-level processes.

19. The UNDP funding compendium acknowledges all funding partners, with special recognition for contributors to regular, thematic and pooled funds. The PartnersAtCore campaign highlights regular resource contributors using social media and other platforms. The annual report and online portal for funding windows recognize thematic fund contributors. The UNDP transparency portal provides open access to data on over 4,000 projects and includes donor profiles.

20. In 2023, the UNDP Independent Evaluation Office worked with other United Nations entities on three joint evaluations, including one system-wide evaluation. All UNDP evaluation plans, reports and management responses are publicly available. The majority of

recommendations from independent country programme evaluation have been implemented, and the number of decentralized evaluations rated as "satisfactory" has doubled in four years, reflecting the UNDP commitment to being a learning organization.

Increasing efficiencies

21. UNDP regularly updates the Executive Board on its support for [the Secretary-General's efficiency agenda](#). A key aspect is the implementation of the business operations strategies, central to the efforts of the United Nations Sustainable Development Group. UNDP leads the development of the second generation of the strategies and chairs operations management teams in 59 countries. UNDP has contributed significantly to the advancement of common back offices. Collaborations in business operations activities at a country level through implementation of the strategies resulted in \$23 million in efficiency gains, mainly driven by common administration services. Additionally, its own initiatives in corporate digitalization have led to estimated efficiencies of \$19.4 million for UNDP.

22. Aligned with its Strategic Plan, UNDP has optimized its corporate systems, resulting in streamlined business processes and increased efficiencies. The launch of the Quantum platform in 2022, by UNDP and seven other United Nations organizations, marked a major digital shift, integrating various business processes from procurement to human resources and project management. Quantum automated nearly 3,000 business processes while adhering to modern data privacy standards. Further optimizations are being achieved through stable and efficient clustered common services. UNDP operates the United Nations system's largest follow-the-sun service centre network, supporting its offices in over 170 countries and territories and 85 United Nations entities, enhancing operational effectiveness across different time zones.

Harmonized approach to structured funding dialogues and the funding compact

23. UNDP, the United Nations Population Fund, the United Nations Children's Fund and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) harmonized their structured funding dialogue reporting, improving comparability and analysis of resource gaps in response to Executive Board requests. UNDP has played an active role in rejuvenating the funding compact, contributing substantive inputs and participating in technical discussions to streamline and enhance the commitments and indicators of funding compact 2.0.

Internalizing/operationalizing the new funding compact (2.0)

24. The funding compact 2.0 represents a collective effort to enhance the political and shared commitment between Member States and the United Nations development system for improved funding and results delivery. Built on the premise that adequate, predictable funding, transparency and accountability are essential for collaborative, effective and efficient delivery, this compact is crucial for responding to complex challenges and achieving the Sustainable Development Goals amid growing development and humanitarian needs.

25. UNDP anticipates that the funding compact 2.0 will reinforce mutual accountabilities for development funding between Member States and United Nations entities and streamline monitoring and reporting metrics. Upon endorsement by the Economic and Social Council, UNDP will internalize and operationalize the compact by setting entity-specific baselines and targets, integrating them with internal systems and processes. Developed under the leadership of the Development Coordination Office, a communication plan will promote the funding compact at the country level. Given the renewed momentum, it is vital for Member States to fulfil their funding commitments and match the efforts of the United Nations system.

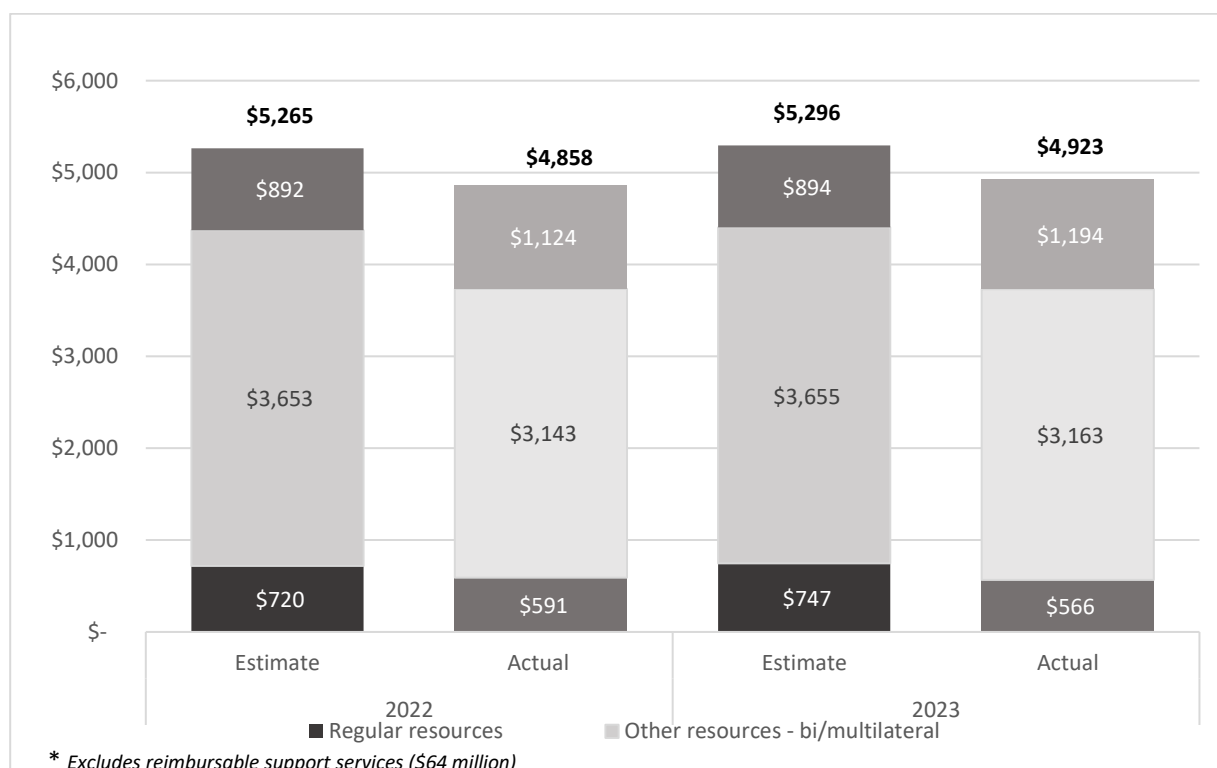
III. Resources supporting the UNDP Strategic Plan, 2022-2025

26. 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, initially projected total contributions of \$21.6 billion (\$3.0 billion in regular resources and \$18.6 billion in other resources). The midterm review of the integrated resources plan and integrated budget (DP/2024/13) provided updated planning estimates for 2022-2025 taking into account actual performance in 2022-2023, and revised estimates for 2024-2025 that continue to reflect realistic optimism based on trend analysis and macro considerations.

27. Against the initial contribution estimate of \$10.6 billion for 2022-2023, UNDP has received \$9.8 billion, meeting 92 per cent of the planned level as shown in figure II. Against the contribution estimate of \$5.3 billion for 2023, UNDP met 93 per cent of the planned amount, receiving \$4.9 billion comprising \$0.6 billion in regular resources, \$1.2 billion from government financing and \$3.1 billion in bilateral/multilateral contributions. Once again, government financing exceeded the contribution estimate by 34 per cent, a testament to programme countries' continued trust in UNDP.

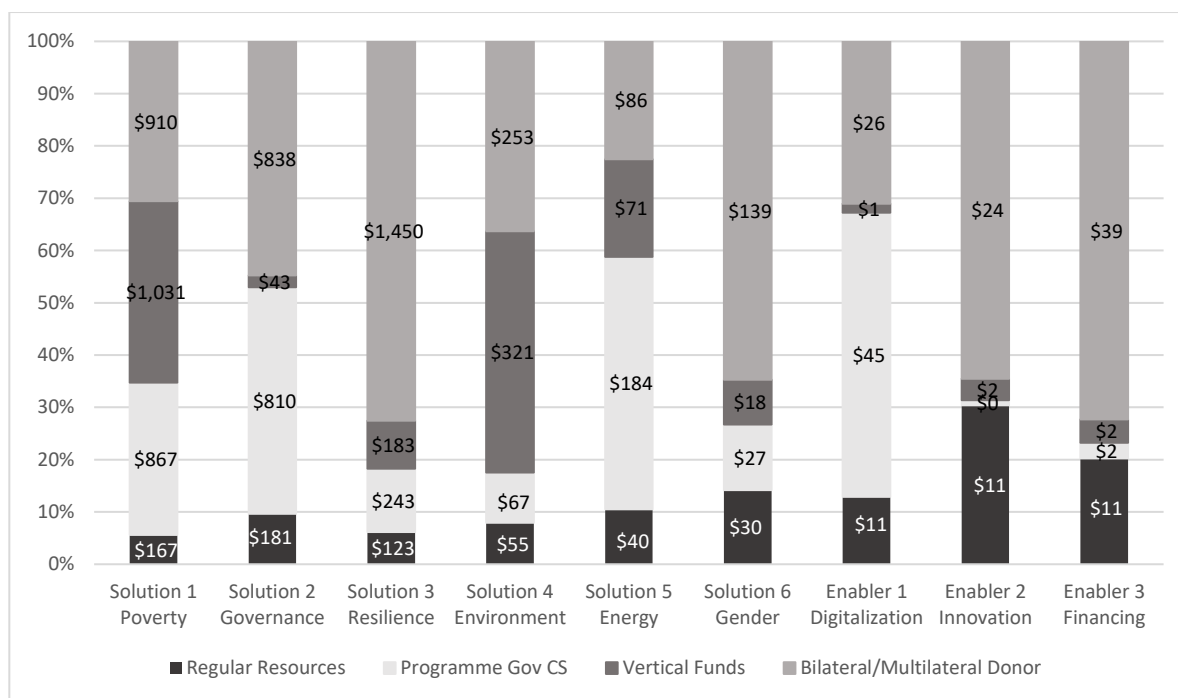
Figure II. Projected and actual contributions for 2022 and 2023*

(In millions of United States dollars)



28. As presented in figure III below, for the period 2022-2023, UNDP invested \$8.3 billion in programme resources across its six core development areas or signature solutions, powered by three enablers – digitalization, innovation and financing – to accelerate development impact. The largest expenditure was on poverty and inequality (\$3 billion), followed by resilience (\$2 billion) and governance (\$1.9 billion).

Figure III. Programme expenditure by signature solution and funding channel, 2022-2023
(In millions of United States dollars)



29. Regular resources are distributed across all signature solutions and are critical in filling gaps in underfunded areas of the Strategic Plan. While bilateral/multilateral resources mostly supported UNDP work on resilience, government financing was largely invested in poverty and governance. With the UNDP inclusive development approach, poverty and inequality was mostly supported by vertical funds, particularly the Global Fund to Fight AIDS, Tuberculosis and Malaria, which provided 1.68 million people in 57 countries with antiretroviral treatment in 2023.

30. UNDP is steadily moving towards its moonshot of 100 million people leaving multidimensional poverty by 2025. Since the Strategic Plan period began, through UNDP programmes, nearly 72 million people have gained access to essential services and 39 million acquired access to financial services and non-financial assets.

31. Through its governance programmes, UNDP assisted 36 elections with 439 million voters in 2022-2023, making progress towards its moonshot of supporting 800 million registered voters to participate in elections by 2025.

32. UNDP work on resilience over the last two years shows the positive impacts that acting across the humanitarian-development-peace nexus can have on vulnerable populations. For example, in the Lake Chad region, the UNDP Stabilization Facility has allowed 435,000 displaced persons to return home. Livelihood prospects have improved for 400,000 people in Niger, while Chad enhanced security services for nearly 80,000 people.

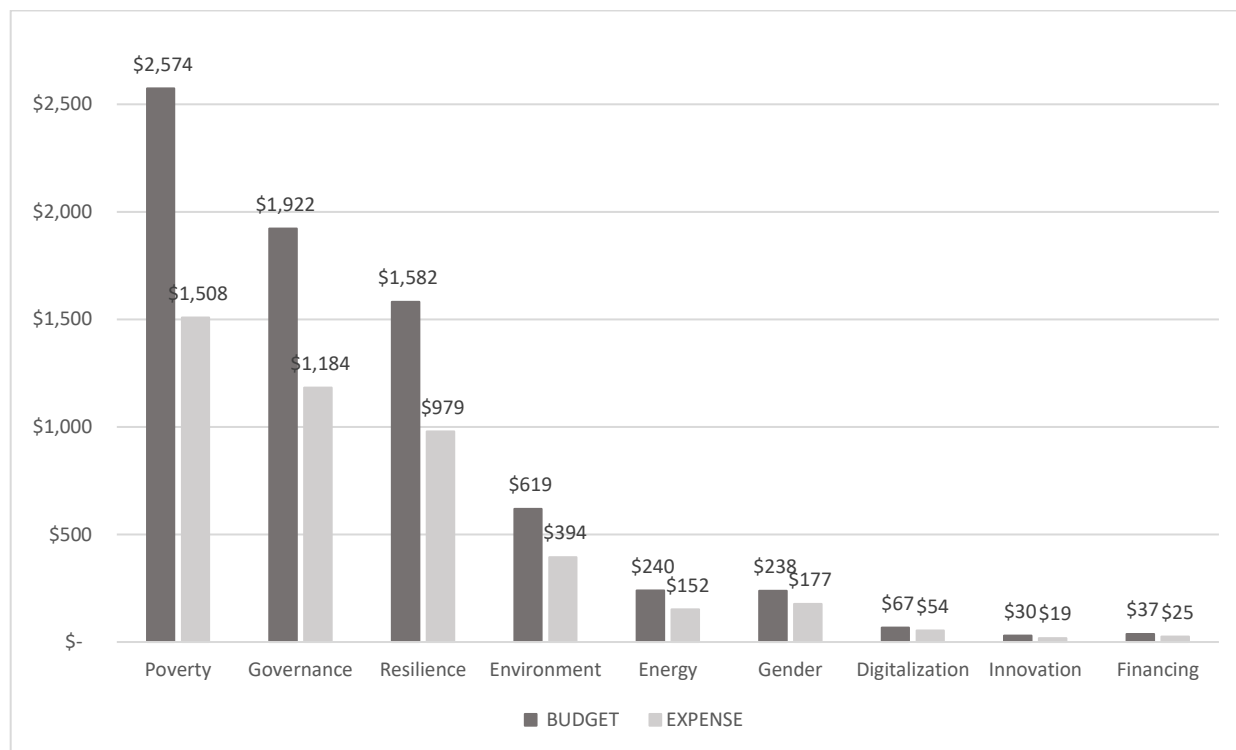
33. Results achieved under each signature solution are discussed in detail in the annual report of the Administrator (DP/2024/12).

34. Figure III(a) below shows resources budgeted and expended for each signature solution in 2023. Delivery rates across the signature solutions were 60 per cent or higher, with gender leading the way

at 74 per cent. An analysis of country-level results showed increased country-level spending on gender mainstreaming.

Figure III(a). Budget and expenditure by signature solution, 2023

(In millions of United States dollars)



IV. The UNDP financial situation, 2023

35. In 2023, total revenue, including voluntary contributions, was \$5.9 billion, an increase of \$612 million (12 per cent) from 2022. Voluntary contributions were \$5.4 billion, an increase of \$372 million (7 per cent) from 2022. The increase in voluntary contributions was the result of higher revenue from cost-sharing contributions, mainly from the top three donors.

36. Total expenses were \$5.6 billion, an increase of \$237 million (4 per cent) from 2022. Programme expenses were \$4.8 billion, an increase of \$140 million (3 per cent) from 2022.

37. UNDP had a surplus of revenues over expenses of \$350 million, compared with a deficit of \$25 million in 2022. The increase stems primarily from the fact that UNDP funding is received on a cyclical basis, where 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.

38. The 2023 institutional budget was fully balanced for the seventh consecutive year.

39. In 2023, 65 per cent of regular resources were allocated to development programmes (69 per cent in 2022), and 35 per cent to institutional activities (31 per cent in 2022). The decrease reflects a lower 2023 core programme budget compared to 2022, which has been mitigated by the redeployment of available reserves and alternative funding sources with a view to continuing to meet the target set out in the Strategic Plan. 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.

40. Overall, in 2023, 92 cents of every dollar spent went to programmes and services to achieve development results, this is a slight increase from prior years. Every \$1 in regular resources spent on programmes leveraged \$11 in other programme resources.

Table 1. The UNDP financial situation, 2022-2023

(In millions of United States dollars)

	2023	2022	Increase/ (decrease)	Percentage change
Revenue ^a	5 934	5 322	612	12%
Expenses ^a	5 584	5 347	237	4%
Net revenue	350	(25)	375	1 500%
Assets	15 279	14 822	457	3%
Liabilities	3 218	3 073	145	5%
Net assets	12 061	11 749	312	3%
<u>Composed of:</u>				
Accumulated balance ^b	11 755	11 440	315	3%
Reserves ^c	306	309	(3)	(1%)
	12 061	11 749	312	3%

^a Revenue and expense amounts are after elimination of internal cost recovery of \$287 million in 2023 and \$270 million in 2022.

^b \$11.8 billion total accumulated surpluses in 2023 include:

- \$4.9 billion of non-exchange receivables, of which \$2.2 billion represents funds available for programming after 2024. These funds are not available for programming currently.
- \$5.8 billion is earmarked to be used in future programming including cost-sharing, trust funds, reimbursable support, and other activities. Only \$229 million of this relates to core funding.
- \$1.1 billion of cash and investments for after-service health insurance and end-of-service portfolios and specific purpose which are ringfenced and not available for programming.

^c On calculating the operational reserves for 2023, \$3.0 million was released from the operational reserve to the accumulated surpluses. 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: \$6 221 million in 2023; \$5 592 million in 2022

Total expense: \$5 871 million in 2023; \$5 618 million in 2022

Annual contributions¹

41. 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.

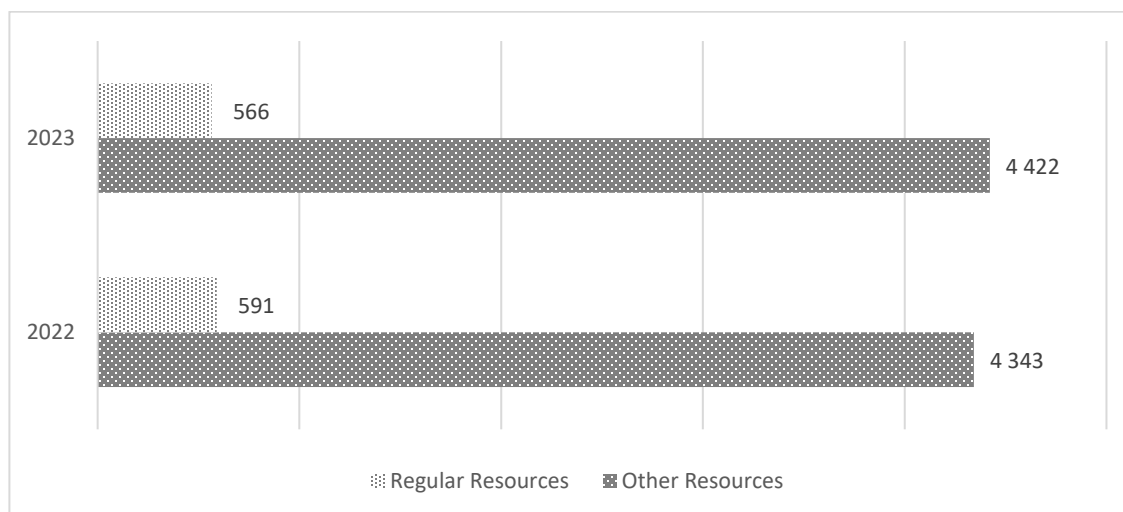
42. Annual contributions increased by 1 per cent to \$5.0 billion in 2023, from \$4.9 billion in 2022. Annual contributions to regular resources decreased by 4 per cent to \$566 million, down from \$591 million in 2022 as illustrated in figure IV below. Annual contributions to other resources increased by 2 per cent to \$4.4 billion, from \$4.3 billion in 2022. Table 2 below shows the revenue breakdown, including annual contributions.

Table 2. UNDP revenue, 2023
(In millions of United States dollars)

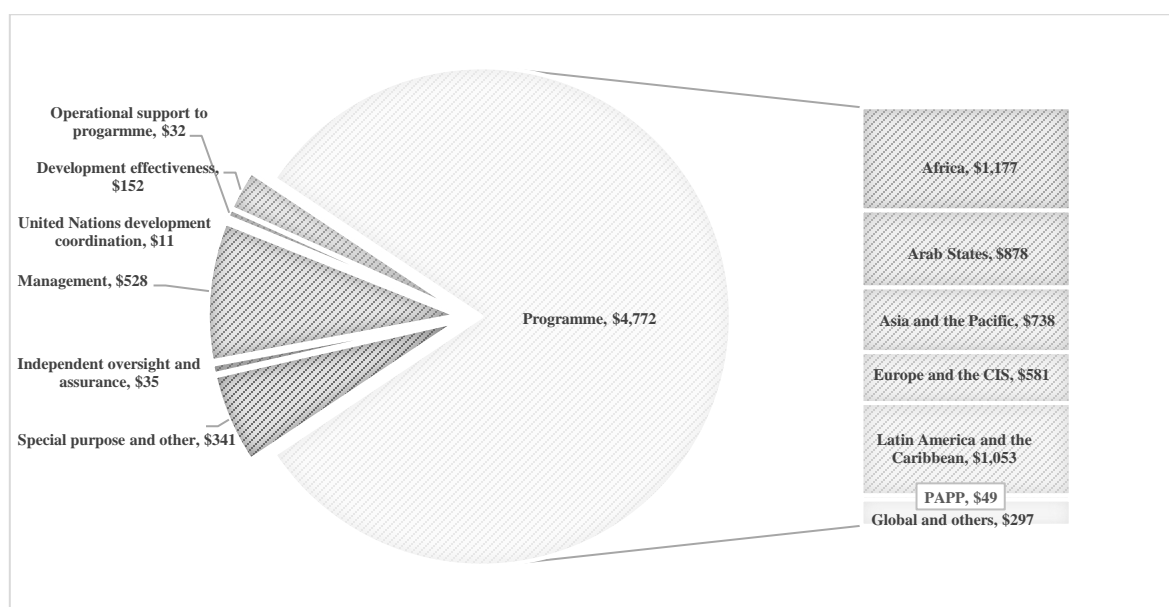
Resources	2023	2022	Increase/ (decrease)	Percentage change
Revenue				
Voluntary contributions				
Annual contributions	4 988	4 934	54	1%
Net movement of future due contributions	348	86	262	-
Subtotal: voluntary contributions	5 336	5 020	316	6%
Government contributions to local office costs	35	21	14	67%
Net contributor country contributions	9	9	-	-
Upper-middle-income-country contributions	10	9	1	11%
Contributions in kind	25	17	8	47%
IPSAS 41 discounting adjustment ²	(8)	-	-	-
Transfer of funds and refunds to donors	(38)	(79)	(41)	(52%)
Voluntary contributions, net	5 370	4 998	372	7%
Investment revenue	344	101	243	241%
Other revenue	508	493	15	3%
Total revenue before elimination	6 221	5 592	629	11%
Elimination – internal UNDP cost recovery	(287)	(270)	17	6%
Total revenue after elimination	5 934	5 322	612	12%

¹ 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.

² Upon adoption of IPSAS 41 with an initial application date of 1 January 2023, UNDP measured the non-current, non-exchange receivables at amortized cost by discounting their nominal value from the estimated date of future cash receipts. This resulted in a reduction of the value of UNDP’s non-current assets.

Figure IV. Annual contributions to UNDP, 2022-2023*(In millions of United States dollars)***Expenses**

43. Of total expenses of \$5.9 billion (excluding the effect of the elimination of internal cost recovery of \$287 million), \$4.8 billion or 81 per cent was spent on programmatic activities. The Africa region continued to have the largest proportion, amounting to \$1.2 billion (25 per cent). A total of 37 per cent of UNDP programme expenses (\$1.7 billion of \$4.8 billion) was attributed to the 10 largest country offices, in Argentina, Iraq, Yemen, Zimbabwe, Afghanistan, Lebanon, Ukraine, Democratic Republic of the Congo, Indonesia and Colombia. 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, 2023*(In millions of United States dollars)*

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

Financial position

44. Total assets registered of \$15.3 billion represent an increase of 3 per cent from 2022. UNDP assets comprise investments of \$8.8 billion (2022: \$8.5 billion), cash and cash equivalents of \$1.0 billion (2022: \$868 million) and non-exchange receivables of \$4.9 billion (2022: \$5.0 billion).

45. Contributions receivable of \$4.9 billion include \$4.8 billion committed by partners for future years, as set out in the payment schedule of signed agreements. The \$4.8 billion is programmed for delivery in future years and consists of contributions receivable of \$272 million for regular resources and \$4.6 billion for other resources.

46. Total liabilities amounted to \$3.2 billion, an increase of \$145 million, or 5 per cent comparing to 2022 (\$3.1 billion). The change is attributable mainly to accounts payable, which increased by \$174 million, funds held in trust for the Multi-Partner Trust Fund Office, which increased by \$24 million and offset by employee benefit liabilities, which reduced by \$68 million.

47. UNDP holds \$1.1 billion in cash and investments to fund its after-service health insurance liabilities (131 per cent funded)³, (2022: \$917 million and 103 per cent funded) and \$60 million to fund its end-of-service/repatriation liabilities (56 per cent funded) (2022: \$61 million and 61 per cent funded). UNDP has lowered its payroll surcharge for after-service health insurance from 6 per cent to 5 per cent in 2023 and in 2024, it has been set at 1 per cent. The after-service health insurance funding ratio can fluctuate significantly from year to year due to the volatility inherent in the actuarial valuation.

Accumulated surplus

48. As of 31 December 2023, the accumulated balance, excluding reserves, increased by 3 per cent, to \$11.8 billion (2022: \$11.4 billion). The accumulated surplus includes \$4.9 billion of non-exchange receivables (2022: \$5.0 billion). A significant portion of accumulated surpluses is therefore not available for programme delivery. Under the 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 by \$84 million or 9 per cent in 2023 due to a reduced per capita medical claims cost and higher enrolment in the United States Medicare programme, offset in part by the decrease in the single equivalent discount rate in 2023. This had a positive financial impact on the accumulated surplus which is not expected to recur.

49. In line with Executive Board decision 1999/9, a prudent level of liquidity for regular resources is equivalent to three to six months' expenditure. UNDP exceeded the minimum liquidity requirement for regular resources with 4.7 months of average expenditure in 2023 (2022: 5.0 months).

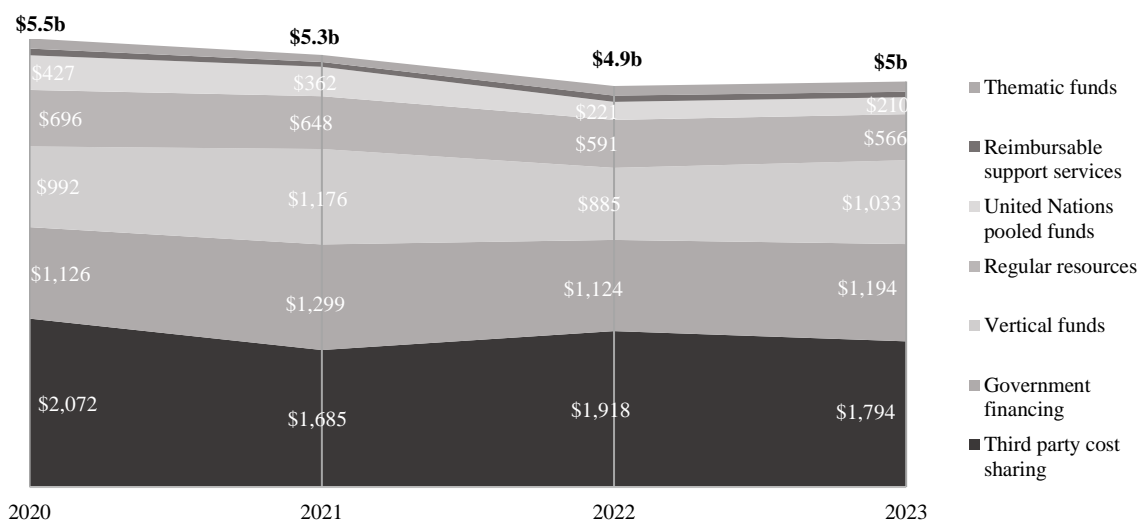
50. Annex I provides a full and detailed review of the UNDP financial situation for 2023.

V. Resources by funding source

51. Global growth proved surprisingly resilient in 2023 with supply chain and inflationary pressures abating more quickly than anticipated. Official development assistance reached a new high with increases primarily due to aid for Ukraine, humanitarian aid and contributions to international organizations, mostly to the World Bank.

52. Total annual contributions to UNDP for 2023 slightly increased to \$5 billion from \$4.9 billion in 2022. However, the share of regular resources fell to 11 per cent, moving farther away from the funding compact target of 30 per cent.

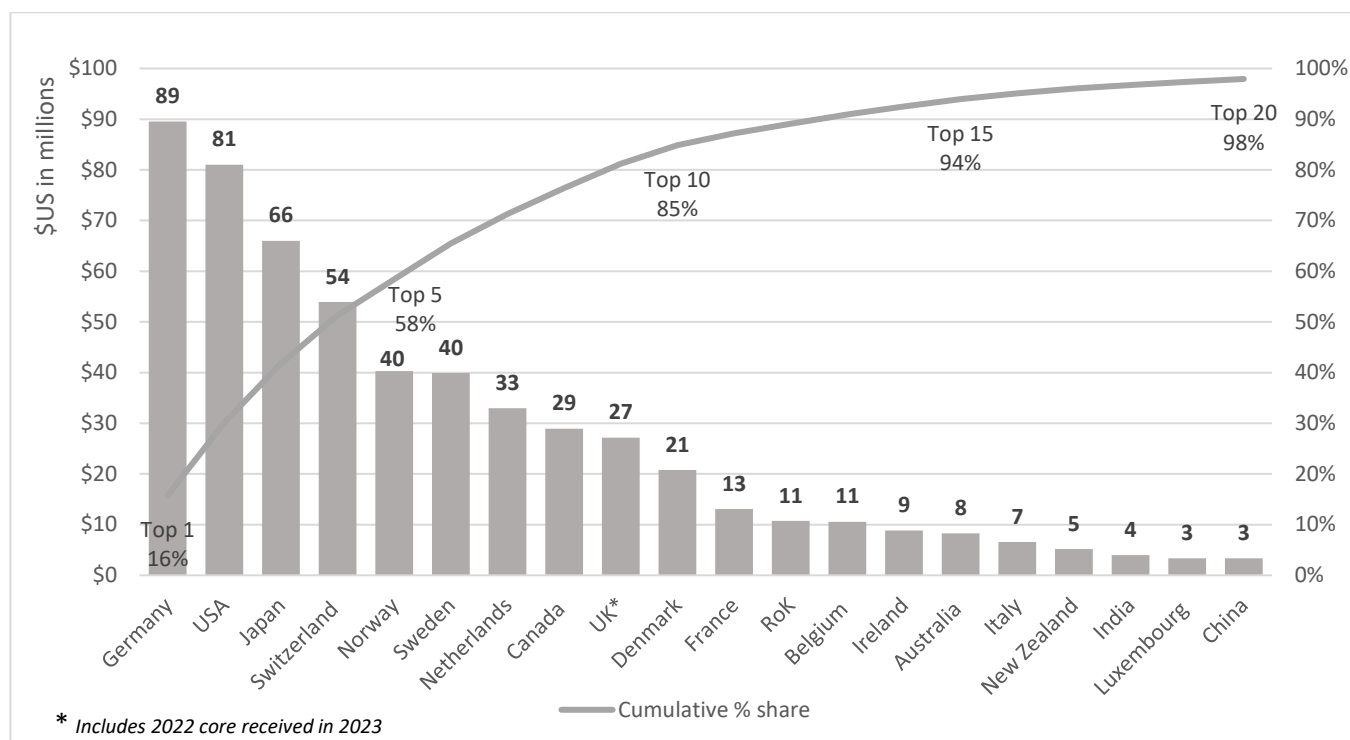
³ The excess in funding is temporary in nature and primarily due to the volatility of the actuarial valuation of the after-service health insurance liabilities.

Figure VI. Contributions by funding channel, 2020-2023*(In millions of United States dollars)***Regular resources**

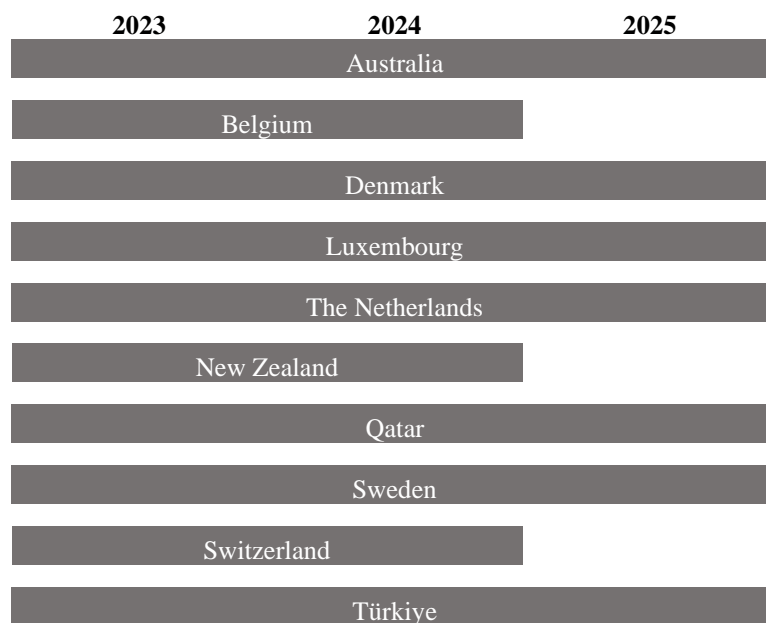
53. Annual contributions to regular resources in 2023 decreased by 4 per cent to \$566 million from \$591 million in 2022. Factors contributing to the decrease include reduced or delayed contributions from donors, currency fluctuations and the absence of exceptional top-ups received in 2022.

54. UNDP appreciates the increased contributions to regular resources in 2023 (listed by total contribution) from the Governments of Germany, Japan, Norway, France, Republic of Korea, Ireland, Spain, Austria, Liechtenstein and Andorra.

55. Countries that are not members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) contributed \$12 million in regular resources in 2023, including the Governments of India (\$3.9 million), China (\$3.4 million), Saudi Arabia (\$2 million) and Türkiye (\$1.2 million). In addition, 68 programme countries contributed to funding UNDP local office costs amounting to \$35 million in 2023. While this signifies a broadening funding base, the top 10 contributors continue to account for 85 per cent of total contributions to regular resources as shown in figure VII.

Figure VII. Top 20 contributors to regular resources, 2023*(In millions of United States dollars)*

56. Ten partners (Australia, Belgium, Denmark, Luxembourg, Netherlands, New Zealand, Qatar, Sweden, Switzerland and Türkiye) had multi-year agreements in place in 2023. Contributions backed by multi-year agreements made up 31 per cent of total regular resources contributions in 2023, down from 33 per cent in 2022.

Figure VIII. Multi-year agreements in 2023 and future years

57. UNDP continues to encourage partners to disburse their payments early to facilitate effective planning and reduce the risks associated with currency fluctuations. In 2023, 55 per cent of contributions to regular resources were received in the first half of the year, 25 per cent more than in 2022.

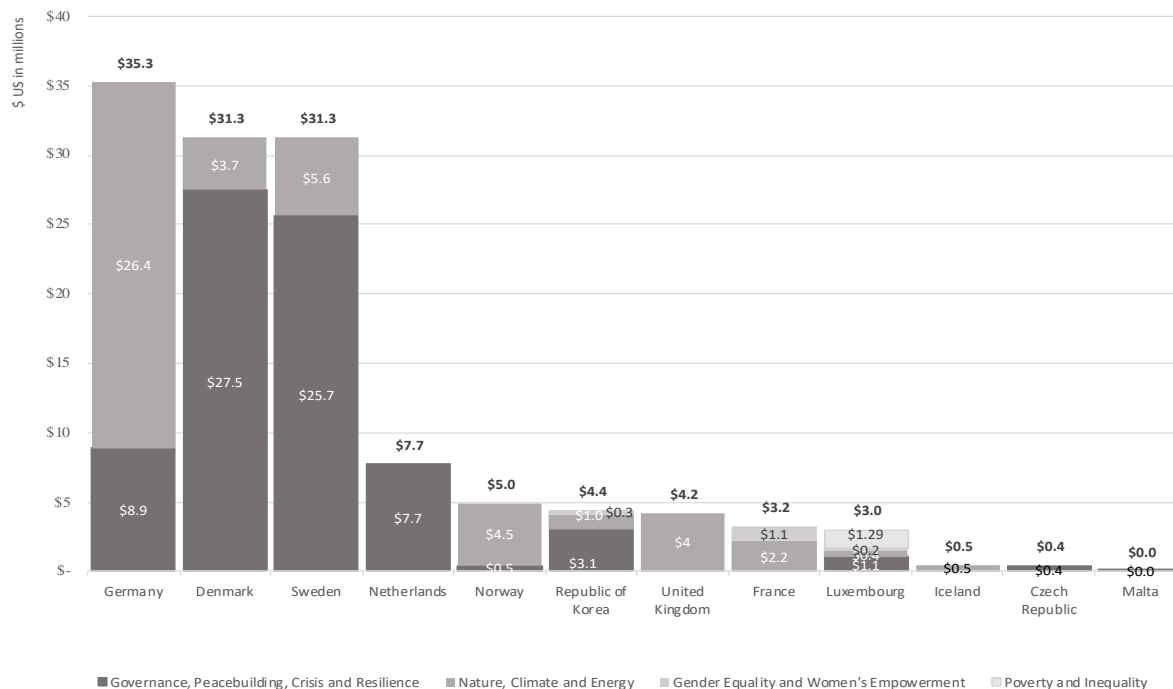
A. Thematic funds

58. Thematic funding is a critical complement to regular resources. In 2023, contributions to the funding windows increased by 6 per cent to \$126 million from \$119 million in 2022. UNDP is grateful for the support of the Governments of Germany, Denmark, Sweden, Netherlands, Norway, Republic of Korea, United Kingdom, France, Luxembourg, Iceland, Czechia and Malta for this funding channel.

59. In 2023, the funding windows delivered \$112 million in 119 countries, including investing 36 per cent of total resources in 56 fragile contexts and 30 per cent in 42 least developed countries.

60. The funding windows supported income-generation and livelihood opportunities for over 69,600 people (53 per cent women) in 20 countries, more than 2,880 micro, small and medium-sized enterprises and businesses and the creation of over 9,400 short-term jobs in eight crisis and fragile countries. The funding windows also supported improved access to essential services in 13 countries for over 380,000 people including by building or rebuilding over 1,300 public infrastructures. Over 40 initiatives, policies and strategies to protect and promote civil society, inclusive spaces and capacities for public dialogue were supported in 20 countries. Through the funding windows, digitalization and innovative solutions were leveraged to amplify impact in over 30 countries, including by providing seed funding to design and kick-start the implementation of portfolios in three countries. These results were achieved working hand-in-hand with 22 United Nations agencies, as well as civil society, academia, IFIs, the private sector and other non-United Nations partners.

Figure IX. Contributions to the funding windows, 2023
(In millions of United States dollars)



B. United Nations pooled funds

61. UNDP continues to be the participating United Nations organization with the most resources from pooled funds administered by the Multi-Partner Trust Fund Office, receiving \$224 million in 2023. This is a 10 per cent reduction from \$249 million in 2022, partly due to reductions in country-based, development and peace/transition pooled funds. UNDP participation was particularly important in the Peacebuilding Fund (\$59.5 million), Central African Forest Initiative (\$15.7 million), Special Trust Fund for Afghanistan (\$14.3 million) and Somalia Joint Fund (\$14 million). Over 80 UNDP country offices received resources in 2023 with the largest recipients being Somalia (\$16.7 million), Afghanistan (\$14.6 million), South Sudan (\$10.5 million), Yemen (\$9.6 million), Colombia (\$9.2 million) and the Democratic Republic of the Congo (\$9 million).

62. With a growing focus on climate and nature, UNDP expects to increase its engagement in climate and environment funds in 2024 and future years, aided by a renewed funding compact expected to provide new momentum for pooled funds.

C. Government financing

63. UNDP continues to make significant efforts to support programme country Governments in accessing sustainable development financing and increasing domestic resource allocations to implement development initiatives in their respective countries.

64. In 2023, contributions from government financing reached \$1.20 billion, a 7 per cent increase from \$1.12 billion in 2022, with the Governments of Argentina, Colombia, Brazil, Dominica,

and Panama as top contributors. Of the \$1.20 billion total, \$138 million came from loans financed by IFIs, a 16 per cent increase from 2022.

65. Programme countries in the Latin America and Caribbean region contributed 65 per cent of total government financing, followed by Africa (10 per cent), the Arab States region (10 per cent), Europe and the Commonwealth of Independent States (10 per cent) and Asia and the Pacific (5 per cent).

D. Vertical funds

66. UNDP strengthened ties with vertical funds through a dedicated Vertical Fund Hub. The Global Environment Facility (GEF) Council acknowledged UNDP adherence to standards by lifting special measures and allocated over \$500 million for UNDP-led initiatives in 2023. UNDP expanded its relationship with the Green Climate Fund, was reaccredited to the Adaptation Fund, and adapted its health sector role by expanding digital health efforts with the World Health Organization, the Global Fund and Gavi, the Vaccine Alliance.

67. In 2023, UNDP received \$1.03 billion from vertical funds, a 16 per cent increase from the \$885 million received in 2022, led by the Global Fund (\$405 million), the GEF (\$395 million) and the Green Climate Fund (\$151 million).

E. Third-party cost sharing

68. Earmarked contributions for a specific programme or project continue to make up the largest share of resources to UNDP, making up 36 per cent of total contributions in 2023.

69. As the sixth top donor in 2023, the European Union remains a strong partner to UNDP, contributing \$301million (2022: \$363 million) supporting programmes in Yemen, Ethiopia, Mozambique, Republic of Moldova, Libya and Bosnia and Herzegovina, among others.

Working with international financial institutions

70. In this moment of immense global uncertainty, UNDP is building on its portfolio with IFIs to support countries to access the capital, technical expertise and partnerships required to achieve the Sustainable Development Goals. Partnerships with IFIs are critical for achieving the Goals given the increasingly influential role they play in support of sustainable development, their technical and policy expertise, the large-scale financing they contribute and catalyse, and the efficiencies that can be achieved when working complementarily. Its financial and non-financial partnerships with IFIs are central to the UNDP aim of promoting \$1 trillion investment of public expenditure and private capital aligned to the Goals.

71. UNDP works with IFIs through joint analysis and assessments, Goal-aligned tools and methodologies, knowledge products and policy support, capacity development and project implementation to support Governments' efforts towards sustainable and inclusive growth at the global, regional and country levels.

72. In 2023, UNDP scaled its focus on IFI cooperation around crisis/fragility, climate action, digitalization and sustainable finance. An update on UNDP engagement with IFIs was presented to the Executive Board at its first regular session of 2023.

73. IFIs contributed \$357 million in 2023, an 18 per cent increase from \$302 million in 2022, with 67 per cent going to fragile and conflict-affected regions. This comprises \$219 million in direct grants including \$123 million from KfW, the German development bank, and \$138 million in indirect contributions through government financing. Key drivers for increased cooperation in 2023 are mainly IFI support to fragile and conflict-affected situations, including Afghanistan, Cameroon, Central African Republic, Democratic Republic of the Congo, Haiti, Iraq, Lebanon, Libya, Papua New Guinea, State of Palestine, Somalia, South Sudan, Syrian Arab Republic, Timor-Leste, Ukraine and Yemen. New procedural frameworks and financial agreements co-

created with IFIs such as the Asian Development Bank, European Investment Bank, Inter-American Development Bank and the African Financial Community (CAF) are expected to provide more flexibility to work together and expedite collaboration on the ground.

F. Transforming finance for the Sustainable Development Goals

74. In 2023, UNDP continued to deepen its collaboration with public and private partners. Private-sector partnerships included a collaboration with GitHub to create the Digital Development Compass, while Sustainable Development Goal Investor Maps identified investment opportunities for alignment with the Goals across 40 countries.

75. Contributions from the private sector, foundations, non-governmental organizations and academic, training and research institutions increased by 36 per cent to \$87 million in 2023 from \$64 million in 2022. UNDP work on sustainable development finance has helped align approximately \$200 billion behind the Sustainable Development Goals, a step towards the 2025 moonshot of \$1 trillion.

VI. Strategic considerations

76. In a rapidly changing world faced with multifaceted crises, flexible funding is pivotal for the United Nations development system to respond effectively and with agility to a range of global issues, from humanitarian emergencies to long-term developmental needs. The need for investments in a strong, adaptable and well-resourced United Nations development system is more critical than ever.

77. The ongoing decline in flexible and predictable funding represents a significant opportunity cost for UNDP and the broader United Nations system. It constrains the UNDP ability to scale up vital investments, maintain the institutional stability necessary to tackle complex global challenges and become the world's largest learning platform for sustainable development. Ensuring a steady flow of flexible funding is essential for leveraging the full potential of UNDP to deliver integrated solutions in cross-cutting areas that address multidimensional poverty, climate change and energy transition. The availability of flexible funding is also much needed to support the strategic plan enablers – digitalization, finance and innovation – to accelerate results.

78. Investing in flexible funding also builds trust and transparency between donors and the United Nations system. It signals confidence in the system's capacity to manage and allocate resources effectively, encouraging a more accountable and transparent operation. Furthermore, by supporting the stability and sustainability of the United Nations development system through flexible funding, donors contribute to long-term planning and the continuous implementation of development initiatives, especially in regions facing persistent socioeconomic and environmental challenges. This investment in stability is crucial for nurturing resilient communities and sustainable development pathways.

79. The unique expertise and extensive reach of UNDP and other United Nations agencies are fully utilized when flexible funding is available. This allows the system to deploy resources in areas where they are most needed and where the United Nations has a comparative advantage, ensuring optimal use of donor funds for the highest possible outcomes. To navigate these challenges and reinforce its mission, UNDP is taking proactive steps towards more adaptable funding models.

Driving the shift towards flexible funding

80. To manage the risks of a challenging funding landscape, UNDP is implementing its resource mobilization strategy which aims at stabilizing regular resources funding, strengthening relationships with long-standing as well as new strategic partners, capitalizing on government financing and exploring new funding avenues. UNITY, a partner and pipeline management

solution integrated into its Quantum+ platform, offers insights into opportunities to broker partnerships and diversify funding, and its implementation has received a Digital Transformation Excellence Recognition from Salesforce.

81. In the effort to shift from strictly earmarked to more flexible and less earmarked funding, UNDP is actively implementing several key initiatives that underscore its commitment. These initiatives are designed to demonstrate the effectiveness of flexible funding and to encourage a broader buy-in from donors and development partners.

82. Building on the success and lessons of the PartnersAtCore campaign, UNDP is enhancing the visibility of results achieved through regular resources. By showcasing the successes and impacts of initiatives financed by regular resources, UNDP aims to illustrate the value and transformative potential of flexible funding in the field. This approach not only demonstrates accountability but also builds a compelling case for the effectiveness of investments that are not restricted by stringent earmarking.

83. Additionally, UNDP is rolling out thematic offers that align with priority areas of its Strategic Plan. These offers are designed to attract flexible funding by demonstrating how it can be strategically utilized to address global and regional challenges. By presenting these thematic offers, UNDP is not just seeking funds; it is offering partners an opportunity to invest in solutions that are scalable, sustainable and aligned with their own strategic interests.

84. A significant step in this direction is the UNDP transition from a project-based to a portfolio approach. In 2023, more than 50 country offices successfully embraced this change, overcoming traditional barriers and accelerating integrated, holistic development methods. This transition has already catalysed new investments, with over \$300 million signed and in the pipeline, and has initiated new dialogues with development partners. However, for maximum effectiveness and scalability, the funding pattern must evolve from tightly earmarked and project-centric to a more flexible model. This shift is essential for UNDP to deploy resources effectively across diverse initiatives and challenges.

85. In line with these efforts, UNDP is counting on the support of Member States to shift their funding practice from strictly earmarked to core and softly earmarked contributions, in line with the renewed funding compact. The compact raised the level of ambition by committing to increase the share of non-core contributions from Member States provided through single-agency thematic funds to 15 per cent by 2027, from 5 per cent in 2023. Success in this will foster a funding environment that supports more strategic, less earmarked contributions, enhancing the system's ability to respond to emerging needs with agility and precision.

86. The shift towards more flexible and less earmarked funding within the United Nations development system is not only a strategic necessity but also a shared opportunity. By enhancing global cooperation and maximizing the impact of development efforts, this shift promises a more stable, responsive, and effective multilateral system for the future. UNDP initiatives and the support of Member States in aligning with the renewed funding compact are vital steps towards achieving this vision.

VII. Working with United Nations system assets

87. 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

88. The financial value of the United Nations Volunteers (UNV) activities totalled \$311.6 million in 2023, an increase of \$24 million or 8 per cent from \$287.6 million in 2022. During the year, UNV continued to invest in its organizational agility through sustained investment in digital

excellence and by effectively streamlining business processes and workflows and containing costs. UNDP core contribution remains a significant funding source to ensure UNV field presence and strengthen its corporate performance.

89. In 2023, contributions to the UNV full funding programme totalled \$19.2 million. UNV deployed fully funded UN Volunteers with support from the Governments of Australia, China, Czechia, Finland, France, Germany, Iceland, Ireland, Japan, Kazakhstan, Luxembourg, Norway, the Republic of Korea, the Russian Federation, Saudi Arabia, Spain, Sweden and Switzerland, as well as the Agency for Volunteer Service of Hong Kong, Special Administrative Region of China. Iceland and Saudi Arabia joined as new funding partners to the programme in 2023.

90. To leverage the Special Voluntary Fund, UNV continued to conduct volunteer research, promote volunteerism, drive innovation for development and advance gender parity, diversity and inclusion, as well as use for immediate emergency response. In 2023, the Fund contributions reached \$5.3 million with 12 donor Member States: Bangladesh, China, Czechia, France, Germany, Ireland, Kazakhstan, Spain, Sweden, Switzerland, Thailand, and Türkiye, with Spain joining as a new donor thanks to UNV outreach efforts to diversify the donor base of the Special Voluntary Fund.

United Nations Office for South-South Cooperation

91. The United Nations Office for South-South Cooperation implemented its strategic framework through an allocation of \$2.2 million (2022: \$2.3 million) from the UNDP institutional budget and \$3.1 million (2022: \$3.6 million) in regular resources.

92. In addition, the office received \$7.2 million in contributions through its trust funds; \$5.1 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 \$.08 million from the Pérez-Guerrero Trust Fund for South-South Cooperation.

93. In 2023, the office mobilized \$7.2 million of other resources, bringing the resources mobilized under the current Strategic Framework to 104 per cent (\$26.3 million of the \$25.0 million planned for the first two years of implementation).

UNDP administrative agent function

94. UNDP supports joint United Nations 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 United Nations organization in multi-partner trust funds and joint programmes. In 2023, the Multi-Partner Trust Fund Office continued to provide a high volume of Administrative Agent services to United Nations agencies, as demonstrated by the establishment of 19 new inter-agency pooled funds, and by the \$1.1 billion in transfers to more than 100 programme countries, more than 50 United Nations entities and to a growing number of other entities. The array of partners in multi-partner trust funds continued to grow, and dialogue with IFIs progressed on modalities of cooperation particularly in climate-related funds. Overall, there was a decrease both in new contributions and in the total amount of funds transferred to participating organizations, mostly due to a shifting of humanitarian country-based pooled funds donor contributions towards newly established funds managed by the Office for the Coordination of Humanitarian Affairs.

95. As such, new contributions received by UNDP Multi-Partner Trust Fund Office for multi-partner trust funds and joint programmes on behalf of the United Nations system stood at \$979 million (2022: \$1.5 billion), and the net value of funds transferred to all participating organisations by the Multi-Partner Trust Fund Office in its role as administrative agent decreased to \$1.1 billion (2022: \$1.7 billion).

Support to United Nations organizations

96. UNDP continued to be the operational backbone of the United Nations system in 2023. It disbursed \$2.0 billion in 113 currencies through its payroll system, more than half of which (53

per cent) was on behalf of partner United Nations organizations. UNDP supported \$2.5 billion (2022: \$3.1 billion) in financial transactions for approximately 118 United Nations entities and other agencies in over 170 countries. This included \$12.6 million (2022: \$46.2 million) of expenses related to services provided to the resident coordinator system.

97. In 2023, UNDP also provided common premises for other agencies in at least 135 countries, where they could avail common services, including travel management.

United Nations-mandated security costs

98. In 2023, UNDP spent \$26.7 million (2022: \$29.2 million) for security costs, of which \$17.1 million (2022: \$18.7 million) was associated with its share of the United Nations field security coordination programme as a part of United Nations Security Management System; and \$9.5 million (2022: \$10.5 million) with security advisory services and investments to ensure compliance with minimum operating security standards.

VIII. Conclusion

99. The slight increase in total annual contributions for UNDP in 2023 was marked by a decline in regular resources and growth in other resources widening the imbalance between flexible and earmarked resources. UNDP extends its appreciation to all funding partners that entrusted their resources to UNDP in 2023. 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.

100. Lagging contributions will impose constraints that will continue to grow over the next two years. While UNDP will continue to perform at the highest possible levels of effectiveness, efficiency and accountability, there is a real risk of missing the ambition of the Strategic Plan and the chance to fully capitalize on progress made through integrated responses to crisis and development.

101. The ability of UNDP to deliver on the strategic plan depends on a sustainable funding base. With the support of Member States and other partners, UNDP aims to secure an adequate level of regular resources for the remaining strategic plan period. It also encourages partners to: prioritize and refrain from cutting their contributions to regular resources; avoid redirecting official development assistance away from multilateral channels; commit to multi-year funding agreements when possible; make early and timely disbursements to reduce the risks associated with currency fluctuations; and shift funding from highly earmarked to lightly earmarked and quality funding.

102. UNDP will continue to engage with the Executive Board, through the structured funding dialogue, to maintain a healthy level of regular resources, discuss how to make progress further towards the mutual commitments of the funding compact, and shape the approach to future funding dialogues.