UNDP integrated resources plan and integrated budget estimates, 2022–2025

Report of the Administrator

The UNDP integrated resources plan and integrated budget constitute an integral complement to the UNDP strategic plan, 2022-2025 (DP/2021/28). The integrated resources plan covers the totality of resources at the disposal of UNDP, including regular and other resources, and the totality of activities to be carried out; as such, it constitutes a comprehensive and integrated financial framework for the period 2022-2025. Financial estimates are presented in line with the cost classification categories harmonized with the United Nations Population Fund, United Nations Children’s Fund and United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) as approved by the Executive Board, most recently in decision 2020/12.

The Executive Board takes note of the integrated resources plan, as it includes expenditures from other resources that are incurred based on funding agreements signed with donors. The integrated budget, which captures the regular resources-related portion of the integrated resources plan, is fully regulated by Executive Board mandates and therefore hereby submitted for approval.

For the period 2022-2025, 91 per cent of estimated expenditure is allocated to development activities, underscoring the UNDP commitment to delivering on the strategic plan. Building on progress from the period 2018-2021, and with continued strong support to low- and middle-income countries, the UNDP integrated resources plan and integrated budget will enable capabilities and approaches that can scale up development impact, including in the areas of strategic innovation, digitalization, development financing and partnerships. Investments in its business model will allow UNDP to continue its path as a more agile and anticipatory organization. Coupled with its unparalleled global presence, UNDP is uniquely positioned to meet the objectives of the strategic plan. With global insights and practices from around the world, UNDP programmes are driven by countries’ priorities, based on a theory of change through which each country develops its own transformation pathway.

As all UNDP funding is voluntary, the organization relies on the continued commitment of support from its existing and new partners. Projections for the budget period are based on an analysis of past trends, donor spending plans and multi-year agreements, pipeline information, global economic forecasts, qualitative information on risks and market volatility, and inputs from UNDP regional bureaux and country offices. UNDP estimates for 2022-2025, amounting to $28.2 billion, are ambitious but grounded in realism. This includes $21.6 billion in projected donor contributions ($3.0 billion regular and $18.6 billion other resources), representing an increase of $1.9 billion or 2.7 per cent annualized increase from the latest projected contributions for 2021. Total expenditure is estimated to reach $24.1 billion, an increase of $3.2 billion or 3.9 per cent annualized increase from the latest projected expenditures for 2021.

This document will be reviewed by the Advisory Committee on Administrative and Budgetary Questions, whose report will be shared with the Executive Board in a subsequent document (DP/2021/30).
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Annex I. Detailed tables and figures (available on the Executive Board web page)

Annex II. Methodology and additional information (available on the Executive Board web page)

Annex III. Responses to the recommendations of the Advisory Committee on Administrative and Budgetary Questions (available on the Executive Board web page)
I. Strategic context

1. UNDP works with countries to expand people’s choices for a fairer, sustainable future, to build the world envisioned by the 2030 Agenda for Sustainable Development with planet and people in balance. To accelerate the achievement of development results, the UNDP strategic plan, 2022-2025, sets out an ambitious agenda supporting change in three directions:

   (a) Structural transformation, particularly green, inclusive and digital transitions;

   (b) Leaving no one behind, a rights-based approach centred on human agency and human development; and

   (c) Building resilience to respond to systemic uncertainty and risk.

2. Building on lessons learned from the past, as well as a clear vision for the future, the strategic plan (DP/2021/28) articulates the substantive offer of UNDP to maximize development impact. Key lessons that the plan addresses include the importance of integrating signature solutions to address complex development challenges; better understanding and managing risks to improve risk-informed programming; modernizing operational systems and structures in line with the requirements of new ways of working and partnerships; and updating programming arrangements and implementation modalities to respond to changing country priorities.

3. While the strategic plan sets the overall vision for UNDP over the period 2022-2025, the integrated resources plan and the integrated budget present the corresponding estimated financial resources, both regular (core) and other (non-core), to accomplish expected results.

4. The integrated resources plan covers the entire UNDP financial framework for 2022-2025, including regular and other resources. The Executive Board takes note of the integrated resources plan, as it includes expenditures from other resources which are incurred based on funding agreements signed with donors. The integrated budget, which captures the portion of the integrated resources framework that relates to regular resources only, is fully regulated by Executive Board mandates and therefore hereby submitted for approval.

5. Irrespective of governance and funding arrangements, the totality of UNDP resources, both regular or other, are implemented to accomplish the results set out by the strategic plan. As such, the present document is an integral complement to the plan and should be read in conjunction with it.

II. The UNDP value proposition

6. UNDP country programmes are linked into a rich global network, amplifying the value of the organization’s deep local knowledge through connections to countries with shared experiences and to best practices throughout the United Nations system and beyond. This value proposition will become even more powerful and relevant to country priorities, as UNDP builds its capabilities to support systems change and deliver integrated support with its United Nations partners.

7. The UNDP vision is grounded not only on what the organization plans to accomplish but also on how it plans to deliver, with the availability and allocation of financial resources, particularly regular and flexible other resources, constituting a key enabler to this end. This vision comprises:

   (a) What UNDP plans to accomplish during 2022-2025:

      (i) UNDP will scale up and accelerate development results, supporting countries with the structural transformations needed to achieve the 2030 Agenda for Sustainable Development, while leaving no one behind and strengthening resilience of systems and societies;
(ii) UNDP will refine and develop its six signature solutions to scale up impact and more effectively respond to countries’ evolving priorities, providing integrated responses through a systems approach;

(b) How UNDP plans to deliver during 2022-2025:

(i) UNDP will continue building a more agile, anticipatory and effective organization, able to better adapt and respond to unexpected events;

(ii) UNDP will invest in enabling capabilities and approaches that can scale up development impact, including strategic innovation, digitalization, development financing and partnerships.

8. UNDP continues to demonstrate that it is a strong and trusted partner. As a result of the coronavirus disease (COVID-19) pandemic, progress against the current strategic plan slowed but did not move off track. Repurposing regular and other resources enabled UNDP country offices to take swift action, but some original plans – including on disaster risk reduction, national development planning and economic growth – were postponed or adjusted as government priorities shifted towards crisis response and mitigation.

9. When the COVID-19 pandemic hit, UNDP focused on the urgent as well as on the important. As the technical lead of the United Nations socioeconomic response to the pandemic, UNDP deployed nearly $1 billion to over 170 countries (and territories) and led the development of 144 socioeconomic impact assessments across 97 countries. UNDP accomplished this by rolling out a rapid, coherent response to the pandemic, with two COVID-19 offers and associated financing frameworks leveraging previous institutional and financial investments; and tabling new, ambitious policy proposals and integrated approaches towards reaching the Sustainable Development Goals. With financial accountability and transparency as fundamental pillars of the UNDP strategic vision, a COVID-19 marker was created to track all related expenditure and made publicly available on the UNDP transparency portal.

10. In 2020, UNDP achieved a balanced budget for the fourth year in a row and was again rated by the Aid Transparency Index as the most transparent of the United Nations agencies. It received its fifteenth consecutive unqualified audit opinion, for 2019, from the United Nations Board of Auditors. For the first time in 10 years, UNDP closed all audit recommendations outstanding for more than 18 months. Its performance was rated as the highest among the implementing agencies for the Multilateral Fund for the Implementation of the Montreal Protocol. All grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria were rated as “exceeding expectations”, “meeting expectations” or “adequate”.

11. The experience and results of UNDP offer lessons and opportunities for the coming strategic plan period. The integrated resources plan and integrated budget build on this experience, proposing a financial framework that reflects both ambition and realism. The funding outlook is based on a detailed analysis of trends and factors affecting each funding stream. While UNDP is grateful for all contributions received, more flexible and predictable funding will allow it to better align resources to emerging priorities and to country demand. Thematic and pooled funding can also foster joint programming with other agencies, enabling UNDP and partners to deliver more integrated responses.
III. Integrated resources plan

12. The integrated resources plan covers the totality of resources available to UNDP, including regular and other resources, and the totality of activities to be carried out. As such, it constitutes a comprehensive and integrated financial framework for the period 2022-2025. The present chapter provides an overview of the integrated financial performance for 2018-2021, an analysis of the funding outlook for 2022-2025, and an estimation of the use of resources for 2022-2025. The integrated resources plan includes the integrated budget, funded solely through regular resources, as well as activities funded through other resources and through cost recovery.

13. Figure 1 below provides a high-level illustration of the integrated resources plan and the approximate relative size of its various components.

Figure 1. Illustration of UNDP integrated resources plan

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14. The integrated resources plan and integrated budget are developed within the context of the UNDP governance mandates. For the 2022-2025 planning period, these include: the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR); the United Nations funding compact; Executive Board decisions on programming arrangements and the cost-recovery policy; as well as recommendations from the Advisory Committee on Administrative and Budgetary Questions and corporate evaluations. In particular, the presentation of budgetary information uses the cost-classification categories and cost-recovery methodologies and approaches to cost attribution harmonized with 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 approved by the Executive Board in decisions 2012/27, 2013/9 and most recently 2020/12.

15. As was the case with the previous two quadrennial budgets, the preparation of the integrated resources plan and integrated budget foresees a midterm review, in conjunction with a review of the strategic plan, at the 2024 annual session of the Executive Board. The review will provide an opportunity to update estimates based on actual implementation and any other developments unforeseen at the time of the budget preparation.

16. For 2022-2025, the following key objectives have guided the development of the integrated resources plan and integrated budget:

   (a) Continued strong support to programme countries;

   (b) Successfully scaling up achievements of the last strategic plan, leveraging initiatives, strengthening capacity, cultivating existing and new partnerships and reinforcing the accountability framework. This includes accelerating the integration of six signature solutions;
improving risk-informed programming; updating programming arrangements and implementation modalities; and modernizing operational systems and structures;

(c) Investing in programme quality and compliance, reinforced through a strengthened internal control framework;

(d) Continued focus on effectiveness, productivity and efficiency, and maintaining a balanced budget.

A. Review of financial performance, 2018-2021

17. A detailed comparison of the actual financial performance (including actuals for 2018-2020, and latest estimates for 2021) versus the 2018-2021 resources plan is provided in table 1b of annex I. While final figures are not yet available for 2021, the following paragraphs provide an overview of the estimated financial performance of UNDP.

18. Total contributions for 2018-2021 are expected to be between 96 to 99 per cent of the strategic plan target for the period and could reach up to $20.7 billion. Contributions to regular resources, estimated at $2.6 billion, are expected to reach between 96 and 97 per cent of the strategic plan target.

19. Regular resources by country typology to eligible programme countries were allocated in accordance with Executive Board decisions: 2012/28, 2013/28 and 2013/30. Low- and middle-income countries were allocated $1.804 billion ($1.270 billion programmatic and $533 million institutional), broken down as follows:

(a) Low-income countries received the largest share, with 82 per cent of programmatic resources and 42 per cent of institutional resources;

(b) Middle-income countries with per capita gross national income (GNI) below $6,660 received 16 per cent of programmatic resources and 46 per cent of institutional resources;

(c) Middle-income countries with per capita GNI above $6,660 received 2 per cent of programmatic resources and 12 per cent of institutional resources;

(d) Net contributing countries received neither programmatic nor institutional resources (excluding the cost of the resident representative).

20. Other resources in the amount of $15.367 billion were allocated to supplement regular resources contributions to deliver development results through multi-funded programmes. Low-income countries received 40 per cent, middle-income countries with per capita GNI below $6,660 received 41 per cent and middle-income countries with per capita GNI above $6,660 received 16 per cent. The balance of 3 per cent was received by net contributing countries.

21. It is important to note the contributions of programme countries in funding the UNDP local presence through contributions to government local office costs. For low- and middle-income countries with per capita GNI below $6,660, this amounted to $11.8 million in cash and an estimated $7.1 million in kind. For middle-income countries with per capita GNI above $6,660 and net contributing countries, this amounted to $15.7 million in cash and an estimated $2.2 million in kind (refer to table 4.c.i in annex I for more details).

22. Total expenditure by the end of the period 2018-2021 is estimated to reach approximately $20.9 billion. The ratio of spending of resources on management activities (i.e., management efficiency ratio) is estimated at 7.3 per cent, in line with the target for the period.

23. As a result of intensive efforts to strengthen institutional performance, enhance efficiencies and reduce costs, UNDP channelled significant additional resources for development in 2018-2021. These efficiencies also allowed UNDP to support the Administrator’s deliberate decision not to spend the $49 million of additional regular resources approved by the Executive Board for use for management activities during that time frame.
24. Thanks to the generous contributions of donors and to the determination of UNDP to implement resources to deliver tangible results, the organization was able to make significant financial and institutional investments as early as 2018, which are now bearing fruit. This includes the UNDP digital and information technology strategies, the “People for 2030” strategy, the Finance Sector Hub, the Global Policy Network, the creation of a Crisis Bureau and the Accelerator Labs Network which now covers 115 countries. All of these investments made it possible to offer a more comprehensive and rapid response to the pandemic, alongside United Nations and other partners, and to accomplish the results reported to the Executive Board in the annual report of the Administrator for 2020 (DP/2021/16).

25. While much has been accomplished, there is still more work to do. Business model innovation, including major initiatives to cluster finance, human resources and procurement business processes, will generate greater efficiencies and allow UNDP to better manage risks. The impact of these measures will allow UNDP to redirect financial resources towards development results and to further improve its management ratio.

26. The backdrop of the rapidly evolving development landscape, the persistent imbalance of other resources versus flexible regular resources and crises such as the COVID-19 pandemic are central themes in the current budgetary environment and will continue to impact future plans. Building on the results of past and current investments as well as the vision for the future articulated in the strategic plan, UNDP will continue to strive for greater effectiveness and efficiency and to maximize the proportion of resources channelled to development programmes and services.

B. Funding outlook for 2022-2025

27. As a voluntarily funded organization, UNDP bases budget projections primarily on anticipated donor income. Projections for the strategic plan 2022-2025, are based on an analysis of past funding trends by funding stream, donor spending plans and multi-year agreements, pipeline information, global economic forecasts, qualitative information on risks and uncertainties, and inputs from various UNDP offices.

28. Available resources for the period 2022-2025 were estimated based on anticipated opening balances, donor contributions and other income. It is estimated that available resources for 2022-2025 will amount to $28.3 billion.
29. Projected donor contributions of $21.6 billion for 2022-2025 comprise $3.0 billion in regular resources and $18.6 billion in other resources. Regular resources underpin the operational capacity, networks and presence of UNDP at global, regional and country levels. Sufficient and predictable regular resources are essential for UNDP to invest in programmes where the need is greatest. Being the most flexible funding modality, regular resources allow UNDP to lay the foundational work in programme design that will help attract more funding from other sources. Noting that the funding compact calls for a move to a ratio of regular resources to other resources of 30 per cent:70 per cent, progress from the present ratio of 13 per cent:87 per cent in 2021 will be important to ensure adequate flexible resources to meet the ambitions of the strategic plan, 2022-2025.

30. UNDP continues to call on partners to prioritize contributions to regular resources, the backbone of efforts to achieve the objectives of the strategic plan. Regular resources are critical for UNDP to respond to the immediate needs of countries affected by crises, including the COVID-19 pandemic, and to catalyse other resources in critical areas. Figure 3 below illustrates actual contributions to regular resources from 2009 to 2020, estimates for 2021 and projections for 2022-2025.
31. The impact of COVID-19 has created a difficult and uncertain funding climate, particularly for contributions to regular resources. The 2020 funding picture was better than expected for official development assistance and for UNDP, as many countries frontloaded their contributions to respond to the immediate impacts of the pandemic. But the picture for 2021 and beyond remains uncertain. Prior to the pandemic, the growing preference of Member States for humanitarian activities and earmarking for specific projects/issues led to declines in the level of UNDP regular resources, a trend that may continue during the period 2022-2025.

32. Tightly earmarked contributions continue to dominate the composition of UNDP funding and that of the United Nations development system writ large. Taking into consideration the increasing preference of funding partners for thematic and geographic earmarking, UNDP will seize the opportunity to take a more strategic approach to mobilize flexible other resources to fund strategic areas of work. While regular resources continue to be the most critical funding, UNDP will engage with partners to increase flexible and minimally earmarked thematic funding.

C. Use of resources, 2022-2025

33. Table 1 below shows the integrated resource plan for 2022-2025 in all cost categories, for regular and other resources, including a comparison with 2018-2021 latest estimates. The figures presented in table 1 and in all other tables are rounded to the closest decimal and thus may not add up to the decimal point.
Table 1. Integrated resources plan, 2022-2025† (In millions of United States dollars)

<table>
<thead>
<tr>
<th></th>
<th>2018-2021 latest estimates</th>
<th>2022-2025 estimates</th>
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<tbody>
<tr>
<td></td>
<td>Regular resources</td>
<td>Other resources</td>
</tr>
<tr>
<td>1. Resources available</td>
<td></td>
<td></td>
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<tr>
<td>Opening balance a/</td>
<td>269.0</td>
<td>4,016.1</td>
</tr>
<tr>
<td>Income and adjustments</td>
<td></td>
<td></td>
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<tr>
<td>Contributions</td>
<td>2,633.3</td>
<td>17,069.8</td>
</tr>
<tr>
<td>Other, including reimbursements for services to other United Nations organizations, and cost recovery b/</td>
<td>205.5</td>
<td>1,498.7</td>
</tr>
<tr>
<td><strong>Total 1. Resources available</strong></td>
<td>3,107.8</td>
<td>21,085.9</td>
</tr>
<tr>
<td><strong>% of Total</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Estimated expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Development activities</td>
<td>1,922.8</td>
<td>16,703.3</td>
</tr>
<tr>
<td>Programme</td>
<td>1,585.3</td>
<td>16,641.1</td>
</tr>
<tr>
<td>Operational support to programme</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Development effectiveness c/</td>
<td>337.5</td>
<td>62.2</td>
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<tr>
<td>II. United Nations development coordination activities</td>
<td>125.7</td>
<td>7.1</td>
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<td>III. Management activities</td>
<td>662.8</td>
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<tr>
<td>Management activities - recurring</td>
<td>634.8</td>
<td>-</td>
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<tr>
<td>Independent Evaluation Office</td>
<td>34.7</td>
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<td>Office of Audit and Investigations</td>
<td>55.0</td>
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<tr>
<td>Ethics Office d/</td>
<td>3.7</td>
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<tr>
<td>Management activities - non-recurring</td>
<td>28.0</td>
<td>-</td>
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<td>IV. Independent oversight and assurance activities</td>
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<tr>
<td>Independent Evaluation Office</td>
<td>N/A IN 2018-2021</td>
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<td>Office of Audit and Investigations</td>
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<tr>
<td>V. Special-purpose activities</td>
<td>45.1</td>
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<td>Capital investments</td>
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<td>-</td>
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<tr>
<td>Non-UNDP operations - United Nations Volunteers</td>
<td>36.1</td>
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<td>Non-UNDP operations - United Nations Capital Development Fund</td>
<td>8.9</td>
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<tr>
<td>Non-UNDP operations - services for United Nations partner organizations</td>
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<td>-</td>
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<tr>
<td>Total institutional components</td>
<td>995.1</td>
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<td>Total programmatic components</td>
<td>1,761.3</td>
<td>16,710.2</td>
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<td>Total 2. Estimated expenditures (I + II + III + IV + V)</td>
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<td>16,710.4</td>
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<tr>
<td>3. Balance of resources</td>
<td>351.5</td>
<td>4,445.3</td>
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34. Total expenditure for 2022-2025 is estimated at $24.1 billion, representing an increase of $3.2 billion (15 per cent over the period, or 4 per cent per year) from $20.9 billion projected expenditure in 2018-2021. Use of expenditure is classified according to the harmonized cost categories approved by the Executive Board in decision 2020/12. Details of the types of costs included in each category are provided in annex II of the joint comprehensive proposal on the cost-recovery policy. (DP/FPA-ICEF-UNW/2020/1).

35. The cost-classification framework approved by the Executive Board, which is harmonized with those of UNFPA, UNICEF and UN-Women, includes the introduction of a new category for independent oversight and assurance. In line with the harmonized cost-classification categories approved by the Executive Board in its decision 2020/12, the classification of the costs of the Ethics Office remains under the “management” category. This budgetary presentation is in line with the harmonized categories approved by the Executive Board and is without prejudice to the continued independence of the office. Further adjustments emanating from the approved cost-classification framework relate to operational and programmatic support at country level, activities related to changes in the harmonized approach to cash transfers and the Minimum Operating Security Standards. In addition, UNDP reclassified country-level costs further to the reform of the resident coordinator system pursuant to General Assembly resolution 72/279 on the repositioning of the United Nations development system.

36. As a result of the changes to the harmonized cost classification highlighted above, the figures for 2018-2021 and 2022-2025 are not fully comparable. The relative shares in the use of resources across the different cost categories in figure 4 should therefore, be viewed for illustrative purposes only. Nevertheless, and as can be seen from the figure, UNDP will continue to allocate 91 per cent of resources to development activities in 2022-2025.

Figure 4. Estimated use of total resources, 2018-2021 compared to 2022-2025

37. UNDP proposes to allocate $22.0 billion to development activities in 2022-2025, a 91.0 per cent share of total use of resources. This will be accomplished both through the utilization of contributions to be received in 2022-2025 and through drawing on programme balances from the current budget period. UNDP is already delivering on this ambitious objective, with a 90.7 per cent share of resources spent on development activities currently being estimated for 2018-2021, as can be seen from figure 4 above.
38. Institutional activities for 2022-2025 are estimated at $2.8 billion, and include:

(a) United Nations development coordination activities of $488 million. Following the reform of the United Nations resident coordinator system in 2019, the amount allocated for 2022-2025 relates exclusively to the UNDP contribution to the resident coordinator system;

(b) Management activities of $1.6 billion, including $1.5 billion for recurring activities and $0.1 billion for non-recurring activities. Per the harmonized cost classification, the costs of the Ethics Office are included under this category and are estimated at $5.5 million. The budgetary presentation of the costs of the Ethics Office in the “Management activities” category is in line with the harmonized categories approved by the Executive Board and is without prejudice to the continued independence of the office. While the overall share of resources for management activities is projected to decrease from 7.3 per cent in 2018-2021 to 6.8 per cent in 2022-2025, the management-recurring category will remain largely comparable across budget periods. See paragraph 60 for a more detailed discussion;

(c) Management non-recurring costs are incurred across the organization to support accelerated programme delivery by improving performance and innovation. For 2022-2025, this covers funding for special initiatives focused on strengthening capacity and approaches to scale up development impact as identified in the strategic plan, 2022-2025, namely for: (i) innovation; (ii) digitalization; (iii) development financing and partnerships; and (iv) investments in the business model;

(d) Independent oversight and assurance activities\(^2\) of $15.6 billion. This includes $64.0 million for evaluation, equivalent to 0.3 per cent of total programme expenditure, in line with Executive Board decision 2019/7, and $92 million for audit and investigations. This constitutes an increase of 52 per cent for evaluation activities and 32 per cent for audit and investigation as compared to the previous budget, continuing the strengthening of oversight activities introduced in 2018-2021. The increases are a testament to the UNDP commitment to prioritize resilience-building to better address cascading and interconnected risks, as well as strengthening decentralized evaluations, and data and knowledge management that must underpin risk-informed programming, a priority that articulated in the strategic plan, 2022-2025;

(e) Special-purpose activities of $342.5 million, comprising allocations for the United Nations Capital Development Fund (UNCDF) of $10.1 million and the United Nations Volunteers programme (UNV) of $122.6 million, allocations for support to other United Nations agencies of $188.8 million and allocations for capital investments of $21.0 million.

39. Projected available resources of $28.3 billion and projected expenditure of $24.1 billion for 2022-2025 will result in estimated balances of $4.1 billion by the end of the budget period. This constitutes a decrease of 14 per cent as compared to projected balances of $4.8 billion at the end of 2021. Accumulated programme resources balances are highly earmarked project funds, not fungible (that is, they must be delivered in accordance with project documents and the related financing agreements), and programmed for delivery over multiple years (so that the resources are not necessarily spent in the year they are received). UNDP continues to seek opportunities to accelerate the earlier delivery of development results and to further draw down the accumulated programme resources balances, considering the programme cycle, multi-year programmes, the donor agreement and the UNDP regulatory and governance framework.

\(^2\) As noted in paragraphs 35 and 38(b), in line with the harmonized categories approved by the Executive Board, the classification of the costs of the Ethics Office remains under the “management” category. This is without prejudice to the continued independence of the office.
IV. Integrated results and resources framework

40. The strategic plan for 2022-2025 describes how UNDP will play its part in tackling challenges that are central to this era: mitigating and adapting to climate change; protecting biodiversity and ecosystems; and ensuring just and equitable development for all. The integrated resources plan and integrated budget enable UNDP to work with countries to expand people’s choices for a fairer and sustainable future, to build the world envisioned by the 2030 Agenda with planet and people in balance.

41. The integrated resources plan and integrated budget are comprised of programmatic and institutional components, both of which are linked to the objectives of the strategic plan. The programmatic component of the budget enables UNDP to support countries in their path towards achieving the Sustainable Development Goals through country programmes driven by national development choices, as envisioned by the QCPR. The institutional component of the budget funds activities that constitute essential strategic enablers for the achievement of development results. The linkage of financial resources to programmatic and institutional objectives is articulated in the integrated results and resources framework included in the strategic plan, 2022-2025.

42. While all resources mobilized, both regular and other, are aligned with the UNDP strategic vision, regular resources are critical to enable UNDP to deliver strategic results and to catalyse other resources. The integrated budget framework, which encompasses the allocation of regular resources, is therefore a key component of the integrated results framework and further articulated in chapter V.

V. Integrated budget (regular resources), 2022-2025

A. Key features

43. The integrated budget includes the programmatic and institutional components that are funded from regular resources. For 2022-2025, UNDP proposes an integrated budget based on estimated regular resources of $3.060 billion; other income of $230 million (comprised of $150 million from government contributions to local office costs plus $80 million from interest and other income); and opening regular resources balance of $351.4 million. Against these available resources, integrated budget expenditure is estimated at $3.391 billion.

44. For the period 2022-2025, UNDP proposes to allocate $2.2 billion to the programmatic component and $1.2 billion to the institutional component of the integrated budget. Compared to the 2018-2021 integrated budget approved by the Executive Board (see DP/2017/39), the 2022-2025 integrated budget constitutes an additional $0.4 billion (a 22 per cent increase) for the programmatic component and an additional $0.1 billion (9 per cent increase) for the institutional component, highlighting the UNDP commitment to prioritize resources for programme needs.

45. For the programmatic component of the integrated budget, UNDP will maintain the same framework as the previous quadrennial budget, namely: a country window, including targets for resource assignments from core (TRAC) resources and the programme of assistance to the Palestinian people; a regional window (regional programme); a global window (Human Development Report Office); and development effectiveness, including consolidated development effectiveness, South-South cooperation and programmatic support to UNCDF, plus support to the resident coordinator system. The methodology for allocating resources across all windows and their individual components is further elaborated in annex II.

46. The framework is organized into two tiers: Tier-1 includes all TRAC resources (that is, TRAC-1, TRAC-2, TRAC-3), a programmatic line for South-South cooperation and the Human Development Report Office; and Tier-2, which includes programmatic lines for consolidated development effectiveness, the programme of assistance to the Palestinian people and support to UNCDF. If resources are up to 5 per cent lower than planned, the lines in Tier-1 will not be reduced,
but the lines in Tier-2 will be reduced. For reductions higher than 5 per cent, both the lines in Tier-1 and Tier-2 will be reduced in equal proportion.

47. This two-tiered system protects Tier-1 programmatic resources from potential decreases vis-à-vis planned levels. It constitutes a balanced approach by distributing risk across programmatic lines in the event of fluctuations of regular resource levels, which are key for delivering a top-quality programme. While recognizing that development effectiveness plays an essential complementary role to programme, the system still highlights the primacy of the country window and the TRAC resources, which form a fundamental pillar of the programmatic component of the integrated budget.

B. Programmatic component

48. The programming arrangements set the legal framework, as well as the principles and parameters, for the distribution of UNDP regular programme resources and their use. The guiding principles of the framework, which were reaffirmed in Executive Board decisions 2012/1 and 2013/28, are:

(a) Predictability: the availability of sufficient regular programme resources within a stated time frame;
(b) Universality: UNDP regular development resources and related activities are available to support all eligible countries;
(c) Progressivity: UNDP regular development resources and related development activities primarily support low-income and least developed countries.

49. The programmatic component comprises four windows: country, regional, and global windows and development effectiveness. While key features of the programmatic components were discussed in the previous section, figure 5 below gives an indication of the relative size of the four groups and their various constituting components.

Figure 5. Relative shares of core programmatic components

50. The proposed allocations for the core programmatic component in 2022-2025 are shown in table 2 below for each of the four subgroups, plus support to the resident coordinator system. The table shows a comparison with allocations for 2018-2021 as per the approved integrated budget (DP/2017/39).
Table 2. Core programmatic component allocations: 2018-2021 integrated budget versus 2022-2025 integrated budget
(In millions of United States dollars)

<table>
<thead>
<tr>
<th>Programme</th>
<th>2018-2021</th>
<th>2022-2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country window</td>
<td>1,585.6</td>
<td>1,984.5</td>
</tr>
<tr>
<td>Regional window</td>
<td>1,426.1</td>
<td>1,798.9</td>
</tr>
<tr>
<td>Global window</td>
<td>139.2</td>
<td>155.0</td>
</tr>
<tr>
<td></td>
<td>20.4</td>
<td>30.7</td>
</tr>
<tr>
<td>Development Effectiveness</td>
<td>143.4</td>
<td>165.1</td>
</tr>
<tr>
<td>UN Development Coordination</td>
<td>64.0</td>
<td>48.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,793.0</td>
<td>2,197.6</td>
</tr>
</tbody>
</table>

51. Compared to a budgeted amount of $1.79 billion for programmatic components in the period 2018-2021, the latest estimated expenditure amounts to $1.76 billion, as shown in the integrated resources plan, 2022-2025 in table 1.

52. Allocations for 2022-2025 are proposed at $2.20 billion, reflecting increases in the programmatic and development effectiveness categories. In terms of relative shares, the programme category increases from 88.4 per cent to 90.3 per cent, with a commensurate decrease in the percentage share of development effectiveness and United Nations development coordination. The relative share of programme resources is primarily driven by an increase in the country window, which is estimated at $1.80 billion in 2022-2025, compared with $1.43 billion in 2018-2021, enabling UNDP to continue its strong support to low-income and middle-income countries.

**Country window – estimated resources for 2022-2025: $1,798.9 million**

53. UNDP regular resource allocations for country-level programme activities are made within the approved TRAC framework, first established by the Executive Board in decision 95/23. TRAC allocations form the financial foundation for the UNDP programmatic presence in programme countries, and include three major categories of resources, TRAC-1, TRAC-2 and TRAC-3:

(a) TRAC-1 refers to the annual level of regular programme resources targeted to be available for an individual programme country during the programming period. They are allocated centrally, according to eligibility and other criteria approved by the Executive Board. Further details on TRAC-1 resources are provided in the annexes to this report;

(b) TRAC-2 was designed to provide UNDP with the flexibility to allocate regular programme resources to high-impact, high-leverage and high-quality programme activities and to help UNDP to respond effectively to differentiated country needs (decision 2013/4). TRAC-2 resources are aligned to effectively support the directions of the Strategic Plan, 2018-2021 – namely, country-level platforms that support inter-agency collaboration to implement the Sustainable Development Goals – which will continue in 2022-2025. The platforms are intended to facilitate the development of integrated solutions to challenges in implementing the 2030 Agenda. Further details on TRAC-2 resources are provided in annex II;

(c) TRAC-3 was established to provide UNDP with the capacity to respond quickly and flexibly to the development needs of countries affected by conflicts and natural disasters. It is the only core UNDP facility for immediate action when crisis risks emerge or when a crisis occurs. It is a demand-driven mechanism which enables the organization to quickly bring policy advice, technical expertise and catalytic programmatic funding to bear at the country level for a comprehensive, coherent response.

54. TRAC-1 and TRAC-2 resources are linked in a combined pool, and TRAC-3 resources are made available through a separate pool. TRAC-1 and TRAC-2 account for approximately 70 per
cent of the integrated budget’s programmatic component. In addition to the TRAC components, the country window includes an amount for the programme of assistance to the Palestinian people. This programme derives its mandate from General Assembly resolution 33/147 of 20 December 1978. It is a unique programme with funding arrangements that cover programmatic activities to support a specific group of people, in contrast to traditional country or regional programmes.

**Regional window – estimated resources for 2022-2025: $155.0 million**

55. The regional programme (regional window) provides support for intercountry cooperation in all five regions in response to development priorities and challenges. These resources help countries learn from each other’s experiences and address problems that transcend national boundaries, contributing to the achievement of national development priorities. Programme objectives vary in line with cross-country needs and regional priorities.

**Global window – estimated resources for 2022-2025: $30.7 million**

56. The global window comprises a resource facility that finances the Human Development Report Office, which supports global advocacy for human development by helping programme countries incorporate human development into programmes and policies.

**Development effectiveness window – estimated resources for 2022-2025: $165.1 million**

57. This window includes consolidated development effectiveness, South-South cooperation and UNCDF, as follows:

   a. Consolidated development effectiveness, incorporating global/regional development effectiveness support for country programming, and in-country development effectiveness support for programming;
   b. South-South cooperation, focusing on the sharing of South-South experiences, expertise and knowledge, making them an integral part of country, regional and interregional programmes, while introducing cost-effective modalities;
   c. UNCDF, which provides grants, loans and guarantees to least developed countries, complemented by strong capacity-building and upstream policy-advisory services that support the design and implementation of national policies and action plans in both local development finance and inclusive finance. The Executive Board, in its decision 2013/4, approved the inclusion of UNCDF in the programming arrangements.

**United Nations coordination: estimated resources for 2022-2025: $48.0 million**

58. This category comprises activities and associated costs supporting the coordination of development activities of the United Nations system. From 2019 onwards, activities that were part of the “backbone” services provided to the United Nations system coordination and representation functions were reclassified, in line with the harmonized cost categories approved by the Executive Board. Therefore, the amount estimated for 2022-2025 reflects the UNDP contribution to the resident coordinator system.

**C. Institutional component**

59. Allocations within the institutional component of the integrated budget follow the harmonized cost classifications approved by the Executive Board, as described below.

**Management (recurring) – estimated resources for 2022-2025: $687.4 million**

60. Recurring management activities reflect costs whose primary function is the promotion of the identity, direction and well-being of the organization. Consistent with the harmonized cost-classification system, activities related to independent oversight and assurance, previously classified as management, are now shown under a separate cost category. Per the harmonized cost-classification categories, the costs of the Ethics Office are included under this category and are
estimated at $5.5 million. The budgetary presentation of the costs of the Ethics Office in the “Management activities” category is in line with the harmonized categories approved by the Executive Board and is without prejudice to the continued independence of the office. In addition, costs previously related to supporting the resident representative are now shown under the management-recurring costs. While management costs are therefore not fully comparable between 2018-2021 and 2022-2025, UNDP has maintained its deliberate approach to contain the management ratio for this budget proposal. Also included are resources for the organization’s institutional budget, guided by the key objectives of the integrated resources plan and integrated budget detailed in paragraph 16, with particular focus on investing in programme quality and compliance, supported through modernized operational systems and structures, and reinforced through a strengthened internal control framework. This would enable UNDP to enhance management and internal oversight capacity at country, regional and central levels in order to support proactive mitigation of risks, as it relates to programmatic and operational work, in response to evaluation and audit recommendations.

Management (non-recurring) – estimated resources for 2022-2025: $48 million

61. This comprises an amount of $48 million, or $12 million per year, for special initiatives focused on strengthening capacity and approaches to scale up development impact as identified in the strategic plan, 2022-2025, namely for: (i) innovation; (ii) digitalization; (iii) development financing and partnerships; and (iv) investments in the business model.

62. As indicated in the strategic plan, investments include the development of a funding model that more closely aligns UNDP resources with today’s development priorities, and that allows UNDP to respond to rapidly changing demand, as envisaged by the funding compact. During the next four years, UNDP will pilot and propose to the Executive Board a revision of the criteria for allocation of regular resources to better align with the development needs of countries.

Independent oversight and assurance activities3 – estimated resources for 2022-2025: $89.7 million

63. UNDP continues to strengthen internal oversight control systems, learning lessons from audits and evaluations. Investments in these areas aim to seek the right balance between ensuring development effectiveness and oversight and covering the costs of doing so. The heading of corporate oversight and assurance includes the regular resources allocated to the Office of Audit and Investigations ($56.7 million) and the Independent Evaluation Office ($33.0 million).

Development effectiveness – estimated resources for 2022-2025: $179.0 million

64. Development effectiveness costs in the institutional component are those of a policy-advisory, technical and implementation nature that are not included in specific programmatic components. These costs span activities at country, regional and global levels and are essential for the delivery of development results.

Operational support to programme – estimated resources for 2022-2025: $132.7 million

65. This budget line includes the institutional elements of operational and administrative support services to projects previously classified as management and reclassified as programme as per the cost-recovery policy approved by the Executive Board in decision 2020/12.

Special purpose – estimated resources for 2022-2025: $57.0 million

66. UNDP has maintained allocations of regular resources for the functioning of UNCDF ($10.1 million) and UNV ($46.9 million).

67. Following prior practice, UNDP requests exceptional authority during 2022-2025 to disburse up to $30 million in regular resources for security measures, the use of which would be limited to

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3 As noted in paragraph 60, in line with the harmonized categories approved by the Executive Board, the classification of the costs of the Ethics Office remains under the “management” category. This is without prejudice to the continued independence of the office.
new and emerging security mandates as defined in directives of the United Nations Department of Safety and Security. UNDP will report on these as and when they may occur.\textsuperscript{4}

D. Positions

68. As was the case in 2014-2017 and 2018-2021, the integrated budget for 2022-2025 incorporates a strategy for financing personnel costs at grade P-5 and below in a manner that more accurately reflects the results framework. To contain costs, UNDP proposes to remain within the number of D-1 and higher-graded positions in the approved integrated budget for 2018-2021 (see annex I for more details).

VI. Cost recovery

69. Cost-recovery income relates to: (a) general management services charges on bilateral, multilateral and programme-country government resources; and (b) other cost-recovery-related income for direct services provided to United Nations organizations.

70. In its most recent decision 2020/12, the Executive Board requested “UNDP and UNFPA, in collaboration with UNICEF and UN-Women, to present in harmonized way (...) the calculations of the notional cost-recovery rates in their respective integrated budget documents”. The request from the Executive Board relates to general management services, as income for services provided to United Nations organizations is UNDP-specific. For UNDP, the notional cost-recovery rate amounts to 6.5 per cent, and the corresponding calculations are included in table 5b in annex I.

71. UNDP estimates are based on the cost-recovery methodology and cost-recovery rates recently approved by the Executive Board in the same decision, noting that cost-recovery income related to general management costs is estimated based on estimated programme delivery for 2022-2025.

72. In compliance with Executive Board decisions and UNDP financial regulations and rules, differentiated cost-recovery rates are applied by UNDP as appropriate. Based on these approved rates, the effective average rate of cost recovery in the most recent three years (2018-2020) ranged between 6.2 and 6.4 per cent. The effective average rate of cost recovery for the period 2022-2025 is projected to be at the midpoint of this range, i.e., 6.3 per cent, and is estimated to yield indirect cost-recovery revenue of $1.1 billion over the period.

73. As reported to the Executive Board in the joint comprehensive proposal on the cost-recovery policy (DP/FPA-ICEF-UNW/2020/1), waivers have declined considerably over time and kept to a strict minimum. Going forward, UNDP will continue to carefully review all waiver requests by funding partners and will agree to such requests only in exceptional cases, reporting each waiver transparently to the Executive Board. In line with the Executive Board decision on cost recovery (2020/12), UNDP provides harmonized annual reporting on the progress of implementation of the cost-recovery policy within annex 1 to the report accompanying the structured funding dialogue (DP/2021/31).

\textsuperscript{4}During 2020, $4.5 million was drawn from regular resources for security measures to respond to the COVID-19 pandemic. This was reported to the President of the Executive Board and disclosed in the annex to the report accompanying the structured funding dialogue (DP/2021/21).