UNDP Executive Board Funding Dialogue

January 2015
Overview

A. Overall objective
B. Global context
C. UNDP’s development and institutional context
D. Overview of resources
E. EB principles for UNDP programming
F. Principles in resource mobilization
G. Resource mobilization objectives
H. Next steps
A. Overall objective

Mobilizing resources to eradicate poverty and significantly reduce inequality and exclusion through the implementation of UNDP’s Strategic Plan 2014-17.

A plan with a unifying vision and focused set of 7 outcomes

1. To help countries achieve the simultaneous eradication of poverty and significant reduction of inequalities and exclusion

2. Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded

3. Citizen expectations for voice, development, the rule of law and accountability are met by stronger systems of democratic governance

4. Countries are able to reduce the likelihood of conflict and lower the risk of natural disasters, including from climate change

5. Faster progress is achieved in reducing gender inequality and promoting women’s empowerment

6. Early recovery and rapid return to sustainable development pathways are achieved in post-conflict and post-disaster settings

7. Development debates and actions at all levels prioritize poverty, inequality and exclusion, consistent with our engagement principles

Countries have strengthened institutions to progressively deliver universal access to basic services
B. Global context

• Levels of ODA and allocation of aid: ODA rose by 6.1% in 2013 at $134.8bn, but with falling share of aid going to Sub-Saharan Africa and LICs/LDCs.

• Large number of concurrent, complex, protracted crisis strains but also highlights importance of resilience.

• Renewed partnerships: importance of South-South and Triangular Cooperation for development.

• Rising importance of public private partnerships: role of individuals, private sector and foundations in development.
C. UNDP’s development and institutional context

- UNDP more fit for purpose given investments in institutional effectiveness:
  - Vision and focus of Strategic Plan 2014-17
  - Robust Integrated Results and Resources Framework (2014-17)
  - World leader on transparency
  - Increased performance and accountability
  - Programme alignment and effectiveness
D. Overview of resources

Extract from UNDP Strategic Plan 2014-17 (Annex II)
D. Overview of resources

UNDP Resource needs vs mobilized*

*5.8bn of resources mobilized includes $4.6bn in contributions received in 2014 and $1.2bn in agreements signed up to December 2014 and expected to be received in future years.
D. Overview of resources

Notes:
1. Resources mobilized to date includes non-core contributions received, plus future years’ non-core receivables on signed contracts, and estimated core resources allocated to each outcome based on programme budgets.
2. Additional resources pertaining to development effectiveness, legacy projects not linked to SP outcomes, institutional activities and resources not yet attributed to specific projects are not included.

Progress towards 2014-2017 IRRF Targets - by Outcome in USD millions

- IRRF Delivery Target
- Resources mobilized to date

Outcome 1: Inclusive & sustainable growth
- IRRF Delivery Target: 4,089
- Resources mobilized to date: 1,099

Outcome 2: Citizens’ voice/democratic governance
- IRRF Delivery Target: 2,912
- Resources mobilized to date: 638

Outcome 3: Strengthened institutions/access to basic services
- IRRF Delivery Target: 3,494
- Resources mobilized to date: 1,757

Outcome 4: Gender equality
- IRRF Delivery Target: 582
- Resources mobilized to date: 37

Outcome 5: Conflict and disaster prevention
- IRRF Delivery Target: 971
- Resources mobilized to date: 297

Outcome 6: Early recovery
- IRRF Delivery Target: 3,675
- Resources mobilized to date: 296

Outcome 7: Development debates
- IRRF Delivery Target: 1,747
- Resources mobilized to date: 245
D. Overview of resources

Contributions to UNDP in 2014*

- Multilateral partners (incl. UN system): 33%
- Bilateral partners: 18%
- Government Cost-Sharing: 1%
- Regular resources: 1%
- Private sector, foundations, NGOs and others: 31%

Total: $4.6b

*2014 preliminary figures
E. EB principles for UNDP programming

Predictability, Universality and Progressivity

1. Predictability so that the organization and programme countries can plan ahead and can sustain its multilateral and universal character.

2. Universality to ensure that UNDP development resources and related activities are available to support all eligible countries.

3. Progressivity to ensure the distribution of regular programme resources are directed primarily to low-income and least developed countries.
F. Principles in resource mobilization

• Supports **priorities and needs** of each country and region in line with mandate and global offer set out in the Strategic Plan.

• Respecting **established mandates of UN system partners** related division of responsibilities.

• Driven by **results**, corporate **performance** and **transparency**.

• Recognizing **value of resources that each partner brings**, respecting differences in focus and methods.

• Working with partners in **equitable and mutually beneficial way**, sharing **risks** and **accountability**.
Goal: Achieve a more adequate, stable and predictable level of resources for effective implementation of the Strategic Plan by:

1. Mobilizing a critical mass + of resources by protecting core and reversing its downward trend, and increasing the level of minimally-earmarked funds.

2. Ensuring a more coordinated approach to mobilize non-core resources for quality policy and programme activities allowing UNDP to deliver at scale and to the level of ambition set out in the Strategic Plan.

3. Diversifying our resource base, not only to a wider range of governments, but also beyond governments.
Critical mass plus (CM+) calls for a shift from high proportion of highly earmarked non-core resources towards a higher proportion of core and minimally earmarked resources to reinforce the principles of universality and progressivity.

- A larger and more stable base of core resources allowing UNDP to ensure predictable flow of funding, particularly to LICs and LDCs, guided by existing EB allocation criteria;

- In addition to the above, a significant proportion of minimally earmarked other resources to provide the flexibility needed to reach the poor and extreme poor wherever they live.
Key priorities:

- **Increase core funds** and reverse negative trend through core100 campaign for greater impact where it is needed most. Core to LICs & LDCs increased in 2014 from 2013.
  - LICs: from 87% of total to 90% of total
  - LDCs: from 64% of total to 74% of total

- **Progressively increase** the level of minimally-earmarked funds with new funding vehicles centered on quality performance and results.
1. Mobilize critical mass +

**Degree of earmarking**

- **Low**: Unearmarked funding
- **High**: Project level/ highly earmarked funding

**Funding windows**

- **Global**
- **Regional**
- **Country programmes**

- **Thematic earmarking**

**Resources**

- **Critical Mass +**: $11.0-$13.1bn
- **Other resources**: $9.5-$10.7bn

**Funding sources**

- **Trust Funds with multiple donors**
- **Third Party Cost Sharing (including legacy single donor TFs)**
- **Government Cost Sharing**
- **Vertical Funds (GEF, GFATM, MP)**

**Critical Mass +**

- **Regular Resources**
- **Funding windows**
- **Funding windows: thematic earmarking**
- **Funding windows: global, regional, country programmes**
2. Ensure more coordinated non-core RM

- Simplify the Thematic Trust Funds architecture and create flexible funding windows to align funding to the Strategic Plan.
- Introduce performance-based management of funding windows to ensure more effective use of funds, better quality programming and reporting.
- Consolidate other Trust Funds, reducing number for greater efficiency, effectiveness and impact.
- Continue to improve performance of non-core programmes and reduce fragmentation over time.
- Retain strong national ownership and increase level of government cost-sharing in line with country priorities and contexts.
- Maintain strong performance in management of Vertical Fund Grants and access the Green Climate Fund after successful accreditation process.
Key elements of new funding framework

Goal is to **optimize and rationalize** the number and management of UNDP’s non-core funding channels and instruments by establishing **funding windows** that will:

1. Provide **incentives** built in the design to ensure **alignment** to the Strategic Plan.
2. Allow for appropriate **performance-based** approaches to fund **allocations**.
3. Improve **quality assurance** and results reporting, leading to greater **effectiveness**, and lower **transaction costs**, leading to greater **efficiency**.
Funding architecture based on 4 windows

(1) Poverty Eradication and Sustainable Development (Un-earmarked)
   a. Issue 1: Environment Mainstreaming
   b. Issue 2: Gender Mainstreaming

(2) Resilience and Climate Change (Un-earmarked)
   a. Issue 1: Climate Change
   b. Issue 2: Disaster Risk Reduction and Recovery

(3) Governance and Peacebuilding (Un-earmarked)
   a. Issue 1: Democratic Governance
   b. Issue 2: Conflict Prevention and Recovery
   c. Issue 3: HIV/Health and Development

(4) Crisis Response and Early Recovery (Un-earmarked)
   a. Issue 1: Immediate Response to Crisis
   b. Issue 2: Early Recovery

- Funding windows mapped against SP outcomes.
- Enables region or country, earmarking.
- IRRF as the overarching allocation and reporting framework.
- Allocations are premised on the quality of results reported.
Step change in management

- Funding allocations premised on a *planned* approach to delivery on SP results.
- Use of ‘critical pathways’ to identify most effective ways of achieving results.
- Use of annual business plans to follow through on these ‘critical pathways’.
- Active management at portfolio level to ensure investments and performance match intentions and expectations.

...in other words, implement a clear strategy to ‘getting the job done’.
Features of funding windows

• Allocations that flexibly target poverty, inequality and exclusion.
• Allocations driven by strategy, issues-based and integrated across SP outcomes.
• Internal governance that ensures coherence across issues and the organization (not fragmented by Bureau).
• Performance-based allocations.
• Better monitoring and reporting on results in line with the Strategic Plan IRRF.
• Better traceability between contributions and results.
• Minimal earmarking and discounted cost recovery rate.
UNDP is piloting a program for fundraising from individuals. The program will provide UNDP with a passionate global community of supporters, increased visibility and brand awareness, and a new revenue stream.

The two year pilot will result in a robust platform that can easily be localized and tailored to country offices’ needs.

**Fundraising Opportunities**

UNDP’s Fundraising will focus on two groups:
- A large number of digital and online small contributions from individuals;
- High Net-Worth Individuals (HNWIs) for large gifts.

**2013 value of US individual donations**

to tax exempt entities in the fields of arts, education, environment, faith, etc.

**$240 billion**

**1,645**

number of billionaires worldwide

**UN Fundraising**

UNDP’s share of non-state funding was less than 2% of revenue in 2013. Other UN agencies are able to mobilize more: through a large number of online donations, from high net worth individuals (HNWIs) and other non-state partners.
3. Diversify funding base beyond governments

Contributions from private sector, foundations and other private actors in global economic and social development have been accelerating, making them increasingly relevant actors for UNDP to engage not only as donors, but as partners in development.

Given the growing interest and funding flows from private players in developing regions, international development institutions like the UNDP have a significant opportunity to partner with these actors in investing their funds in development projects that are seen to be mutually beneficial.

Following the approval of its due diligence process, UNDP will mature relationships with private sector actors, building on core business programmes partnerships to develop new private sector revenue streams, including through cause-related marketing.
H. Next steps

1. Member States feedback on the proposed new funding framework.
2. Continued engagement with Member States on new funding windows, including incentives and mechanisms for more stable and predictable resource base.
3. Structured dialogues during second regular session of the Executive Board to monitor and follow up on predictability, flexibility and alignment of resources.
4. Funding windows operational in 2016.