

Funding Dialogue for the Funding Compact

COMPACT NOTE – 04 January 2019

WORKING DRAFT - FOR DISCUSSION

Summary of the Funding Dialogue

Member States have welcomed in General Assembly resolution 72/279 the proposal of the Secretary-General to launch a funding dialogue with a view of finalizing a Funding Compact and report on the outcome of the funding dialogue at the operational activities for development segment of the 2019 session of the ECOSOC.

From July through December 2019, a dialogue between the UN development system and Member States has taken place along two tracks - a plenary and a technical track - to translate the high-level commitments contained in GA resolution 72/279 into concrete actions as well as timebound targets and indicators.

The Funding Compact is based on a wide consensus: A shift in behavior is required if the UN development system is to enhance its ability to deliver high quality support, at scale, to Member States.

On one hand, significant changes in funding are imperative. current funding patterns are characterized by a decline in core resources relative to overall funding, persistent unpredictability and rising share of tightly earmarked non-core funding for single-entity projects. Such funding patterns increase transaction costs, fragmentation, volatility and competition among entities. They also constitute lost opportunities, by hindering the system's ability to respond in flexible and dynamic ways to Member States' demands and national priorities, and ultimately by compromising the multilateral nature of UN support to the 2030 Agenda.

At the same time, the UN development system needs to be more transparent and accountable on its spending, more effective and efficient in the use of limited resources, communicate more clearly on what it does and what it achieves, work more towards collective results and better together with other actors. These are shortcomings the Secretary General has placed at the heart of his reform agenda for the UN development system.

In response to these challenges, the Funding Compact aims at improving practices to better enable the UN development system to deliver sustainable development results on the ground. As such, Member States are asked to commit to increase the level of core, pooled and thematic funding as the UN development system commits to increased transparency, visibility, efficiency and reporting on collective activities, spending and results.

The repositioning of the UN development system and its ability to provide high-quality integrated support to countries to achieve the SDGs, start with a reinvigorated RC system. It is therefore vital that Member States fully fund the newly empowered and independent RC system; the UN development system fully commits to ensuring transparency on the budget of the RC system and implementation of the General Assembly mandates and expectations from the repositioned RC system as set out in resolution 72/279.

These commitments are collective, inter-dependent and mutually reinforcing: progress on each allows progress on all. And while these commitments seek to promote a shared responsibility and pursue a level of ambition in line with expectations from the 2030 Agenda, they respect the wide diversity in policies, practices, rules and regulations on the part of Member States, as well as UN agencies, funds and programmes, and their implementation can be expected to occur progressively and at differing speeds.

The commitments focus on actions to be taken by UN entities in their development roles, and on funding provided for development purposes; however, this remit does not preclude positive spill-over effects in other spheres of UN mandates and of support to Member States.

The Funding Compact is ultimately a reflection of the value placed in the UN system; as such it is meant to maximize the UN's unique multilateral approach at a time of increasing anxiety and opportunity across the world, and to strengthen the trust between Member States and towards the United Nations as an effective, reliable and efficient partner on the road to 2030.

The Funding Compact (*draft*)

Introduction

The 2030 Agenda sets forth ambitious goals and timelines bringing sustainable development at the center of our action for the people, the planet and prosperity.

Achieving the SDGs by 2030 calls for transformative, collaborative action. The nature and scale today's global challenges, from rising inequality to climate change, from stresses on food systems to entrenched poverty, call for a reinvigorated multilateral response.

To respond with the full range of its multilateral strengths to this call, the UN development system has embarked on the most profound set of reforms in its history.

In resolution 72/279, the General Assembly conferred upon the United Nations development system a historic responsibility to enact deep changes, so it can better harness its values, strengths and capacities for integrated, cohesive and high-quality support to Member States.

Many changes are required. The United Nations development system needs to be more coordinated, effective and efficient. It needs to communicate more clearly on what it does and what it achieves. It needs to work better together and with other actors. The UN development system must be fully accountable to its Member States, including on the use of resources with which it has been entrusted.

At the same time, to meet expectations and provide the type of integrated responses and support at scale that the 2030 Agenda calls for, the UN needs adequate funding. This requires a shift in both quantity and quality, with more core resources where they are needed, and more predictable, flexible and multi-year non-core support, including through pooled arrangements. This includes a fully funded Resident Coordinator system that can bring the full range of UN development strengths together to deliver concrete results on the ground for countries.

These transformations are challenging and can take time, but efforts to attain them must be accelerated. The expectations, the needs, and the urgency articulated in the 2030 Agenda demand it.

To this end, the Funding Compact recognizes that the UN development system's ability to rise to the opportunity presented by the 2030 Agenda is a mutual responsibility of the system and the Member States alike.

The purpose of the Funding Compact is to capitalize the UN development system's strengths, which lie in its multilateral nature including its convening power, its policy and technical expertise across the SDGs, its partnerships and its extensive country presence and knowledge. By incentivizing a set of inter-dependent actions, the objective of the Funding Compact is designed to maximizing investments made by the Member States in the UN development system to obtain **better development results** for and with countries, with these results being achieved **more efficiently**.

A stronger UN development system is one that provides higher quality and more integrated policy options to countries tailored to their priority challenges; one that identifies, convenes and supports effective partnership and financing solutions to implement options; one that collaborates more reliably with other

actors to eradicate poverty universally, build resilience, mitigate risks and reduces vulnerabilities; and one that does so to the highest standards of fiduciary stewardship.

The commitments proposed in the Funding Compact are mutually-reinforcing: achieving a better balance between core and non-core support that is tailored to SDG-anchored strategies is essential if the UN development system is to come together and provide multi-dimensional, SDG-focused support to countries.

Pooled, flexible and predictable resources enable the UN to work as one to mobilize partnerships, catalyze innovative solutions to global challenges and offer sustained support on the ground to countries embarking on their trajectory toward the SDGs.

At the same time, increasing the transparency of resources used, providing greater clarity on results achieved, and managing funds more efficiently are critical means to securing appropriate, adequate and sustained investments.

Ultimately, at a time when multilateral approaches appear to be increasingly challenged, we must strengthen the **trust of Member States** in the ability of the UN's development system to meet its responsibilities for the 2030 Agenda.

As such, the Funding Compact must reflect both the value and the expectations that each Member State places in the UN as a key multilateral development actor, and the concrete measures that the UN development system commits to undertaking to demonstrate this value and meet those expectations.

Finally, the Funding Compact must renew, strengthen and broaden a sense of shared ownership of the UN's development system, to ensure that all stakeholders facilitate the system's comparative advantages, rooted in the Charter and the universality of the 2030 Agenda, to ensure that sustainable development takes hold everywhere, for everyone.

Compact parameters

The Funding Compact is guided by the following parameters:

- 1) *Shared purpose*: strongly anchored in the 2016 QCPR and GA resolution 72/279, the Funding Compact must allow the UN development system to better support the 2030 Agenda and meet the expectations of Member States and peoples around the world;
- 2) *National ownership and leadership*: in line with the 2016 QCPR and GA resolution 72/279, the Funding Compact must serve to ensure that the UN development system responds to country development needs and priorities, and that operational activities for development are carried out for the benefit of programme countries, at their request and in accordance with their own policies and priorities for development;
- 3) *Mutual accountability*: The Funding Compact must include tangible commitments by all parties, entities of the UN development system and Member States;
- 4) *Transparency*: the development of the Funding Compact must meet the highest degree of transparency, both in terms of process and content, including in relation to the data that will support the Funding Dialogues;
- 5) *Diversity*: the Funding Compact must account for a wide diversity in funding needs, models, structures, rules and regulations within the UN development system as well as within the Member States. Such diversity must inform the commitments and their targets;
- 6) *Results/field focus*: the commitments need to meet the legitimate interests of a wide range of constituents; they must be formulated in a manner that clearly indicates the how their fulfillment will contribute, in meaningful and concrete ways to the realization of the 2030 Agenda and the SDGs;
- 7) *Ambition*: the UN development system reform represents a historic opportunity to enact far reaching improvements in the way the UN development system provides support to Member States in implementing the 2030 Agenda: as a key element of the reform, the Funding Compact must be bold, and seek to incentivize a funding relationship that is truly fit for purpose. As such, the Funding Compact aims to initiate critical self-reflection and instigate behavioral change on both sides;
- 8) *Innovation*: To remain relevant, the UN development system must continue to be innovative. The Funding Compact should ensure the space for the UN to innovate, whilst carefully managing risks;
- 9) *Complementarity*: The Funding Compact should be consistent with, be informed by, and set an enabling framework for on-going and future funding dialogues at the UNDS entity level;
- 10) *Synergies*: The commitments in the Funding Compact should be designed and implemented with a view to fostering greater synergies and cooperation within the UN development system

Funding Compact commitments

The commitments within the Funding Compact have, as a starting point, been identified by Member States in GA Resolution 72/279. They have been further developed into a set of concrete, actions that will further capitalize the UN development system's unique strengths and contributions to results on the ground.

The commitments are *inter-dependent and mutually reinforcing*: progress on each allows further progress on all.

The commitments focus on *actions to be taken by UN entities as members of the UN Sustainable Development Group (UNSDG), in their development roles, and on funding provided for development purposes*; however, this remit does not preclude positive spill-over effects in other spheres of UN mandates and spheres of support to Member States.

The commitments are framed as *collective by nature*; they respect the wide disparity in current funding approaches and capacities, as well as in rules, regulations and policy framework on the part of Member States. Member State ability to meet various commitments will vary accordingly and different Member States may pursue different elements of the Compact, progressively and at different speeds.

The 'Funding' in the Funding Compact targets voluntary contributions, in the form of core or non-core, and as such will not be impacting changes in the current structure and determination of assessed contributions.

Commitment 1: Core and non-core funding

Relevant language in GA resolution 72/279:

□ [OP 25] “...recognizing the need to address the imbalance between core and non-core resources, takes note of the proposals of the Secretary-General to bring core resources to a level of at least 30 per cent in the next five years...”

The Funding Compact seeks to improve the quantity and quality of both core¹ and non-core/extra budgetary resources for UN development operations, recognizing the importance of both types of funding to the realization of the 2030 Agenda and to the UN entities’ capacity to deliver on their respective mandates.

The commitments are based on several positive trends: the steady increase in overall resources provided to the UN development system; the stability of the UN development system’s share of Official Development Assistance (ODA); and the rapid growth of funding from new contributors including an expanded number of Member States², other multilateral organizations and the private sector.

At the same time, they are designed to respond to the increasing imbalance, experienced by the UN development system as whole, between the share of core resources and non-core resources³. This growing gap presents significant challenges for many UN development entities, affecting their ability to play to their strengths as multilateral development actors, and to deliver quality results at scale on the ground.

While the faster growth in non-core resources has a number of sources, the Funding Compact sets a case for core to be further strengthened. **Core funding is essential for results on the ground**; core resources are critical to the UN development system’s ability to offer the type of cross cutting, holistic development solutions that the 2030 Agenda requires. Core resources help bridge siloes across SDG responses.

Furthermore, sufficient and predictable core resources allow the flexibility to respond to emerging country priorities, **deliver on global mandates, development enablers, global public goods and normative responsibilities that are not project specific**. They afford an appropriate country presence at the request and in support of national governments. Core resources also provide the means to fulfill one of the system’s most recognized comparative advantages, its convening power⁴. They also fund critical programming funding that can serve as leverage for non-core resources and as a catalyst for innovation and partnership development.

This case will need to be made continuously, the impact of core resources on concrete results on the ground will need to be further communicated, and the contribution of core resource providers will need to be better articulated.

¹ For the rest of the document, the term ‘core’ includes all voluntary contributions provided to the global budget of a UN entity

² See OECD report, Multilateral Development Finance, page 21: ‘Funding from sovereign states excluding the DAC has been the fastest growing component of funding to the UN development system, increasing by 52% between 2011 and 2016. However, collectively, [it] only account[s] for 5% of total funding to the UN development system’

³ Since 2002, core funding has increased by 23% while non-core funding has increased by 150% in real terms.

⁴ See OECD report ‘Multilateral Development Finance’, page 35

The Funding Compact also acknowledges the diversity in funding needs and models across the UN development entities, with several entities relying exclusively on non-core voluntary funding and other entities requiring a higher share of core resources to fulfill their mandates. The diversity in Member States approaches and contributions is also noted, in line with the principle of common but differentiated responsibility.

As such, the Funding Compact recognizes the need to further tailor and align funding types and volumes to the various needs and structures of individual UN entities, as articulated in respective strategic plans, **and as the most effective mean to meeting the Secretary-General’s call to bring core resources to a level of at least 30 per cent in the next five years**⁵.

Noting the importance of non-core funding to the 2030 Agenda, the Funding Compact also supports greater alignment of such contributions to UN entity strategic plans, at both the global and country level, notably the UNDAF.

Finally, parties to the Funding Compact agree that the ability to provide the right level of core and non-core resources hinges, in part, on the UN development system’s continued and increased efforts to link funding with results, present credible integrated results and resource frameworks, and increase reporting and communication on results achieved with such resources.

Commitments

In line with General Assembly Resolution 72/729, the Funding Compact proposes the following specific commitments:

Member States	UNDS entities
<p>To ensure that core resources to the UN development system reach at least 30% by 2023 <i>Indicator: Core resources as a percentage of total resources to the UN development system</i></p>	<p>Starting in 2019 or at the time of revision or development of new strategic plans, systematically strengthen the articulation of core and non-core requirements and results through entity specific strategic plans and comprehensive integrated resources and results frameworks, and through structured funding dialogues with their governing bodies.</p>
<p>To align funding to the specific core and non-core requirements of individual UN entities, as articulated in their strategic plans <i>Indicator: Funding flows to UN entities as articulated in UN entities funding compendiums.</i></p>	<p><i>Indicator (QCPR): Occurrence of funding dialogues with entity specific Board; Baseline (2018): 17/27; Target (2019): 100%;</i></p>
<p>To take concrete measures to increase the predictability, timeliness and/or multi-year nature of core or non-core / extra budgetary contributions <i>Proxy indicator (QCPR): Fraction of UN entities reporting that 50% or more of their contributions are multi-year; Baseline: tbd; Target: 20/25 by 2023</i></p>	<p><i>Indicator (QCPR): Fraction of UNDS entities that in their respective governing bodies presented options for improving the functioning and effectiveness of the structured funding dialogues”; Baseline (2017): 9/27 (33%); Target (2021): 100%</i></p>

⁵ The 30% target (and its corresponding baseline) include both core resources, defined as voluntary contributions to an entity’s budget, and assessed contributions.

At the country level, to strive to align their non-core contributions and timing of transfer/s with the funding needs and strategies articulated in the UN Development Assistance Framework (UNDAF) and the plans of UN Country team entities.

Proxy indicator (QCPR): Percentage of Programme Country Governments who 'agree' that non-core resources are aligned to national priorities; Baseline (2017): 57%; Target (2021): '75% Agree'

By 2020, improve the quality of funding dialogue through improved access to disaggregated data on development related funding flows at entity and system wide level

Indicator: Centralized, consolidated and user friendly online platform in place: Baseline: n/a; Target: 2020

Commitment 2: pooled and thematic funding

Relevant language in GA resolution 72/279:

- [OP 25] "...takes note of the proposals by the Secretary-General to....double both inter-agency pooled funds to a total of 3.4 billion United States dollars and entity-specific thematic funds to a total of 800 million dollars by 2023;"
- [OP 27] "*Invites Member States to contribute, on a voluntary basis, to the capitalization of the Joint Fund for the 2030 Agenda for Sustainable Development at 290 million dollars per annum*";

The Funding Compact’s commitments reflect the 2016 QCPR emphasis on UN inter-agency pooled and thematic funding for development and its request to focus on “developing well-designed pooled funds, as a complement to agency-specific funds”.

Pooled funds and thematic funds provide the type of quality funding that allows the UN development system to enhance the quality of its support on the ground and to design its assistance in line with what the 2030 Agenda demands.

They provide the flexibility needed to respond to emerging country priorities. For country level funds, they enable greater government-UN-donor collaboration, and facilitate policy and programmatic coherence. Such benefits underpin the proposal made by the Secretary-General in his 2018 report to ECOSOC that *‘At least 15% of non-core expenditures should be channeled through inter-agency pooled funds to reap the benefits of economies of scale, as estimated by the UNDG.’¹*

In this regard, recent positive trends in capitalization of such instruments⁶, notably with the Spotlight Fund and the Joint SDG Fund, must be further encouraged and accelerated.

Such support must include a focus on quality, including with regards to the predictability and flexibility of funds provided to these instruments, and in terms of the effectiveness and efficiency of fund operations.

It must also be accompanied by efforts by the UN development system towards greater coordination among funds, as an increase in funding instruments within the UN and beyond requires that the system mitigate the (perceived) risks of duplication, overlap, and inefficiencies.

Commitments

In line with General Assembly Resolution 72/729, the Funding Compact proposes the following commitments:

Member States	UNDS entities
<p>To double by 2023 their share of non-core contributions that are provided through inter-agency pooled funds and thematic funds</p>	<p>To enable the doubling of current capitalization of inter-agency pooled funds and thematic funds by:</p> <ul style="list-style-type: none"> i. Having by the end of 2021 common features across all development focused thematic and

⁶ See notably the increase in UN development-focused inter-agency pooled funds from \$550 million in 2016 to \$706 million in 2017 and the growth in entity specific thematic fund from \$447 million in 2016 to \$529 million in 2017 of which 60% went to development focused instruments

Indicator (QCPR); 2016 baselines; targets: 100% increase

To increase the provision of multi-year contributions to thematic and inter-agency pooled funds (as aggregate and for each fund)

Indicator: TBD

To increase the share of contributions to country level inter-agency pooled funds that are not earmarked for a specific UN entity or specific project.

Indicator: TBD

inter-agency pooled funds, to ensure they are all well-designed and professionally managed⁷;

ii. Strengthening UN partnership engagement in pooled funds, including to bridge the humanitarian-development-peace silos and to strengthen the common support of the revitalized UNDAF at country level.

Indicator: Positive results documented from lessons learned review conducted in 2021 on common features and strengthened partnerships; Baseline: n/a; Target (2021): review

To increase efforts to broaden the funding base for the Joint SDG Fund for 2030 Agenda and reach an annual capitalization of \$290 million by 2020.

Indicator (2018): \$43 million in deposits and 11 donors; Target (2020): \$290 million from 20 donors

To increase visibility for providers of contributions to development-focused inter-agency pooled funds.

Indicator: Common UNDS guidelines developed and adopted by implementing UN development entities on ensuring appropriate visibility of pooled fund contributors; Baseline (2018): n/a; Target: 2019

⁷ Including: a well-articulated strategy, including innovation features where relevant, clear theories of change, solid Results Based Management systems, well-functioning governance bodies supported by effective secretariats, quality assurance on issues of UN norms and values; risk management systems and strategies; operational effectiveness/reporting/visibility/transparency standards

Commitment 3: Transparency, reporting, and system-wide evaluations

Relevant language GA resolution 72/279:

- [OP 28a] "...to provide annual reporting on system-wide support to the Sustainable Development Goals and present aggregated information on system-wide results by 2021"
- [OP 28b] "...to comply with the highest international transparency standards to enhance transparency and access to financial information in all United Nations development system entities."
- [OP 28c] "...to undergo independent system-wide evaluations of results achieved, at the global, regional and country levels."

Greater clarity on what the UN does with the resources it has been entrusted with, and the impact that different types of resources have on the system's ability to deliver its mandates is essential. **If Member States are to sustain their investments and provide the UN with the type of funding needed to respond to the SDG opportunities, they need to know what they are investing in, what for, and for what results.**

Results produced must be credible, accessible, and communicated. And the UN development system must report with equal transparency and credibility to Programme Countries and contributing countries.

The Funding Compact recognizes entity specific and collective efforts under way in the UN development system to improve transparency, reporting and system wide evaluations. These include current efforts towards data standardization and compliance with international standards for financial reporting, the quality changes to be made to the UNDAF and to country level reporting to national governments, and the systems under development to provide transparency on the Resident Coordinator system budget.

The Funding Compact also affirms that such efforts must be accelerated to address outstanding gaps, inconsistencies, and weaknesses, and increase the trust of Member States and citizens in the value of the UN development's system.

The Funding Compact also recognizes that such efforts must be consistent with efficiency imperatives and acknowledges the responsibility of all actors in reducing transaction costs for programme countries, contributing donors, and UN entities alike.

To this end Member States and the UN development system commit to:

Member States	UNDS entities
<p>To initiate concrete measures to harmonize to the extent possible reporting requirements on non-core contributions, in line with the recommendations from the 2017 Joint Inspection Unit report on reporting requirements <i>Indicator: TBD</i></p>	<p>To full comply with international reporting and transparency standards, including 100% compliance of all relevant UN entities in reporting of financial data to the CEB, OECD and IATI and linking resources to SDG (outcomes and targets) by 2021 <i>Indicator (QCPR): Fraction of UNDS entities that report on expenditures disaggregated by SDG, baseline 6/29 entities in 2018; target: 100 % by 2021</i></p>
<p>To increase engagement, through inter-governmental bodies, in the review of independent system wide evaluation results and promotion of their uptake in programme design and policy directives <i>Indicator: TBD</i></p>	<p><i>Indicator: Compliance of all UNDS entities in terms of reporting of financial data to IATI and OECD: baseline</i></p>

Starting in 2019, to strengthen their national monitoring and evaluation capacity and increase use of, independent evaluation when analysing and reporting the results of UN partnerships, including for Voluntary National Reviews on SDG achievement.

Indicator: TBD

IATI (2017) 19 out of the 44 UNDS entities; target: 100% by 2021;

To increase the positive feedback from Programme Country Governments on all criteria related to UNCT reporting

Indicator (QCPR): Programme Country feedback on UNCT annual reports – Baseline (2017): see below; Target (2021): 90% for all criteria

Fraction of Programme Country Governments that confirmed receipt of a report on the results achieved by the UNCT as a whole in the last annual cycle	66/110
% of Programme Country Governments, in respect of annual reports provided to them, that 'agree' ^a that:	i. 63% ii. 68%
i. they receive reports regularly enough to meet their needs	iii. 58%
ii. the information is up-to-date	iv. 45%
iii. the results of the whole UN system are included	v. 74%
iv. sufficient financial data is included	vi. 63%
v. reporting is structured around UNDAF outcomes	
vi. reporting is linked to national development results	
"% of UNCTs that have a fully operational CBF that is updated annually	28%
% of UNCTs that have made their annual results report publicly available	87%

By the end of 2021, to have UNDAF results reporting through UN INFO in at least 100 programme countries with data available to national governments and online

Indicator: Number of programme countries with UN INFO operational; Baseline (2018): 30; Target (2021): 100

Starting in 2019, drawing on reinforced evaluation capacities and mechanisms, to expand the number of independent joint and system-wide evaluations (including synthesis or meta-studies) produced and published each year on specific, strategic, and/or cross cutting issues, in particular relating to implementation of the SDGs; management response and action-implementation modalities to be made

available alongside the published reports for their effective utilisation and to be submitted to relevant governing bodies.

Indicator (QCPR): # of ISWEs of results achieved that have been undertaken in the last year at global, regional and country-level; Baseline (2018): tbd; Target (2021): tbd

Starting in 2019, using existing resources and with the support of the UN evaluation group (UNEG), to increase the quality and credibility of UNDAF evaluations

Indicator (QCPR): Fraction of UNDAFs completed in past two years for which: i) an evaluation was conducted; ii) a Management Response was prepared; Baseline (2017): 23/39 & 9/23, respectively; Target (2021): 75% and 75% respectively

Commitment 4: Visibility

Relevant language in GA resolution 72/279:

□ [OP 28f] “...requests the UNDS... to enhance visibility of Member States’ contributions to core resources and pooled funds, and related results”

Greater visibility for contributions made by Member States is critical to sustain political and funding support for the UN development system.

To date, various funding models, instruments and types have provided various degrees of visibility, with pooled funding, thematic funding and core funding offering less prominence to contributing partners than project specific, tightly earmarked non-core funding.

In seeking to address this imbalance, which in turn affects funding behavior, the Funding Compact commitments respect the need for visibility for host countries as well, in line with the principle of national leadership and ownership, for tailoring requirements to country context, and for reducing transaction costs associated with visibility requirements.

Commitments

In line with General Assembly Resolution 72/729, the Funding Compact proposes the following commitments:

Member States	UNDS entities
<p>To increase efforts, with a focus at country level, to harmonize visibility requirements, in line with the principle of national leadership and ownership <i>Indicator: TBD</i></p>	<p>By the end of 2019, to enhance and increase visibility measures for core resource contributors, including in relation to country level results supported by core funds, both in agency specific reporting and at the UN development system wide level <i>Indicator: Specific mention in all agency annual reports, UNCT website and reporting, and DOCO reporting on core contributors; Baseline (2018): n/a; Target (2020): 100%/yes</i></p> <p>By the end of 2020, to include specific information on inter-agency pooled fund and thematic fund contributors in entity specific reporting and visibility measures and campaigns, at both global and specific programme/project level <i>Indicator: Common UNDS guidelines developed and adopted by implementing UN development entities on ensuring appropriate visibility of pooled fund contributors; Baseline (2018): n/a; Target (2020): 2020</i></p> <p>By the end of 2020, to link development focused inter-agency pooled funds expenditures and SDGs and include such reporting in standard inter-agency pooled funds and thematic fund reporting procedures</p>

Indicator: Positive results from lessons learned review conducted in 2021 on common features and strengthened partnerships; Baseline (2018): n/a; Target (2021): 2021 review

Commitment 5: Efficiency

Relevant language in GA resolution 72/279:

□ [OP 28g]“...requests the UNDS...to achieve efficiency gains as envisioned by the Secretary-General in his report”

Commitments on efficiency gains takes, as a starting point, the QCPR (71/243) which “recognizes the significant progress made by the United Nations development system in promoting harmonized business practices, including shared premises and joint back-office procurement, and the resulting efficiency savings achieved, and in this regard requests the entities of the United Nations development system to explore further opportunities for collaborative procurement at the global, regional and country levels”.

They build on the recently agreed Framework of Mutual Recognition, an important milestone that will allow for considerable efficiencies amongst participating entities. **Such steps are essential in securing and increasing Member States and citizens’ confidence in the United Nations development’s system ability to use resources according to the highest standards of fiduciary management.**

The Funding Compact supports the dual objectives of efficiency gains as means to both provide higher quality services in support of mandate implementation and to identify financial savings that could be reinvested in programming, including coordination.

In particular, the Funding Compact acknowledges that, depending on their nature, efficiency gains may at times mean achieving greater results towards the SDGs at current levels of resources. Efficiency gains have the potential to further facilitate progress in the areas of accountability, reporting and joint activities, building in turn increased support for adequate core and non-core funding.

Considering the diversity and complexity associated with efficiency gains, it is essential to institute robust baselines and credible tracking mechanisms. Such mechanisms should help to maintain an open and active communication between the UN development system entities and Member States on sources and uses of such efficiency gains as they are realized over the coming years, as well as on any implications regarding staff and delivery capacity.

Finally, based on the Secretary-General’s proposals and drawing on preliminary work from the Business Innovation Group, the commitments acknowledge that many efficiency gains require upfront investments and support from Member States, with various gains likely not realized for some years as initial investments will first need to be recouped.

Commitments

In line with General Assembly Resolution 72/729, the Funding Compact proposes the following commitments:

Member States	UNDS entities
To facilitate and support the implementation of efficiency measures where relevant and possible, through bridging short-term financial support/in kind support, based on clear efficiency plans and requests provided by respective UN entities, and provision of common premises by host governments or support for capital asset funds <i>Indicator: TBD</i>	To consolidate 50% of UN offices into Common Premises by 2021 <i>Indicator (QCPR): TBD</i> To consolidate Common Back Offices in all countries by 2022 <i>Indicator (QCPR): TBD</i> To have Business Operations Strategies in place for all UN Country Teams by 2021 <i>QCPR indicator; baseline: 20%</i> To enable culture change towards more customer centric relationships through measurement of Client Satisfaction of all business operations services <i>Indicator (QCPR): TBD</i> Throughout 2019, to continue an inclusive system-wide dialogue with Member States, led by DOCO, with a view to providing and discussing regular updates on progress made on efficiency gains and their redeployment for development activities, including coordination, as they are realized, and any potential impact on staff and delivery capabilities <i>Indicator: TBD</i> To pursue entity specific efficiency measures, including through innovative business practices and new technologies, and to report on such measures through agency specific strategic plans and funding dialogues, with due consideration for diversity of models and practices across the UN development system <i>Indicator: TBD</i>

Commitment 6: Joint activities and common results

Relevant language in GA resolution 72/279:

- [OP 28e] “...requests the UNDS...to allocate, where applicable, at least 15 percent of non-core resources for development of joint activities”,
- [OP 28h] “...requests the UNDS...to achieve common results at the country level”;

The Funding Compact commitments on joint activities and results build on repeated requests on the part of Member States to see the UN development system work more collaboratively and undertaking common initiatives, at all levels. A number of indicators in the QCPR monitoring framework attest to these expectations⁸.

The UN development system entities need to increase collaboration as critical to better delivery on the ground, and funding must incentivize such efforts.

The objective of pursuing joint activities, notably in the area of analytical work, the formulation of policy options for SDG acceleration and evaluations, is to ensure that UN support is integrated, coherent and efficient. **It means more collaborative work, at reduced costs for host governments, and greater returns for Member States investments.**

To this effect, the Joint 2030 Fund constitutes an important vehicle to channel non-core contributions for joint activities at the country level in support of the SDGs. This Fund and other pooled arrangements are fully consistent with the 2030 Agenda’s emphasis on integrated approaches to policy support and upstream work, and the need for innovative approaches such as partnership-based platforms.

Harnessing analytical and policy capacities across the system serves as basis for effective programming, individually or collectively, and across the humanitarian, peacebuilding and development nexus through separate funding streams.

The commitment towards common results reflects the primacy of the UNDAF process and framework at the country level, with UNDAF outcomes as shared UNCT results, to which individual UN entities contribute.

At the regional and sub-regional levels, a similar approach to policy integration should be adopted, notably when addressing transboundary issues not necessarily included in UNDAFs.

Finally, the Funding Compact agrees that UN capacity and discipline for collaboration are also influenced by donor funding choices. Core or pooled fund resources are often critical in allowing for participation in joint activities (e.g. policy support, or joint assessments and analysis as a precursor to programming). The use of entity-specific non-core resources towards joint activities and common outcomes also presupposes a degree of flexibility that can be undermined by tight earmarking practices.

⁸ Status reflects the number presented in the Report of the Secretary General on the Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2018

Commitments

In line with General Assembly Resolution 72/729, the Funding Compact proposes the following commitments:

Member States	UNDS entities
To encourage joint activities and common results by increasing the share of non-core contributions provided at the country level that are not earmarked to specific projects <i>Indicator: TBD</i>	To increase the focus on common results amongst UNDS entities at the country level <i>Indicator (QCPR): Percentage of Programme Country Governments that 'agree' that there is an improved focus on common results amongst UNDS entities at the country level; Baseline (2017): 69%; Target (2021): 90%</i>
To support full capitalization of the 2030 Joint Fund in support of joint analytical, policy and financing support for SDG acceleration <i>Indicator: TBD</i>	To increase the provision of coordinated or integrated policy support to achieve the 2030 Agenda, through increased joint activities <i>Indicator (QCPR): Percentage of Programme Country Governments that 'agree' that they receive coordinated or integrated policy support from the UN; Baseline (2017): tbd; Target (2021): tbd</i>

Commitment 7: Cost-recovery

Relevant language in GA resolution 72/279:

[OP 28d] “To comply with existing full-cost recovery policies and further harmonize cost recovery by individual United Nations development system entities through differentiated approaches”

In line with QCPR Resolution 71/243, which reiterated the importance for United Nations entities to achieve full cost recovery, the Funding Compact recognizes the centrality of sound cost recovery approaches to many other commitments, including: collective efforts towards greater transparency, increased joint activities and achieving the right balance between core and non-core resources, aligned with entity strategic plans.

At times, current approaches to cost recovery can incentivize unhealthy competition amongst UN entities, generate cross subsidies between funding sources and between donors, and generate incentives for project design that may not be aligned with needs and mandates. Yet differentiated rates are needed to reflect distinct comparative advantages, different funding structures and diverse business models across the UN development system.

It is therefore essential for commitments on cost recovery to facilitate the UN development system to increase its support to the SDGs by: i. enabling greater clarity and a better-informed dialogue between UN entities and its partners on the true cost of delivering mandates, programs and projects; ii. Allowing UN entities to recover all costs associated with specific programs and projects, and: iii. incentivizing greater collaboration amongst entities that apply different recovery rates according to their different business models.

Cost recovery approaches must continue also to take into consideration and further support country engagement in the UN development system, including through South-South Cooperation.

Finally, the Funding Compact also recognizes the primacy of cost recovery policies and discussions within the governing bodies of UN development system entities

Commitments

In line with General Assembly Resolution 72/729, the Funding Compact proposes the following commitment:

Member States	UNDS entities
	<p>To harmonize cost classifications, definitions, and methodologies, and increase communication on the rationale for differentiated policies reflective of different business models</p> <p><i>Indicator: TBD</i></p>

Commitment 8: Funding for the RC system

Relevant language in GA resolution 72/279:

□ [OP 11] “Emphasizes that adequate, predictable and sustainable funding of the resident coordinator system is essential to delivering a coherent, effective, efficient and accountable response in accordance with national needs and priorities, and in this regard decides to provide sufficient funding in line with the report of the Secretary-General,⁹ on an annual basis starting from 1 January 2019, through:

(a) A 1 per cent coordination levy on tightly earmarked third-party¹⁰ non-core contributions to United Nations development-related activities, to be paid at source;

(b) Doubling the current United Nations Development Group cost-sharing arrangement among United Nations development system entities;

(c) Voluntary, predictable, multi-year contributions to a dedicated trust fund to support the inception period;

A fully funded UN development coordination architecture, with independent and empowered Resident Coordinators at its center, is essential if the various strands of the reform are to be successfully implemented. Any gap would undermine the commitments to increase the quality, predictability and scale of support to Programme Countries, notably in the areas of SDG focused, integrated policy support and the provision of innovative partnerships and financing options for SDG acceleration.

The funding of the RC system also needs to reflect broad ownership across the Member States and within the UN development system, who have stakes in and will benefit from its success.

A successful implementation of the hybrid funding model decided by the General Assembly will require a virtuous cycle of adequate financial contributions, rapid delivery of results on the ground, clear and high-quality reporting, and robust fiduciary management of resources received.

Commitments

In line with General Assembly Resolution 72/729, the Funding Compact proposes the following commitments:

Member States	UNDS entities
<p>To provide adequate funding to the RC system budget through timely and broad based voluntary contributions to the Special Purpose Trust Fund</p> <p><i>Indicator: TBD</i></p>	<p>To transfer respective cost-sharing contributions to the Special Purpose Trust Fund</p> <p><i>Indicator: Fraction of UNDS entities that provide their full cost sharing contributions by the first quarter of each budget year; Baseline (2018): tbd; Target (2021): 100%</i></p>
<p>To fully implement the 1% coordination levy on tightly earmarked third party contributions according to agreed guidelines</p>	<p>To fully implement the 1% coordination levy on tightly earmarked third party contributions according to agreed guidelines</p>

⁹ [A/72/684-E/2018/7](#).

¹⁰ The levy would not be charged on local government cost-sharing and cooperation among programme countries.

Indicator: Variance between agency reporting and donor reporting on 1% coordination levy; Baseline (2018): n/a; Target (2021): 0%

Indicator: Variance between agency reporting and donor reporting on 1% coordination levy; Baseline (2018): n/a; Target (2021): 0%

To provide high-quality reporting on sources and uses of funds in the Special Purpose Trust Fund

Indicator: TBD

Funding Compact Follow Up / Monitoring mechanisms

The Funding Compact is submitted by the Secretary-General, on behalf of the UN Sustainable Development Group as a complement to his Annual Report to the ECOSOC for consideration in the Operational Activity Segment.

It represents a non-binding instrument for voluntary adherence by individual Member States and other contributing donors.

On the UNSDG side, adherence to the commitments will be the responsibility of each UNSDG entity, and progress will be reviewed collectively by the UNSDG.

Formal follow up to, and tracking of progress made in the implementation of the Funding Compact will also involve three related mechanisms:

1. Reporting by the Secretary-General as part of his Annual Report to ECOSOC
2. Inclusion and tracking by DESA of relevant commitments through the QCPR monitoring framework and Member States' funding flows through the UN development system
3. Continuation, until the 75th General Assembly, of an inclusive, *informal*, system wide Funding Dialogue with the Member States, convened by DOCO, under the leadership of the Deputy Secretary-General, to further discuss these commitments and provide updates on implementation.

A continuation of a system-wide Funding Dialogue to take stock of the Compact and explore amendments or additions will further seek to support entity specific Funding Dialogues.

END