Funding Compact
for UN support to the SDGs

June 2024
Why have a Funding Compact?

- Achieving the SDGs by 2030 calls for transformative, collaborative action.
- For the UN to provide cohesive and high-quality support at scale, significant changes in funding are needed.
- Funding patterns have been characterized by a decline in core resources relative to overall funding, unpredictability, and a rising share of tightly earmarked funding for specific projects.
- The Funding Compact acknowledges that quality funding is a prerequisite for a more effective, efficient, and coherent UN development system.
- It speaks to the need to build trust and confidence of Member State contributors to the UNDS, incl. through results reporting, transparency, visibility and efficiencies.
- The Funding Compact establishes mutual commitments for Member States and the UNSDG entities to take concrete steps to substantially shift the funding picture.
The new Funding Compact:

- Was the product of a highly inclusive consultation process with Member States and UNSDG entities over five months (Nov 2023 – April 2024)

- Was presented by the UN Secretary-General alongside his report to ECOSOC on QCPR implementation, in May 2024.

- Is expected to be endorsed by ECOSOC and the General Assembly in 2024.

- Is to be implemented by both Member States and UNSDG entities at country, regional and HQ levels, on a voluntary basis.
The Funding Compact contains a set of mutual commitments between UN Member States and the UN development system. It acknowledges that quality funding – including core, pooled, and softly earmarked funding, is a prerequisite for a more effective, efficient and coherent UN development system, supporting SDG acceleration at scale. At the same time, it speaks to the importance of building trust and confidence of Member States in the UN, particularly through improved results reporting, transparency, visibility and achievement of efficiencies.

**THE MEMBER STATES WILL:**

1. Increase predictable **CORE/UNMARKED** resources
2. Enhance **FLEXIBILITY** of non-core funding

**THE UN DEVELOPMENT SYSTEM WILL:**

i. Clearly demonstrate the UN’s contribution towards **SDG RESULTS**
ii. **VISIBILITY, RECOGNITION** and **TRANSPARENCY**

iii. **ENHANCE** **JOINT RESOURCE MOBILIZATION** and pooled funding
iv. Fully support **COORDINATION OF UN DEVELOPMENT ACTIVITIES**

v. Strengthen the achievement and reporting of **EFFICIENCIES**
vi. **ENHANCE** **ALIGNMENT OF PROGRAMMES AND CAPACITIES** to strategic priorities and needs
Changes since the old (2019) Funding Compact

1) **Shorter, simpler, more strategic** and **accessible** to any audience

2) **More flexible and adaptable to context** so it can be more useful at country level and in individual governing bodies

3) **Increased level of ambition** (especially on pooled and thematic funding)

4) Takes **a more nuanced approach to 'earmarked contributions'**, better recognizing the full range of possible levels of flexibility (includes annex of typologies)

5) **Updated to build further on work of UNDS over last 5 years** to increase trust and confidence of MS in areas like efficiencies, results reporting, transparency, and visibility

6) **Strengthened mutual accountability for implementation** (incl. scorecards for donors, tailored dialogues and monitoring frameworks, enhanced provisions for monitoring and review)
Annex to the Compact

- Clearly showing different typologies of funding and degrees of earmarking.
- Includes definition for ‘soft earmarking’ for both single-entity and pooled funding.

### ANNEX – TYPOLoGIES OF FUNDING MODALITIES & LEVELS OF EARMarkING FOR SUSTAINABLE DEVELOPMENT

<table>
<thead>
<tr>
<th>SINGLE ENTITY CONTRIBUTIONS</th>
<th>INTERAGENCY CONTRIBUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unearmarked</strong></td>
<td></td>
</tr>
<tr>
<td>Assessed contribution (DAC old type 802 or 803)</td>
<td>Flexible contribution to a global level MPTF (DAC old type 8022 or 8032; recipient 999, combined with Channel Codes for UN pooled funds)</td>
</tr>
<tr>
<td>Fixed amount contribution calculated based on agreed formula that UN Member States undertake to pay when signing a treaty</td>
<td>“Core” financial contribution to an Interagency global pooled fund (e.g. Joint SDG Fund, P&amp;G, Spotlight), fully flexible within the TDRs of the fund</td>
</tr>
<tr>
<td>Voluntary core (unearmarked) contribution (DAC old type 802 or 803)</td>
<td>Unearmarked contribution to a regional level MPTF (DAC old type 8032; recipient regional)</td>
</tr>
<tr>
<td>Voluntary untied contribution to the UN entity budget, fully flexible (within boundaries set in mandates, gov. body regulations, etc)</td>
<td>Financial contribution to an Interagency Multi-Partner Trust Fund for a specific region</td>
</tr>
<tr>
<td>Voluntary core (unearmarked) in-kind untied contribution</td>
<td>Financial contribution to an Interagency Multi-Partner Trust Fund for a specific country or multi-country cooperation programme</td>
</tr>
<tr>
<td>Revenue transactions recorded for donations of goods and/or services, in accordance with accounting policies of the organization</td>
<td></td>
</tr>
<tr>
<td><strong>Softly earmarked</strong></td>
<td></td>
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<tr>
<td>Single-agency thematic funds (DAC old type 8032; recipient specific)</td>
<td>Flexible contribution to a theme in an MPTF (DAC old type 8033)</td>
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<tr>
<td>Co-mingled contributions to single-entity funding mechanism to support high-level outcomes within strategic plan; single UN entity is fund administrator &amp; takes decisions on fund allocations</td>
<td>Financial contribution to one or more specific objectives, sub-objectives or themes in an MPTF based on the type of earmarking allowed in the TDR of the Fund (regardless of geographical level)</td>
</tr>
<tr>
<td><strong>Earmarked</strong></td>
<td></td>
</tr>
<tr>
<td>Earmarked to a sub-theme or target (DAC old type 8033; recipient 999)</td>
<td>Thematic earmarking to a theme in an MPTF (DAC old type 8033)</td>
</tr>
<tr>
<td>Financial contribution directed to sub-categories of strategic objectives (e.g: environment/decarbonization or education/teacher training) but without geographic limitations</td>
<td>Financial or in-kind contributions to a joint programme between two or more participating UN organizations working together at a country, regional or global level</td>
</tr>
<tr>
<td><strong>Country-specific thematic funding</strong> (DAC old type 8033; recipient country specific)</td>
<td>Joint Programme (DAC old type 8031 or 8033; recipient any)</td>
</tr>
<tr>
<td>Financial contribution to a specific outcome or outcomes within an entry’s country program, without further restrictions</td>
<td>Financial or in-kind contributions to a joint programme between two or more participating UN organizations working together at a country, regional or global level</td>
</tr>
<tr>
<td><strong>Tightly earmarked</strong></td>
<td></td>
</tr>
<tr>
<td>Project funding (DAC old type 801)</td>
<td>Financial or in-kind contributions to a joint programme between two or more participating UN organizations working together at a country, regional or global level</td>
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<tr>
<td>Financial or in-kind contribution to a specific project in a specific country</td>
<td></td>
</tr>
<tr>
<td>Tied-funding</td>
<td>Financial contribution tied to certain conditions in terms of purchase restrictions, directed to a specific country/region and to a specific objective</td>
</tr>
</tbody>
</table>

*Note: Channel Codes for UN pooled funds (8001, 8003, 8004) and/or Participant Codes for Interagency MPTFs (9961, 9962, 9963) should be used to ensure that funds are correctly identified and traced.*
Implementation

- **UNSDG implementation plan** to be developed to ensure concrete actions on all relevant commitments:
  - Strengthen system-wide reporting on SDG results;
  - Increase transparency of country-level information;
  - Ensure high quality evaluations of Cooperation Frameworks;
  - Work with major donors to agree common visibility standards;
  - Apply common management features on all interagency pooled funds;
  - Increase joint resource mobilization and partnership approaches;
  - Strengthen implementation of the MAF;
  - Accelerate joint efficiency initiatives;
  - Support RCs and UNCTs in organizing country level dialogues;
  - Improve quality and availability of data on funding.

- **Webinars** to be held to ensure familiarity & understanding

- Entities to **hold funding dialogues** with governing bodies and develop tailored monitoring frameworks

- Member States and UN entities to **ensure familiarity of key staff at all levels** with the Funding Compact

- **Joint partnerships and resource mobilization efforts** to be organized by UN entities
Tools

- **Funding Compact webpage** on the UNSDG website ([https://unsgd.un.org/funding-compact](https://unsgd.un.org/funding-compact)) includes:
  - the [global monitoring framework](https://unsgd.un.org/funding-compact);
  - a **FAQ** document;
  - a guidance note on **country-level dialogues**;
  - an overview of the most **recent trends in funding** of UN’s operational activities from 2018-2022.

- We will also develop a “**common song sheet**” with key messages for all actors, making the case for core, flexible and pooled funding.