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Thematic funding in the context of the medium-term strategic plan

Background

1. The adoption of the medium-term strategic plan (MTSP) for 2001-2005 (E/ICEF/2001/13 and Corr.1), with its five clearly defined organizational priorities, offered the prospect for mobilizing resources in a more strategic and flexible manner, at an opportune time when some of its most important donors were also seeking new and innovative ways to support UNICEF in addition to their regular resources contributions. The priority areas of the MTSP, which include outlines of the objectives and expected results at global and/or country levels, were shared with these donors. The obvious savings in transaction costs for all parties involved were one of the first incentives to become apparent in the adoption of thematic funding. The recovery policy adopted by the Executive Board in 2003 (decision 2003/9) reconfirmed the lower transaction costs by setting a lower level for thematic contributions — 5 per cent less than the highest recovery cost of 12 per cent for government contributions.

2. Thematic contributions are based on existing programmes such as the country programmes approved by the Executive Board or the thematic priority areas described in the MTSP, and no specific proposals are requested by the donor. The pooled funds — whether at the global, regional or country level — are allocated to achieve the goals in the respective priority areas. The donors do not request any specific financial statements tracking their contribution, but rather a holistic report on results achieved in the thematic area they are supporting and the expenditures from all sources (regular resources, other resources and thematic funds) in the same thematic area, at the global, regional or country level. One consolidated report for each area is thus required. There is a more flexible time span for using the contribution which also helps to reduce transaction costs by allowing UNICEF and the donors involved to avoid spending time and resources on agreement extension

* E/ICEF/2006/1.

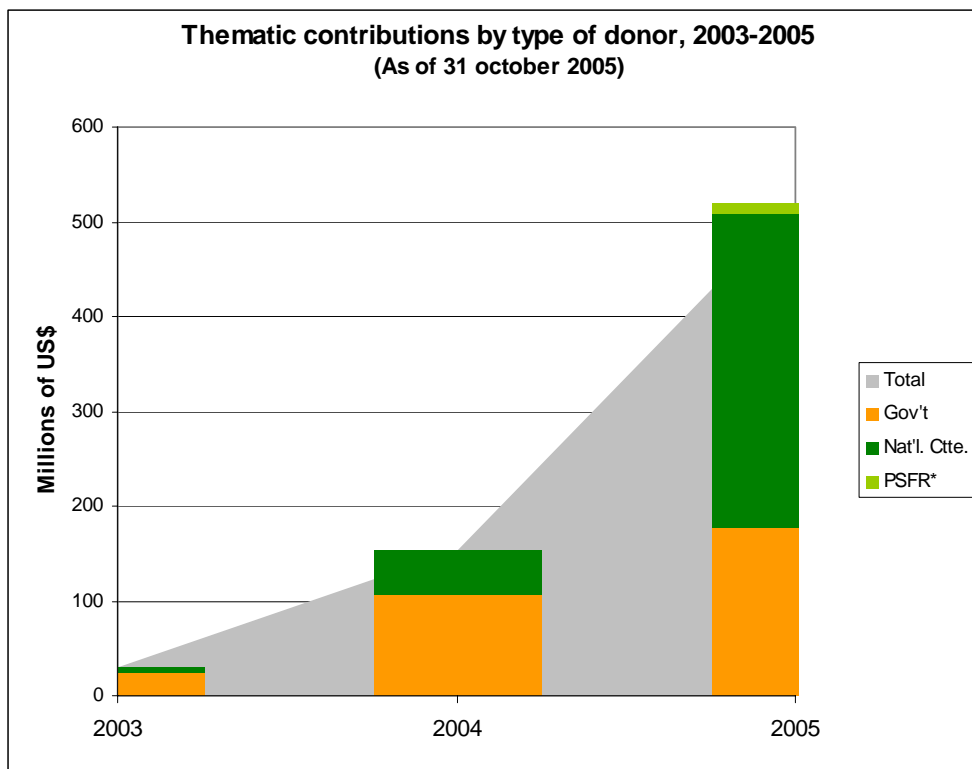
justifications, requests for extensions and amendment of agreements following the approval of an extension request. Further, the extended duration of the contribution allows UNICEF to reduce transaction costs by not having to continually identify, recruit and then separate staff. With thematic funds, UNICEF can attract and retain high-quality staff by providing a measure of job security.

3. Thematic contributions are the best form of financial support to UNICEF after regular resources funding, because they support the goals and objectives of the MTSP and also allow for longer-term planning and sustainability. In order for UNICEF to be able to receive thematic funding, part of its financial system was streamlined, since it was originally developed to follow each dollar received from a donor. Reporting of the use of thematic contributions is different and less burdensome, thus allowing more concentration on programming and achieving results.

4. One example of thematic funding is the generous global support from the Government of Norway to girls' education. Prior to the adoption of the MTSP for 2002-2005, the Norwegian Government supported the African Girls' Education Initiative for a number of years, beginning with 17 countries and increasing to 34 under the second agreement, in support of the United Nations Girls' Education Initiative. As an extension of this support, the Norwegian Government was approached by UNICEF to support the new MTSP area of girls' education. The positive response resulted in thematic contributions of \$11 million for 2003, \$41 million for 2004 and \$67 million for 2005 — a total of \$119 million for girls' education alone. UNICEF has allocated the funds to country programme activities to help achieve its corporate goals. Once a year, a consolidated report compiled by Programme Division from the relevant country offices' annual reports has been submitted to all donors that support girls' education thematically, including the Government of Norway.

5. The response to the Indian Ocean tsunami crisis showed how thematic funding can make a difference in a large-scale emergency. A rapid response from the general public, private sector and Governments allowed UNICEF to disburse over \$35 million to the affected countries within the first week following the disaster. UNICEF field offices were able to use the funds according to the needs of the affected population as assessment information became available, without having to prepare any proposals. To date, thematic humanitarian contributions constitute 68 per cent of total thematic funds received. More than 56 per cent of these funds have been provided by private sector sources.

6. Contributing to thematic funding also reflects the tenets of good humanitarian donorship, such as providing early and flexible funding in response to time-critical emergencies.

Trends in thematic contributions**Figure I**

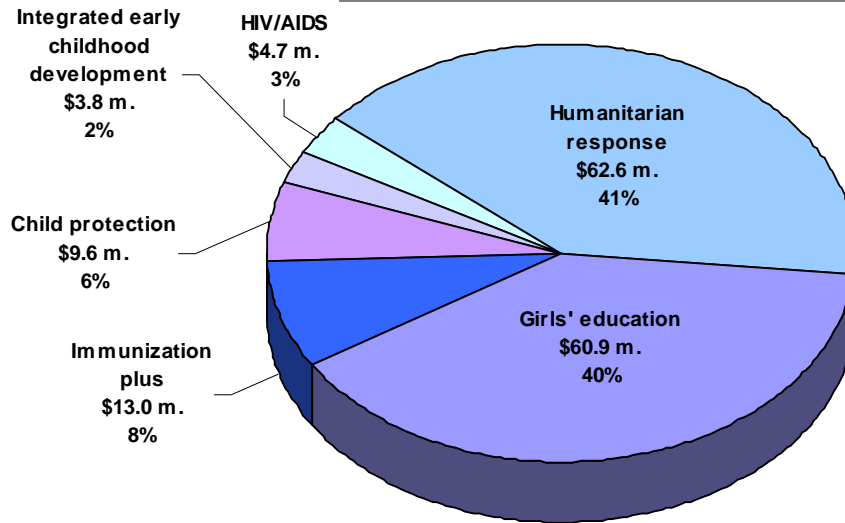
* private sector fund-raising.

7. The total amount of thematic funding received as of 31 October 2005 is \$703 million, and the total is increasing exponentially. For example, thematic funding increased over 400 per cent between 2003 and 2004.

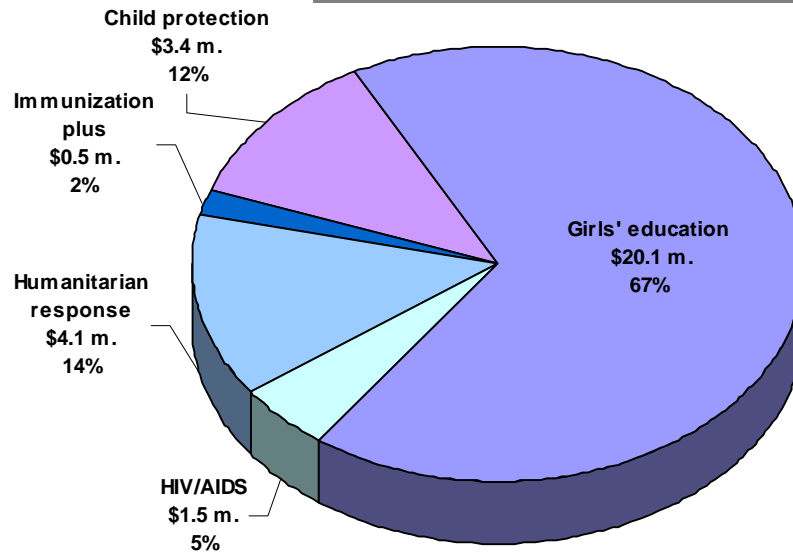
Figure II

**Breakdown of thematic contributions by
Medium-term strategic plan priorities, 2003-2004**

Total for 2004: \$157.7 million



Total for 2003: \$29.6 million

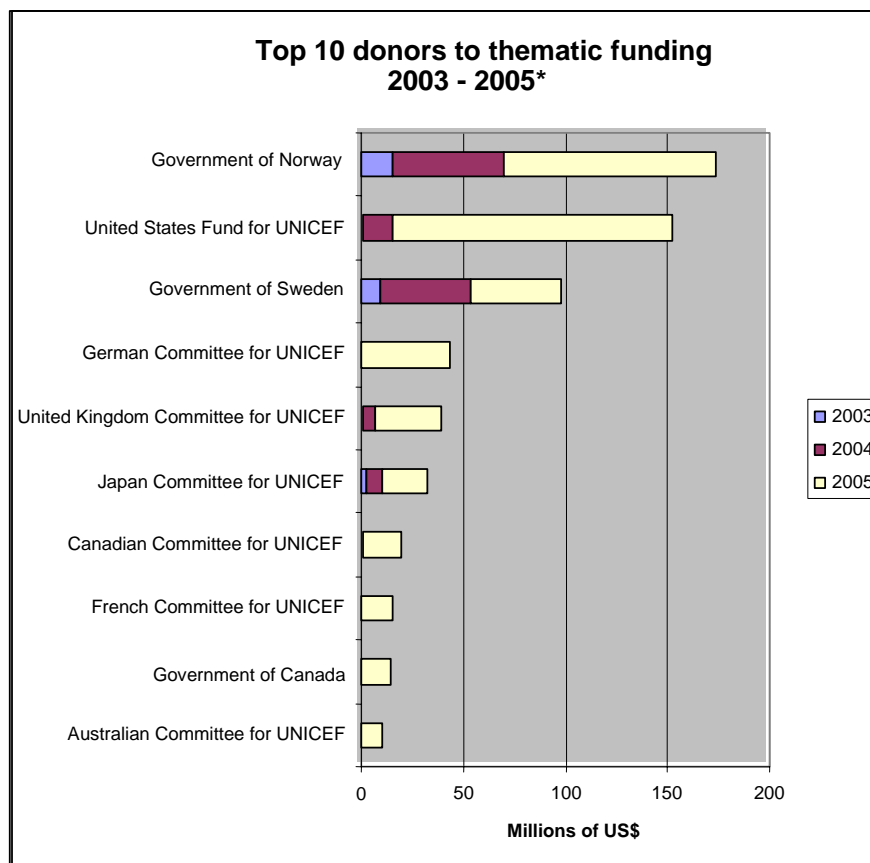


8. Girls' education was the largest recipient of thematic funding in 2003, receiving 67 per cent of total thematic contributions. Girls' education received 41 per cent of total thematic contributions in 2004, second only to contributions for humanitarian response. The increase of contributions for humanitarian response demonstrates the power of thematic funding to expedite the delivery of aid to afflicted areas during times of crisis, through providing UNICEF increased flexibility and reducing transaction costs.

9. A prime example of how these costs are reduced is through allowing staff to devote more time to programme implementation, as opposed to becoming mired in negotiating every contribution individually.

10. The Government of Finland was the first to contribute thematically to UNICEF, and the Governments of Norway and Sweden have established themselves as the largest government donors, providing \$174 million and \$98 million respectively from 2003 to the present. The United States Fund for UNICEF has been the largest National Committee donor, contributing \$152 million from 2003 to the present.

Figure III



* As of 31 October 2005.

Thematic funding under the medium-term strategic plan for 2006-2009

11. In operational terms, thematic funding will continue under the new MTSP in the same manner as it has to date. Each of the five focus areas of the MTSP (young child survival and development; basic education and gender equality; HIV/AIDS and children; child protection from violence, exploitation and abuse; and policy advocacy and partnerships for children's rights) will be an area for thematic funding, in addition to humanitarian response. Reports to donors will highlight the use of thematic contributions to these areas to achieve the key results and targets established in this MTSP, which will contribute in turn to the achievement of the Millennium Development Goals.

12. Additionally, given the sizeable share of the focus are on young child survival and development in overall financial terms, UNICEF will create themes for four areas for major contributions: nutrition; water and environmental sanitation; immunization; and malaria. A list of MTSP targets and the related Millennium Development Goals will be provided for each of these areas.

13. These innovations will allow UNICEF to continue the ongoing work made possible through thematic funding to date. They will be reviewed as a part of the midterm review of the 2006-2009 MTSP, scheduled for 2008.