

13 July 2017

Original: English

**For information**

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**United Nations Children's Fund**

Executive Board

**Second regular session 2017**

12-15 September 2017

Item 7 of the provisional agenda\*

**Structured dialogue on financing the results of the UNICEF  
Strategic Plan, 2018-2021**

*Flexible and predictable funding aligned to Strategic Plan results*

**I. Background**

1. In response to General Assembly resolution 67/226 of 21 December 2012 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR), UNICEF Executive Board decisions 2014/17, 2015/14 and 2016/13, and Economic and Social Council resolution 2015/15 on progress in the implementation of General Assembly resolution 67/226, UNICEF will include on the agenda of its 2017 second regular session of the Executive Board the structured dialogue on financing the results of its Strategic Plan, 2018-2021.

2. In the integrated results and resources framework of the draft Strategic Plan, 2018-2021, UNICEF is proposing a 21 per cent growth in revenue if the organization is to meet the results put forward in the Plan, which will be presented for Executive Board approval at its second regular session in September 2017. This will make for total revenue of \$22.8 billion over the four years of the new Plan, segmented as \$6.3 billion (or 28 per cent) in unrestricted regular resources (RR) and \$16.5 billion (or 72 per cent) in earmarked other resources (OR). Of OR, the objective is that by the end of the Strategic Plan period, softly earmarked thematic funds aligned with the Goal Area results will represent 15 per cent of overall earmarked funds.

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\* E/ICEF/2017/14.

3. Of the \$4,884 million of UNICEF total revenue in 2016, \$1,638 million (33.5 per cent) were flexible funds. This includes RR and thematic funds and represents an increase in flexible funds of 2.3 percentage points as a share of total revenue, compared to 2015.<sup>1</sup> While this is an encouraging development and hopefully points to an upward trend, the proportion of RR to total revenue is only 27 per cent and has remained below 50 per cent since 2000. The availability and predictability of RR and thematic funds, both of which were established and are governed by the Executive Board, need to be considerably strengthened in order to deliver the results outlined in the draft Strategic Plan, 2018-2021 and to meet the demands of the 2030 Agenda for Sustainable Development.

4. UNICEF has been exploring and leveraging a number of new partnership modalities, for example, partnerships with international financial institutions (IFIs) and innovative finance mechanisms, as important complements to RR and thematic funding that can scale up investments for children and help Governments to deliver on their commitments under the Sustainable Development Goals.

## II. Key flexible financing mechanisms

5. **Regular resources.** Contributed without restrictions on their use, these core resources best enable UNICEF to reach children who are in the greatest need, in both humanitarian and development contexts, and allow the organization to test and scale up innovative solutions across regions. The flexibility that RR brings is critical for the alignment of resources to results at the level of UNICEF country programmes of cooperation and the Strategic Plan. Without sufficient RR, which sustain the organization's functioning, its capacity to deliver on programmes funded by OR would be compromised. An institutional assessment of UNICEF for 2015/16 by the Multilateral Organisation Performance Assessment Network (MOPAN) emphasized the criticality for the organization of increasing RR, especially since the need for flexible funding has increased dramatically in a global context of heightened volatility and crisis.<sup>2</sup>

6. In 2016, RR amounted to \$1,312 million, reflecting an increase of 12 per cent (or \$138 million) from 2015. Public sector contributions to RR grew 3 per cent, from \$546 million in 2015 to \$562 million in 2016. The public sector funding base also broadened, as the number of government partners rose from 113 to 119. Private sector contributions to RR increased 19 per cent, from \$530 million in 2015 to \$629 million in 2016,<sup>3</sup> marking an all-time high for private sector donations to RR. Of this, a total of \$29 million was generated by private sector fundraising in middle- and high-income countries through UNICEF country offices.<sup>4</sup>

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<sup>1</sup> Regular resource and thematic funds do not include income from cost recovery, which fund the management and special purpose (capital investments) activities of the institutional budget, and can be considered "flexible". Income from cost recovery was \$257 million in 2015 and \$275.3 million in 2016. If these amounts are taken into account, then "flexible funds" as a percentage of total revenue increased from 36.3 per cent (2015) to 39.2 per cent (2016).

<sup>2</sup> MOPAN 2015-16 Assessments: United Nations Children's Fund, Institutional Assessment Report, [http://www.mopanonline.org/assessments/unicef2015-16/Mopanpercent20UNICEFpercent20reportpercent20\[final\]percent20\[interactive\]percent20\[final\].pdf](http://www.mopanonline.org/assessments/unicef2015-16/Mopanpercent20UNICEFpercent20reportpercent20[final]percent20[interactive]percent20[final].pdf)

<sup>3</sup> The remaining \$121 million or 9 per cent included income from interest, procurement services and other sources.

<sup>4</sup> UNICEF Argentina, Malaysia and Thailand made multimillion-dollar contributions, and Brazil, Colombia and Uruguay each contributed more than \$1 million. Several country offices contributed more than \$500,000, including Chile, Indonesia and the Philippines, and three country offices contributed between \$100,000 and \$500,000 (Bulgaria, Croatia and Mexico).

Figure 1  
**Top 10 resource partners to regular resources, 2016** (in United States dollars)

Resource partner	Regular resources
United States of America	132,500,000
Sweden	116,968,664
Japan Committee for UNICEF	110,223,855
Korean Committee for UNICEF	78,723,055
Norway	52,218,021
Spanish Committee for UNICEF	51,227,261
United Kingdom	50,000,000
Dutch Committee for UNICEF	44,025,879
French Committee for UNICEF	41,267,279
Swedish Committee for UNICEF	39,546,848

7. To respond to the needs of partners for improved accountability of results achieved with RR, UNICEF has strengthened the quality of its annual Report on Regular Resources. The report outlines specific results achieved with RR and contains case studies on the use of funds for each programme area. For example, leveraging RR, in 2016 UNICEF and partners achieved the following results:

(a) In Afghanistan, more than 200,000 children were treated for severe acute malnutrition; 1.3 million children were reached with education materials; and around 450,000 newborns were registered at birth.

(b) In Bangladesh, 40,000 inhabitants of the Shattala slum received access to improved and sustainable faecal sludge management services, and support provided to the Government of Bangladesh helped more than 20 million children to receive vitamin A supplements.

(c) In Uganda, more than 1 million children under one year of age were vaccinated; and in Nigeria, a polio outbreak was brought under control with nine rounds of polio immunization that reached 56 million children under five.

(d) In response to a record drought that brought severe food shortages to parts of Angola, Lesotho, Swaziland and Zimbabwe, an estimated 4.6 million children were reached with nutrition, water, sanitation and hygiene (WASH), health, protection and education interventions.

8. In addition, data on the allocation and expenditure of RR contributions can be monitored on the UNICEF Transparency Portal <<http://open.unicef.org>> and are presented in the Executive Director's annual report to the Executive Board, including the amount of RR spent on direct programme assistance by outcome area.

9. Taking a long-term view of the work of UNICEF, it is clear that the organization has played a key role in achieving progress for children, such as in the global reduction in under-five mortality over the period of the Millennium Development Goals. This was a result of the evidence-based advocacy and policy advice provided to Governments at national and

subnational levels, and health, nutrition and WASH programmes delivered at scale with partners. None of this would have been possible without RR.

10. **Thematic funds.** While RR remain the most flexible contributions for UNICEF, thematic OR are the second-most efficient and effective type of contribution to the organization. As they are aligned to the UNICEF Strategic Plan, they are linked to impact-level results across the organization and are subject to a lower cost recovery rate as compared to non-thematic contributions. Thematic funds are also used to build the capacity of UNICEF and partners to prepare for, mitigate and respond to emergencies, thereby bridging development and humanitarian work.

11. In 2016 in non-humanitarian situations, with the support of thematic funds, more than 61 million children were immunized against measles, 15.6 million children received learning materials and 10.5 million people had access to improved drinking water sources. In humanitarian situations alone, 11.7 million children were reached with formal and non-formal basic education, 2.4 million children were treated for severe acute malnutrition and some 1.4 million children benefited from cash-based support.

12. While thematic contributions from the public sector increased by 8 per cent in 2016, overall thematic contributions dropped 16 per cent to \$326 million, largely due to a 36 per cent drop in private sector contributions. Thematic funding for the seven Strategic Plan outcome areas was \$181 million, of which the majority went to education (53 per cent), followed by WASH (20 per cent). The number of resource partners for health increased from 21 to 23, and for WASH from 30 to 32. The gender thematic pool was financed for the first time, by four donors. Despite growing humanitarian needs, thematic funds for humanitarian action against appeals amounted to \$145.4 million, a 29 per cent decrease from the previous year. The top 10 resource partners to thematic funding in 2016 are shown in figure 2; these partners contributed 80 per cent of the total thematic revenue to UNICEF.

*Testimonial from the*  
**Government of Norway**

*Norway has substantially increased its support for education in poor countries. We place particular emphasis on girls' education, and on reaching the poorest and most marginalized children, such as children with disabilities and those affected by conflict and crisis. Our partnership with UNICEF and our thematic funding for education support UNICEF in these efforts.*

Børge Brende, Minister of Foreign Affairs, Norway

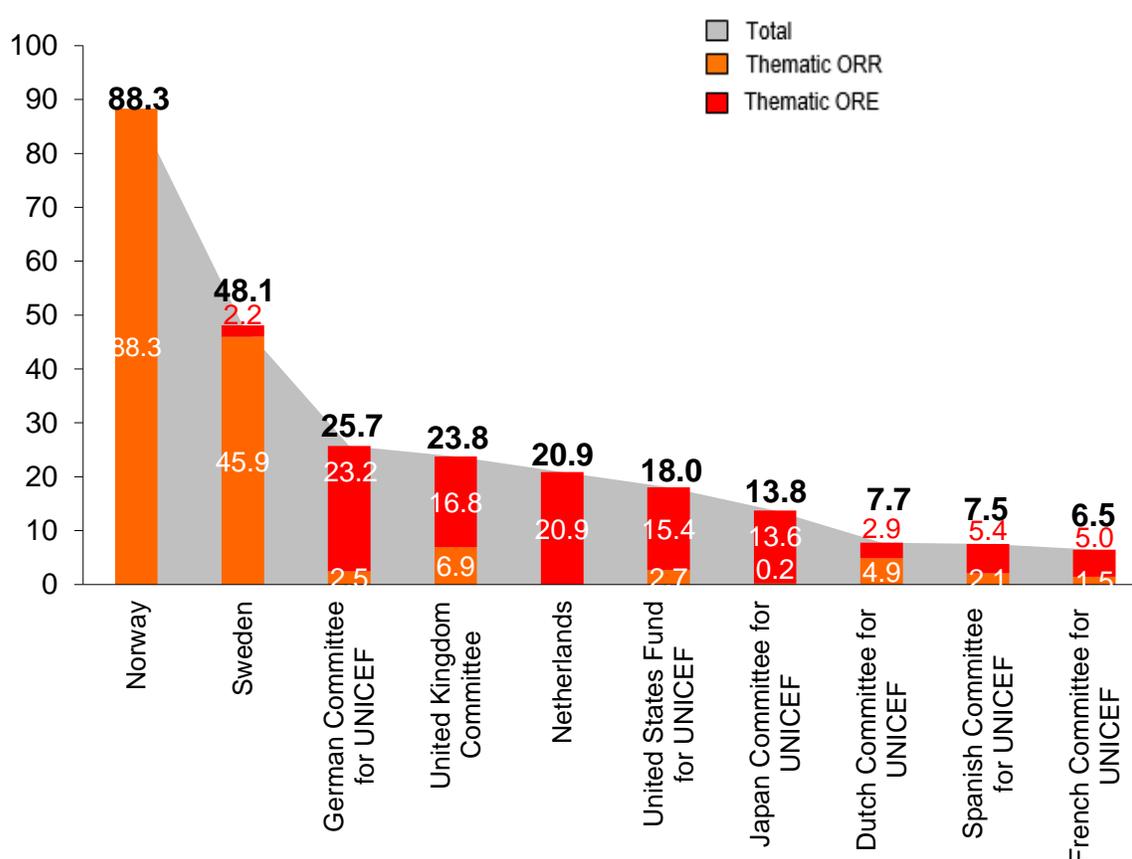
*Testimonial from the*  
**Government of Sweden**

*Thematic funding enhances effectiveness as it enables UNICEF to reach the most excluded and most vulnerable children, as well as strengthens the ability to support long-term strategic activities. Through its flexibility, thematic funding also promotes innovation, sustainability and better coordination, and reduces transaction costs. Over the years, Sida's support to UNICEF has increasingly been channelled as thematic funding, reflecting Sida's confidence in UNICEF as an effective actor and strong advocate for the implementation of children's rights.*

Carin Jämtin, Director-General of the Swedish International Development Cooperation Agency

13. In response to feedback from resource partners and in order to strengthen thematic funding for the Strategic Plan, UNICEF has improved reporting on thematic funds, including by increasing the quality, depth and accessibility of data. The allocation and expenditure of thematic contributions can be monitored on the UNICEF Transparency Portal. The results achieved with these funds against Executive Board-approved Strategic Plan indicators at impact, outcome and output levels are consolidated and reported through Annual Results Reports<sup>5</sup>, which are also available on the Transparency Portal (along with country and regional reports).

Figure 2  
**Top 10 resource partners to thematic funding, 2016**  
*(in millions of United States dollars)*



Other resources regular (ORR): These are funds for specific, non-emergency programme purposes and strategic priorities.

Other resources emergency (ORE): These are earmarked funds for specific humanitarian action and post-crisis recovery activities.

<sup>5</sup> Specific reporting for country and regional thematic contributions is provided separately for partners, providing flexible multi-year thematic funding at those levels.

14. In 2018, in consultation with partners, the current thematic funding pools will be slightly revised to align with the results structure of the UNICEF Strategic Plan, 2018-2021, after it has been approved by the Executive Board.

15. **Multi-year flexible funding approach.** Together with partners, UNICEF is exploring ways to expand multi-year flexible funding to strengthen the predictability of resources and, through that, support strategic planning and implementation throughout the organization. This work covers funds generated through thematic pools, multi-year funding campaigns and innovative financing mechanisms – all aligned to the Strategic Plan results. Given the well-established and growing use of multi-year planning, results frameworks and reporting, systematic multi-year resource mobilization is the missing link.

16. A multi-year flexible funding approach presents enhanced opportunities to align UNICEF resource mobilization efforts with its goals for the next Strategic Plan period (2018-2021), and hence with its support towards achieving the Sustainable Development Goals by 2030. At the global level, fundraising will be coordinated in conjunction with the Strategic Plan cycle, and at the country level in conjunction with the duration of the respective country programmes. Within this approach, there will be a greater focus on cultivating longer-term public and private partnerships, including strengthening government and inter-governmental contributions, individual giving and contributions from corporations. There will be more attention to improving integrated results and resource frameworks, and strengthening inclusive participation and visibility for partners. Multi-year planning and funding for humanitarian activities will also be emphasized, thereby helping to bridge the gap between humanitarian and development programming.

17. **Pooled funding to support joint results with partners.** The indivisible and interconnected nature of the Sustainable Development Goals has reinforced the need for multi-year and multi-partner financing that is more flexible and predictable and can drive integrated approaches. UNICEF has used inter-agency pooled funding to achieve joint, cross-cutting results in sustainable development, as well as to enable efficient and effective humanitarian aid. Globally in 2016, contributions to UNICEF from United Nations pooled financing mechanisms amounted to \$346 million. In 2016, UNICEF committed to 227 joint programmes, with a total investment of \$233 million; and partnered with 27 agencies in 79 countries. The organization also administered 21 different “pass-through” funding modality, in partnership with donors.

**Recognition of shared results**

As results are achieved jointly with resource partners, UNICEF has developed and is implementing new procedures to improve recognition of these partners, particularly those who contribute to regular resources (RR) and thematic funding pools. These procedures complement the organization's recognition guidelines.

Initiatives that have been undertaken to improve visibility, which will be implemented more systematically, include regular results briefs, for example those produced by country offices that resource partners can share with their constituents; social media announcements; press releases; and presentations for parliamentarians.

In addition, institutional reports such as the annual Compendium of Resource Partner Contributions, the annual Report on Regular Resources, the UNICEF Annual Report, and the UNICEF Annual Results Reports, will continue to make reference to key resource partners. For example, the UNICEF Annual Report 2016 highlights in "call out" boxes the contributions of key resource partners, including the top contributors to RR. In 2016, resource partner testimonials and statements were included in the Annual Results Reports to recognize the top resource partners to thematic funding.

### III. **Emerging partnership modalities: Complementary to flexible funding**

18. There are a number of emerging partnership modalities that UNICEF is exploring or already engaged in, as important complements to RR and thematic funding. These modalities aim to support Governments with large-scale funding from public and private sources for evidence-based, high-impact interventions in underfunded sectors. As these resources are multi-year and thus more predictable, they contribute to more sustainable results and help to bridge the link between development and humanitarian programming. They can also improve coordination with partners' efforts, increase efficiencies and reduce costs.

19. **Strengthening partnerships with international financial institutions.** These institutions are important partners for UNICEF in developing new and more predictable financing solutions for longer-term response in key areas of the 2030 Agenda, especially in fragile and conflict-affected situations. Even where no direct resource flows to UNICEF are generated, collaboration with IFIs offers important opportunities to advance the interests of children by mainstreaming a child-sensitive lens into IFI programmes with Governments. Recognizing the key role of IFI partnerships in advancing the well-being of children, UNICEF, over the course of 2016, has formalized its partnership with the World Bank Group through the development of a Strategic Partnership Framework. UNICEF also initiated a more structured dialogue with the Islamic Development Bank Group on a similar framework.

20. Many IFIs are responding to the increasing frequency and intensity of protracted crises by stepping up their operational footprint in fragile and conflict-affected contexts, including by joining partners on the ground, such as UNICEF. This creates new opportunities for strategic engagement in areas like risk-based financing and enables more predictable financing options for resilience-building and longer-term recovery.

21. This new way of working has recently been demonstrated in Yemen, where the World Bank Group, UNICEF and the World Health Organization collaborated in a \$200 million direct International Development Association (IDA) allocation for an emergency health and nutrition programme. As of April 2017, the programme has provided 375,000 children and

132,000 women with micronutrients; treated 71,032 children for various illnesses; provided 16,526 women with maternal services; and trained 220 community health volunteers. New partnership approaches such as this one are helping to reach the most vulnerable populations with essential services on the premise of not only responding to short-term needs, but also strengthening the resilience of local communities and systems for a more effective response and better integration of humanitarian and development programming.

22. **Innovative financing.** To scale up investments for children and as part of implementation of General Assembly resolution 67/226, UNICEF has been working closely with Governments, United Nations agencies, IFIs, philanthropic organizations, civil society and other private sector partners to explore innovative financing modalities that can catalyse development finance resources to deliver on commitments under the Sustainable Development Goals. Examples of modalities under exploration are as follows:

(a) **Blended finance.** A key challenge that prevents capital market investors from making large-scale investments in low- and middle-income countries is the lack of financially viable pipeline projects with sound operational and risk management. UNICEF aims to identify social sector investments and support Governments and local partners on blended financing, i.e. the co-financing of development aid resources with loans, other debt mechanisms, or equity investments. For example, UNICEF is in discussion with IFIs on a blended financing modality to scale up WASH financing in Ethiopia, including a component of technical assistance by UNICEF. The organization will also continue to seek opportunities to make loans and other debt mechanisms more concessional for low-income countries so they can invest in critical social sectors, for example through buy-downs<sup>6</sup> such as the one by the Bill & Melinda Gates Foundation of IFI/bilateral loans for polio eradication.

(b) **Innovative public and private partnerships.** There have been a few new public and private partnerships models that are designed to improve programme results and incentivize private investments in development. Development impact bonds offer a way for donors to “ earmark” funding for outcomes, not inputs, by incorporating adjustments to interventions throughout the implementation process and for private sector investors to share the risk and cost of non-performance of the programme.

(c) **Islamic finance.** UNICEF is partnering with the Islamic Development Bank and other Islamic philanthropies and financial institutions to leverage finance to scale up investments in children, especially those in the member states of the Organisation of Islamic Cooperation.

## IV. Conclusion

23. The slight increase in flexible funds in 2016 is encouraging. However, a significant increase in predictable, multi-year flexible resources will be critical for achieving the results outlined in the draft Strategic Plan, 2018-2021 and responding to the ambitions of the 2030 Agenda, not least the commitment to leave no one behind.

24. Addressing the current funding gaps and improving the availability of flexible and multi-year funds takes collective action. UNICEF has made important advances in strengthening accountability and transparency of contributions, including flexible funds. The

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<sup>6</sup> In the case of “buy-downs”, if a programme meets its targets, donors repay the lending IFI or agency; if the programme does not meet its targets, the Government that was the recipient of the loan will repay the IFI or agency.

institutional assessment by MOPAN for 2015/16 rated the performance of UNICEF as “highly satisfactory” in terms of having organizational systems that are cost- and value-conscious and that enable financial transparency and accountability. In 2012, UNICEF became a signatory to the International Aid Transparency Initiative. In 2016, it ranked third out of 46 major aid organizations in the Aid Transparency Index, an independent measure undertaken by Publish What You Fund. Among all of the organizations assessed and included in the 2016 Index, UNICEF has made the most significant progress since 2013.

25. UNICEF is also exploring a number of new partnership modalities that can generate multi-year funding, scale up investments for children and help Governments to deliver on commitments under the Sustainable Development Goals. In this regard, UNICEF is maintaining close collaboration with a wide range of public and private partners. Furthermore, to seize the full potential of the private sector, especially in relation to generating more flexible funds, UNICEF will need to continue to prioritize collaboration with the private sector, in addition to the public sector.

26. UNICEF remains committed to working with partners to improve results- based management and reporting on the use of flexible funds, and to recognize partners who contribute to the results achieved with these funds. Commitment is needed from partners to boost flexible and multi-year funding for the new Strategic Plan so that every child is healthy, learning, protected from violence and exploitation, living in a safe and clean environment and has an equitable chance in life.

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