

**For information**

**United Nations Children's Fund**

Executive Board

**First regular session 2017**

7-9 February 2017

Item 4 of the provisional agenda\*\*

**Assessment of ways to enhance results-based budgeting and  
assessment of the resource allocation system**

**Introduction**

1. The Executive Board, through decision 2013/20, requested the Executive Director to include in the mid-term review of the integrated budget an assessment of ways to enhance results-based budgeting (RBB) and assessment of the resource allocation system. In subsequent discussions with the Bureau of the Executive Board, it was agreed to address this decision as part of the preparation for the UNICEF Strategic Plan, 2018-2021 and the integrated budget, 2018-2021, and to submit the assessments at the first regular session of the Executive Board in 2017.

2. The first part of this paper presents an assessment of a range of initiatives undertaken to strengthen RBB within the organization. The second part of the paper presents an assessment of the resource allocation system, with a particular focus on regular resources (RR), also known as core resources. The particular focus on RR is consistent with previous Executive Board documents on reporting on the implementation of RR for country programmes (E/ICEF/2012/19, E/ICEF/2008/20 and E/ICEF/2003/P/L.21).

<p><b>PART I – RESULTS-BASED BUDGETING IN UNICEF</b></p>
--

3. The United Nations Development Group defines RBB as a results-driven budgeting process in which:

(a) programme formulation and resources justification involve a set of predefined results, outputs, inputs and performance indicators;

(b) expected results justify resource requirements; and

---

\*Reissued for technical reasons (13 January 2017).

\*\*E/ICEF/2017/1.

(c) actual performance in achieving results is measured by predefined performance indicators.<sup>1</sup>

## **I. The context of results-based budgeting in UNICEF**

4. In any organization, RBB is shaped by the context in which it operates, the way in which the organization is structured, including the modes of engagement at various levels of work, and the degree of flexibility around the funds it receives or mobilizes. Factors that have shaped RBB in UNICEF include the organization's decentralized structure and its sole reliance on voluntary contributions.

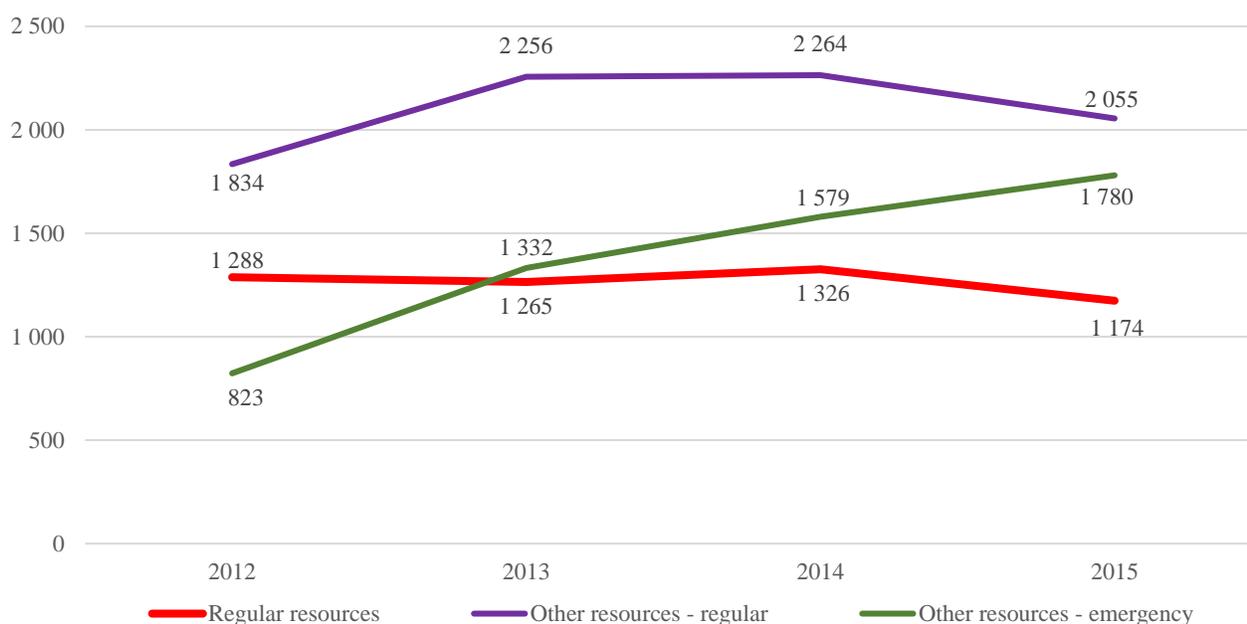
5. UNICEF works in 157 countries and territories through country programmes of cooperation approved by its Executive Board. Country programme documents (CPDs) are prepared jointly with host Governments, in support of national priorities for children as aligned to the Sustainable Development Goals. The UNICEF Strategic Plan constitutes a guiding framework for all CPDs.

6. A related factor that influences RBB in UNICEF is the fact that CPDs are aligned to the United Nations Development Assistance Framework (UNDAF) or related documents, which in turn reflects broader national priorities. Thus, while some results may be unique to UNICEF according to its comparative advantages, many are shared results that are achieved in cooperation with other United Nations system agencies. This implies that the alignment of planned results and strategies with required resources is also determined in a broader context.

7. The relative proportion of non-earmarked (core) resources and earmarked (non-core) resources plays an important role in shaping the context of RBB in the organization. The flexibility that RR brings is critical for the alignment of resources to results at the level of both CPDs and the Strategic Plan. While the absolute amount of RR has slightly decreased in recent years (see figure 1), RR as a share of total resources has declined from 38 per cent in 2006 to a historic low of 23 per cent in 2015.

---

<sup>1</sup> Concept paper on results-based budgeting (RBB) in the organizations of the United Nations system, Chief Executives Board for Coordination, CEB/2005/HLCM/R.6, 23 March 2005.

**Figure 1 – Revenue by funding type, 2012-2015** (in millions of United States dollars)

8. While RR remain the most flexible contributions for UNICEF, thematic other resources (OR) are the second-most-effective funding source. Thematic funding is allocated on a strategic needs basis, targeting specific result areas. Thematic funding pools are directly aligned to the Strategic Plan outcome areas as well as to the areas of humanitarian action and gender equality. Contributions from all resource partners to the same outcome area are combined into one pooled-fund account that is aligned to the duration of the Strategic Plan. This simplifies financial management and reporting for both contributing partners and UNICEF, which provides a single annual consolidated narrative and financial report to all resource partners. Due to reduced administrative costs, thematic contributions are subject to a lower cost recovery rate, which benefits UNICEF and resource partners alike. Despite their considerable advantages and quality reporting by UNICEF, thematic funds have persistently remained at 10 per cent of earmarked funds to UNICEF over the past five years. On the other hand, directly earmarked funds have continued to increase.

9. As approved by the UNICEF Executive Board in 2013 (decision 2013/5), the harmonized cost recovery rates applied to OR received by UNICEF help to fund activities that cannot be easily linked to specific programmes but contribute to supporting their implementation.

10. The earmarked nature of the majority of UNICEF revenue means that RBB at the level of the Strategic Plan is indicative – providing direction to country offices and partners on priority result areas for fundraising, while recognizing that national priorities and on-the-ground results for children are the key justifications for mobilizing and allocating funds. Thus, RBB is more applicable at the level of the country programme, i.e. the level of implementation, where most funds are earmarked by donors.

11. Nevertheless, the Integrated Results and Resources Framework (IRRF) remains an important instrument that links the Strategic Plan to the integrated budget. The IRRF translates the Strategic Plan into results that allow UNICEF and stakeholders to monitor achievements, learn lessons and

hold the organization accountable for the funds with which it has been entrusted. It presents results for various cost categories in the budget, and is essential for estimating the resource requirements of the Strategic Plan and any funding gaps. The IRRF thus gives indications of where fundraising should be prioritized in order to achieve the Strategic Plan results.

## **II. Assessment of actions towards results-based budgeting**

12. UNICEF has undertaken a series of initiatives – including the development of guidance and tools – to continuously strengthen the process of RBB in the organization at the country and global levels, and to reinforce the linkages between the two levels, among other objectives related to RBM. The Executive Board noted progress in this regard in its decision 2013/20 on the integrated budget, 2014-2017, where it welcomed “an improved results focus and enhanced linkages with the strategic plan results.”

13. UNICEF strengthened its guidance on RBB in 2014. The guidance outlines the main steps in preparing a results-based budget including:

- (a) the articulation of results, definition of indicators, and establishment of baselines and targets;
- (b) selection of strategies to achieve results;
- (c) alignment of estimated resources to results.

14. Furthermore, the processes for both results-based management (RBM) and RBB have been enhanced by the Executive Board through its approval of the establishment of the post of Deputy Executive Director for Field Results in 2014.<sup>2</sup> This function works on strengthening the capabilities of country offices to design and implement results-focused programmes, monitor them in real time and make adjustments if needed, report on achievements, and maintain an increased focus on RBB.

### **Strengthening results, indicators, milestones, scorecards and reporting**

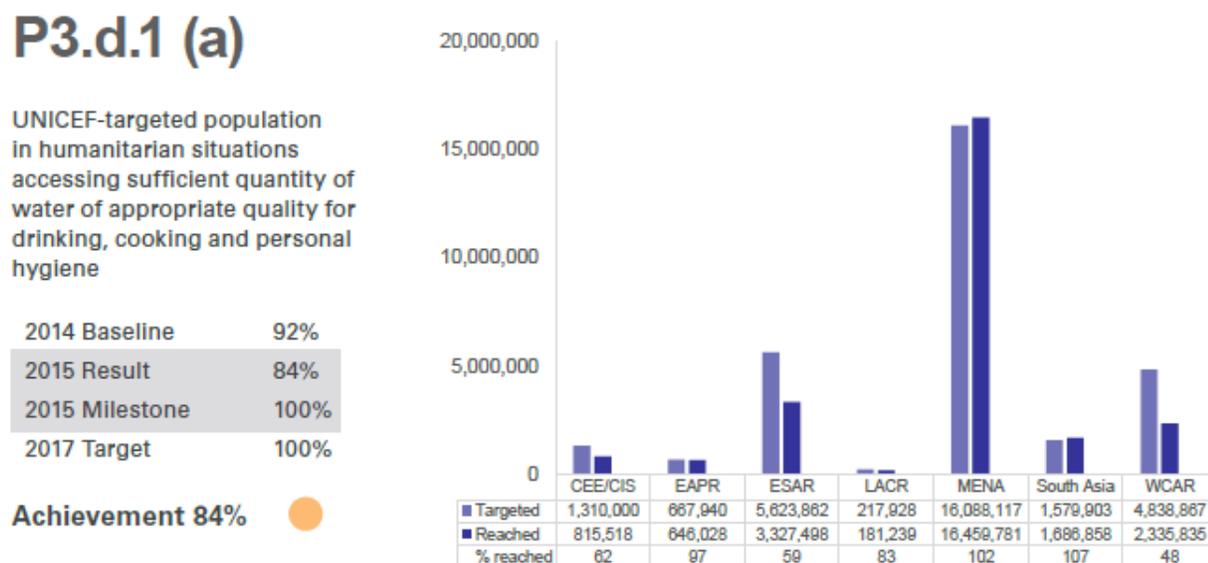
15. At the global level, the 2015 Evaluability Assessment of the UNICEF Strategic Plan, 2014-2017 considered the degree to which the indicators in the results framework were valid and measurable, as well as the extent to which systems were in place to verify performance. While most indicators were considered valid, a few performance indicators, baselines and targets required modification during the mid-term review of the Strategic Plan, leading to the approval of a revised results framework by the Executive Board in 2016 (E/ICEF/2016/6/Add.2).

16. Furthermore, annual milestones were established during the mid-term review for each output indicator of the results framework to enable more frequent assessment of progress. The inclusion of annual milestones in the results framework facilitated the generation of a scorecard on the Strategic Plan (see figure 2 for an example of progress reporting on water, sanitation and hygiene to the Executive Board through the Strategic Plan scorecard).

---

<sup>2</sup> Executive Board decision 2014/13.

**Figure 2 – Strategic Plan, 2014-2017 results framework scorecard: Example of progress report on an indicator on access to water**



17. At the country office level, there has been significant effort to improve the application of RBM principles and methods in the design, implementation, monitoring and reporting of programmes. In 2016, 32 of 34 new CPDs were independently assessed to be satisfactory or highly satisfactory on the basis of core RBM criteria. See figure 3 below for an example of the summary review of the quality of a CPD, including the Results and Resources Framework.

**Figure 3 – Scorecard of the quality review of the Côte d'Ivoire country programme document**

Quality review category		Côte d'Ivoire	
1	Programme rationale	70%	Satisfactory
2	Programme priorities and partnerships	84%	High quality
3	Programme risk management	77%	Satisfactory
4	Monitoring and evaluation	82%	High quality
5	Results and Resources Framework	83%	High quality
6	Costed Evaluation Plan	81%	High quality
7	Strategic intent of guidance	80%	High quality
<b>Overall quality of adherence to guidance</b>		<b>83%</b>	<b>High quality</b>

18. To further enhance RBB, country offices are required to prepare strategy notes as part of the CPD process. This includes articulation of the theory of change underpinning the country programme, key strategies required for the achievement of set results, an analysis of the risks and assumptions as well as related mitigation measures, and a research and evaluation plan for key strategies. Procedures on the results structure have been updated to strengthen the link between results and resources, including through the attribution of costs and funding sources.

19. Investment in technology has been key to improving planning for results in UNICEF (the articulation of results, definition of indicators, establishment of baselines and targets, and selection of strategies to achieve results). VISION is the UNICEF enterprise resource planning tool that assists offices to align budget plans and allocations to results through the use of programme and operational codes. InSight, the performance management system within VISION, enables the organization to streamline programme and operations performance management by providing timely and consistent information across all levels of the organization via a single point of entry. It combines information from multiple data sources and provides the possibility to ascertain real-time progress at the country, regional and global levels through a network of dashboards that capture a wide range of data. The Results Assessment Module (RAM) facilitates the entry and analysis of information related to the status of results and related indicators. The analysis provides managers with information on progress and the likelihood of achieving results, challenges and mitigating action to overcome such challenges.

20. To make information on resources and results easier to access, understand and use, open data sets are released each month through the UNICEF Transparency Portal (<http://open.unicef.org>). The development of inSight and the Transparency Portal have enabled UNICEF to dramatically improve its ranking in the annual Aid Transparency Index for 2016 to third place out of the 46 organizations that were assessed.<sup>3</sup>

### **Aligning resources to results**

21. In addition to procedures and instruments to improve planning for results (i.e. the articulation of results, definition of indicators, establishment of baselines and targets, and selection of strategies to achieve results), UNICEF continues to improve processes and tools for aligning resources to results. These processes include costing and budgeting, management of programme implementation and monitoring.

22. At the country level, UNICEF contributions to outcome-level results are costed as part of the UNDAF. By definition, costing exercises at the outcome level include resources required from multiple parties, and there are globally accepted methodologies for estimating costs at this level. While such exercises can be lengthy and complicated, they support consensus-building among partners. UNICEF country offices actively participate in such exercises to ensure that attention is given to children. In practice, at the beginning of a programme cycle, UNICEF estimates the total cost of its contribution to the achievement of an outcome as the sum of the estimated resources for related outputs.

---

<sup>3</sup> Publish What You Fund, Aid Transparency Index – 2016 Index, 2016, available at <[http://ati.publishwhatyoufund.org/wp-content/uploads/2016/02/ATI-2016\\_Report\\_Proof\\_DIGITAL.pdf](http://ati.publishwhatyoufund.org/wp-content/uploads/2016/02/ATI-2016_Report_Proof_DIGITAL.pdf)>.

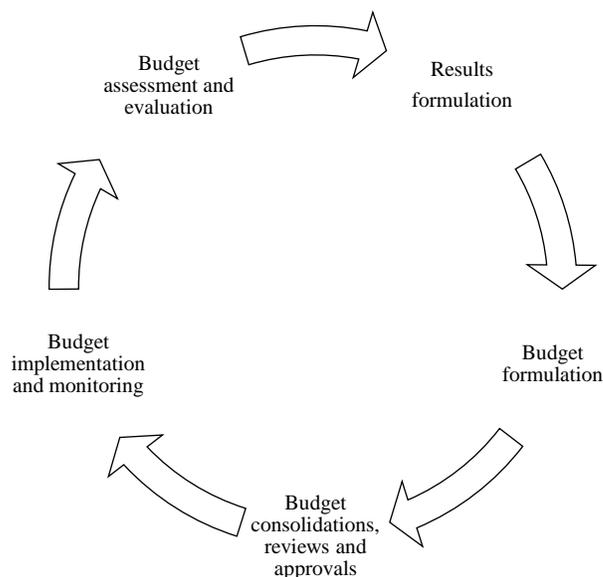
23. Based on the assumed resources available and any resulting funding gaps, the alignment of resources with planned results at the output level is undertaken at the beginning of the planning cycle and thereafter through annual workplans. Mid-year and annual review processes provide opportunities to adjust planned results and budget allocations, depending on the receipt of funds and donor conditions as well as understanding gained of the real costs of working towards the outputs. These reviews also allow for modification in the duration planned as necessary to deliver on the outputs, which may also require adjustment in the projected annual budget requirements.

24. Other tools that facilitate the costing of interventions required to achieve planned results are frequently updated standard prices of essential commodities for children (by the UNICEF Supply Division) as well as standardized rates for travel across the organization.

25. The Integrated Budget Costing System is an enterprise resource planning tool that is essential for the alignment of resources to results at the country, regional and global levels. It is used to cost the various types of posts (human resources) and non-post items required to support implementation of programme interventions. The system builds on inflation parameters, exchange rates and multipliers to estimate staff costs, current local salary scales and other budgetary related information. To further enhance RBB, UNICEF is in the process of replacing the costing system with a new budget tool.

26. While the costing and budgeting tools and processes mentioned above have strengthened the application of RBB in UNICEF, they involve a great deal of manual intervention. They also entail the use of multiple platforms for data entry, thereby complicating budget preparation and implementation processes. To address these constraints, UNICEF is developing a budget formulation tool, which will be rolled out in 2017 (see figure 4). The tool aims to simplify the estimation of resource needs for outputs and related activities. It will allow the aggregation of country office data on planned costs at various planning levels linked to results and will also allow a more frequent estimation of funding gaps. The tool will facilitate the exchange of information on value-for-money principles of economy (i.e. best price for inputs) and efficiency (i.e. achieving outputs through good value inputs).

**Figure 4 – Results-driven schema of the budget formulation tool**



27. Optimizing the use of resources for the achievement of planned results means efficient implementation management, which is a key value-for-money consideration. For this, UNICEF has developed eTools, a monitoring platform that aims to improve efficiency in the use of resources for programme delivery (see annex I for a schematic of the various tools for resource planning and alignment). The platform is user-driven and has modules linked to the country programme cycle, with a strong focus on managing the work of implementing partners and monitoring the implementation of planned activities. It delivers real-time implementation-related information, thus facilitating the linking of resources to specific implementation activities – all towards planned outputs and good value for money.

28. As mentioned in previous paragraphs, at the corporate level, RBB in support of the Strategic Plan is largely indicative. Funding gaps are estimated in a bottom-up manner on the basis of information obtained from country offices through the various real-time tools, including VISION and RAM. Funding gaps for each Strategic Plan outcome area are included in the Annual report of the Executive Director and the Annual Results Reports. To support evidence-based resource mobilization and RBB, summary documents on funding gaps, known as Cases for Support<sup>4</sup>, have been developed for each of the outcome areas.

29. To strengthen the capacity of UNICEF and partners at all stages of RBM, UNICEF has developed a comprehensive learning package consisting of three complementary elements: (1) an e-course comprising seven modules; (2) face-to-face training workshops; and (3) a handbook to be used as reference material. To further strengthen RBB at the country level, a module on RBB has been included in this organization-wide skills development course. The RBB module focuses on how to systematically align resources, strategies and results through the costs needed to achieve specific results. More than 3,000 staff have completed the RBM e-course and more than 2,000 staff have been trained through some 70 face-to-face workshops, and these capacity strengthening activities will continue to be rolled out for all staff.

### **III. Conclusions**

30. This assessment describes the steps UNICEF is taking to enhance procedures, tools, systems and capacity strengthening for RBB in the organization. The main conclusions from the assessment are that UNICEF continues to make substantial efforts to enhance RBB across its operations. The IRRF of the Strategic Plan is an important instrument that provides indications of planned results, available resources and funding gaps.

31. Furthermore, the series of initiatives undertaken by UNICEF has led to improvements in results planning (as independently assessed in the 2016 quality review of CPDs), enhanced monitoring (as assessed by the quality of feedback through UNICEF systems on programme implementation), more transparent reporting (as rated by the International Aid Transparency Initiative), and more up-to-date estimates of country, regional and global funding requirements (as captured in the Annual Results Reports and Cases for Support).

32. Efforts have also focused on the tools and systems for budgeting and implementation management. In particular, the roll out of eTools, which started with 24 countries in 2016, has

---

<sup>4</sup> Available from the following webpage: UNICEF, Public Partnerships, Call to action: The case for support, [https://www.unicef.org/publicpartnerships/66662\\_66875.html](https://www.unicef.org/publicpartnerships/66662_66875.html)

resulted in enhanced management of partnerships and has increased the ability of UNICEF to monitor the implementation of activities and to report on results achieved.

33. Nevertheless, there are areas that require further improvement, as this assessment has noted. These include the following:

- (a) Consolidating the range of guidance on value for money into a coherent guidance note that may be used at all levels of the organization;
- (b) Continuing the roll-out of the comprehensive RBM learning package, especially the module on RBB, to staff at all levels of the organization;
- (c) Expediting the development and roll-out of the new budget formulation tool.

## **PART II – ASSESSMENT OF THE REGULAR RESOURCE ALLOCATION SYSTEM TO COUNTRY PROGRAMMES**

34. This part of the paper focuses on an additional request made by the Executive Board in decision 2013/20, that is, an assessment of the UNICEF resource allocation system. The assessment has a special focus on the allocation of RR to country programmes. Building on the first part of this paper, this section starts with a brief description of the benefits of RR, including their flexible nature. It then assesses the relevance of the components of the RR formula, and reviews the extent to which allocations are reaching the least developed countries and sub-Saharan Africa, as required by the Executive Board. The section concludes with a short discussion on the relevance of the formula in the era of the Sustainable Development Goals.

35. Three reports have been issued on the implementation of the allocation system of RR for programmes, which was adopted by the Executive Board in decision 1997/18. The first report was in 2003 (E/ICEF/2003/P/L.21), the second in 2008 (E/ICEF/2008/20), and the third in 2012 (E/ICEF/2012/19).

### **I. The context**

36. United Nations General Assembly resolution A/RES/69/238 reiterates the indispensable nature of RR, stating that “core resources, because of their untied nature, continue to be the bedrock of the operational activities for development of the United Nations system.”

37. As discussed in the first part of this paper, RR as a share of total resources declined from 38 per cent in 2006 to a low of 23 per cent in 2015, with significant impact on the ability of UNICEF to respond to the needs of children, especially in those situations where flexible funding facilitates delivery.

38. As also previously discussed, RR provides the strongest basis for UNICEF to implement RBB. Of the RR provided for programming, 95 per cent goes directly to support countries and the remaining 5 per cent supports the Global and Regional Programme (see annex II for details). On

average, 85 per cent of the RR that goes directly to support countries is allocated through the RR formula.<sup>5</sup>

## **II. The benefits of regular resources**

39. Of the various types of funds received by UNICEF, due to their non-earmarked and flexible nature, RR best allows UNICEF to be most responsive to the needs of children. All UNICEF offices benefit from the allocation of RR, with the largest share going to programmes in the least developed countries.

40. The key benefits of RR include the following:

(a) The flexibility to allocate funds, on the basis of evidence, to the children who are in the greatest need;

(b) The complementarity between RR and non-core resources (OR). Without sufficient RR, the capacity of UNICEF to deliver results on programmes funded by OR would be undermined;

(c) The provision of timely and flexible funding that enables country offices to immediately scale up life-saving humanitarian action for children when disaster strikes.

(d) The facilitation of investments in areas with long-term benefits for children, such as improved technology, disaggregated data and innovative programmes and products.

(e) Support for the normative role of UNICEF in all country contexts, including as a knowledge leader and a voice for children, especially the most vulnerable.

## **III. Features of the regular resources allocation system**

41. The Executive Board has defined the main parameters of the RR allocation system as follows:

(a) Countries with a UNICEF-supported country programme shall receive an allocation on the basis of three core criteria: under-five mortality rate (U5MR); gross national income (GNI) per capita; and child population; through the weighting system described in annex III (E/ICEF/1997/P/L.17);

(b) Each country with a UNICEF-supported country programme shall receive a minimum allocation of \$600,000, which was adjusted to \$750,000 in 2008 (decision 2008/15), and further adjusted to \$850,000 in 2013 (decision 2013/20);

(c) Abrupt changes in country allocations shall be avoided by limiting them to a maximum of 10 per cent compared to the previous year's level whenever there is a significant change in the allocation;

---

<sup>5</sup> Of the 95 per cent of regular resources that goes directly to support countries, on average, 85 per cent is allocated through the RR formula, 7 per cent through set-aside, and 4 per cent through the Emergency Programme Fund.

(d) Countries covered by the multi-country programmes for the Eastern Caribbean and the Pacific Islands, and the area programme for Palestinian children and women in Jordan, Lebanon, the Syrian Arab Republic and the State of Palestine, shall continue to receive combined lump sums that are sufficient for viable and effective programmes;

(e) Executive Board decision 2016/11 invites UNICEF and countries that have transitioned to a high-income status “to develop country programme documents or multi-country programme documents for consideration and decision by the Executive Board, when a continued country programme presence is jointly identified by the Government and UNICEF as the most appropriate engagement approach, taking into account (a) the importance of responding to the country context; and (b) the importance of ensuring that programme investments in countries having transitioned to high-income status lead to net increases in programme resources available for least developed countries, low-income countries and middle-income countries.”

42. In addition, the Executive Board requires that 7 per cent of the annual RR for programmes should be set aside for flexible allocation by the Executive Director in support of country programmes to, among other things, encourage excellence in the quality of performance in one or more of the areas of work and priorities of UNICEF; provide flexibility to respond to emerging opportunities; and avoid sudden changes in the level of RR allocations to individual countries.

43. Furthermore, RR is a critical tool for safeguarding the role of UNICEF as a first responder in emergencies. UNICEF has continued to rely on its revolving RR-funded Emergency Programme Fund (EPF) to ensure a rapid response by frontloading critical funding requirements to country and regional offices within 48 hours of a request – ahead of the receipt of donor funds. In the face of increasing requests from country offices for EPF support, in February 2015 in decision 2015/4, the UNICEF Executive Board approved a doubling of the EPF ceiling to \$75 million annually. As a consequence, the capacity of UNICEF to respond in a timely manner to the protection and life-saving needs of children in crises has been greatly enhanced. For instance, in 2015 in Sudan, the procurement of measles vaccine benefited some 9.5 million children; and in Burundi, essential drugs were procured in the face of that country’s worsening political situation. In the Sahel, about \$6 million in EPF funds helped to maintain the nutrition supply line in 14 countries facing a deteriorating crisis, with more than 84,000 severely malnourished children receiving life-saving treatment.

44. Following the 2008 review of the implementation of the RR formula, the Executive Board adopted decision 2008/15, which reaffirmed its decision to continue to give highest priority to the needs of children in the least developed countries and those in sub-Saharan Africa.

45. In raising the minimum allocation to \$850,000 in 2013 (decision 2013/20), the Executive Board reconfirmed the organization’s normative role and responsibilities as follows:

- (a) To enhance national capacities to attain and monitor the rights of children;
- (b) To promote international standards affecting children;
- (c) To provide impartial advisory support, based on international experience, technical expertise and good practice;
- (d) To support countries of different per capita income levels in addressing disparities and other issues affecting children, such as violence and marginalization.

## Steps involved in the allocation of regular resources to country programmes

46. A multi-step approach is followed in the allocation of RR to country programmes. First, a country with a UNICEF office or country programme receives a minimum allocation of \$850,000. Second, an additional share of the RR is provided on the basis of three criteria (the under-five mortality rate, child population and gross national income per capita). Third, a combined lump sum is allocated to the multi-country programmes that cover small and less populous countries as well as the area programme approved by the Executive Board.

## IV. Analysis of the components of the regular resources formula

47. Each of the three criteria has a distinct formula to compute its weight, which is then used to calculate the share allocated to each country. Further details are presented in annex III. Components of the allocation system are as follows:

### Under-five mortality

48. The U5MR indicates the probability of dying between birth and a child's fifth birthday, and is expressed per 1,000 live births. It reflects not just the survival of children, but the general level of development of a society, particularly the social, economic and environmental conditions in which children live. The rate has several advantages as a barometer of child well-being. First, it measures an 'outcome' of the development process rather than an 'input', such as per capita calorie intake of food, or the number of doctors per 1,000 population – both of which are means to an end. Second, the U5MR is recognized as the result of a wide variety of inputs: the nutritional status of children, the empowerment of mothers; the level of immunization, the availability of maternal and child health services (including prenatal care); income and food availability in the family; the availability of safe drinking water and basic sanitation; and the overall safety of the child's environment, among other factors. Furthermore, due to the way in which it is computed, the U5MR is less susceptible to the fallacy of the average than other measures of well-being.<sup>6</sup> From an equity perspective, it is much more difficult for a wealthy minority to affect a nation's U5MR, and it therefore presents a more accurate, if far from perfect, picture of the well-being of the majority of children (and of society as a whole).<sup>7</sup>

49. The mortality weight in the RR formula is set at "1" for the country with the highest U5MR. As under-five mortality decreases, the weight is reduced according to a straight line. It is set at "0" for the country with the lowest U5MR. The formula can be summarized as follows:

$$\text{Mortality weight} = \frac{(\text{country's under-five mortality rate}) - (\text{lowest under-five mortality rate})}{(\text{highest under-five mortality rate}) - (\text{lowest under-five mortality rate})}$$

50. **Analysis:** Major demographic changes have occurred since 1997 when the parameters of the formula were introduced. The range of U5MRs was 5 to 320 per 1,000 live births in 1997 while currently it is 5 to 157 per 1,000 live births. Furthermore, whereas during 1997 only 4 per cent of children lived in countries with an U5MR of 30 or below, the value is now 40 per cent. Despite

<sup>6</sup> This is because the natural scale does not allow the children of the rich to be 1,000 times as likely to survive, even if the man-made scale does permit them to have 1,000 times as much income.

<sup>7</sup> United Nations Children's Fund, *The State of the World's Children 2008*, 'The under-five mortality rate: The indispensable gauge of child health', UNICEF, New York, December 2007, <[www.unicef.org/sowc08/docs/sowc08\\_panels.pdf](http://www.unicef.org/sowc08/docs/sowc08_panels.pdf)>.

these changes, the evidence suggests that U5MR is still a very applicable variable, particularly because it plays an important role in focusing the formula on children who are in the greatest need and countries with high levels of deprivation. The rate represents one of the key targets for children within the Sustainable Development Goals. Thus, under-five mortality should continue to remain fundamental to the formula.

### Child population

51. In relation to the child population criterion, a country's share of RR is determined by its classification in one of three groups:

Child population less than 10 million: *Population weight* = 1

Child population 10 million to 250 million: *Population weight* =  $\frac{3 - \log(\text{child population})}{2}$

Child population greater than 250 million: *Population weight* = 0.30

52. **Analysis:** This assessment found that the child population criterion and associated weighting system are as valid as when they were adjusted in 1997. In 2016, for example, 82 countries had a child population size of under 10 million, amounting to 13 per cent of all children.<sup>8</sup> This value is close to the rate when the formula was adjusted in 1997, which was 16 per cent of all children. Similarly, 38 countries had a child population between 10 million and 250 million, amounting to 51 per cent of all children. Likewise, this value is close to the rate of 42 per cent when the formula was adjusted in 1997. Furthermore, although the current child population size of India (451 million) and China (283 million) are no longer similar, as was the case when the child population weights were adjusted in 1997, preliminary analysis suggests that adjusting the upper bound of the child population weight is not likely to have any major impact on funds received due to the effects of other components of the formula. Furthermore, the assessment found that the child population criterion is essential for focusing resources on children. It therefore continues to be a valid criterion for the formula.

### Income

53. The income component of the RR allocation system is based on GNI per capita. As highlighted in the Review of UNICEF experience in high-income countries and in countries transitioning from upper-middle-income to high-income status (E/ICEF/2016/P/L.39), there are limitations to GNI per capita as a measure of development. Most important, deprivations and inequalities often persist even as average GNI per capita increases. In addition, while many countries have “graduated” through one or even two income categories over the past 25 years, these transitions have not always been accompanied by the elimination of key child deprivations. Other limitations of GNI per capita include statistical challenges (as reflected when gross domestic product estimates are “rebased”, causing sudden changes in estimations of GNI per capita).

---

<sup>8</sup> Unless otherwise indicated, the percentages of children refer to the percentage of children in countries with a UNICEF office or a country programme presence.

54. However, while it is understood that GNI per capita does not completely summarize a country's level of development or adequately measure the welfare of its population, it has proved to be a useful and easily understood indicator that is closely correlated with non-monetary measures of the quality of life, such as life expectancy at birth and enrolment rates in school. There are also few indicators that portray changes in a country's fiscal capacity to address the development needs of children. Moreover, there are severe data gaps in relation to other measures that could substitute for GNI, including the Multidimensional Poverty Index (MPI) and Gini coefficient (of income inequality).

55. Within the RR formula, the income weight is set at "1" for the country with the lowest GNI per capita and declines more steeply than the U5MR weight to give greater sensitivity to the impact of increased income. A logarithmic function is specified so that countries with GNI per capita at the threshold for upper-middle-income countries receive a weight of "0.10". The formula can be summarized as:

$$\text{Income weight} = 0.10^{\left(\frac{\text{country GNI} - \text{lowest GNI}}{\text{upper middle income threshold of } 4,035 - \text{lowest GNI}}\right)}$$

56. **Analysis:** Major economic changes have occurred since 1997. The GNI range within countries with a UNICEF-supported country programme was \$150 to \$7,540 in 1997 while it is \$150 to \$18,600 in 2016.

57. The assessment reviewed possible alternatives to GNI per capita. These include the MPI; the Gini coefficient; and the joint World Bank/UNICEF multidimensional child poverty rates produced in 2016.

58. While the MPI captures basic dimensions of well-being, it has some drawbacks that are mainly due to data constraints. First, the available estimates are based on publicly available data that cover various years between 2005 and 2014, which limits direct cross-country comparability. Second, the MPI value is currently unavailable for 26 countries that are required in order to compute the formula. Moreover, there are several other drawbacks related to the technical dimensions of the indicator.<sup>9</sup>

59. There are also significant technical and data constraints related to measures of income distribution. There are, for example, no reliable data on the Gini coefficient for 13 countries that are necessary for computation of the formula. Furthermore, in many countries recent data are not available (see the Table below).

60. In 2016, UNICEF and the World Bank produced data on multidimensional child poverty rates. From a poverty-monitoring perspective, this indicator has the advantage of essentially focusing on children, unlike GNI per capita and the MPI. However, data are currently available only for about two thirds of the countries required for computation of the formula. As such, consideration of this indicator as part of the RR formula will be dependent upon when data will be available for most countries.

---

<sup>9</sup> See, for example: United Nations Development Programme, Human Development Reports webpage, Frequently Asked Questions – Multidimensional Poverty Index (MPI), <http://hdr.undp.org/en/faq-page/multidimensional-poverty-index-mpi#t295n2442>.

**Table: Data limitations to alternatives to gross national income per capita**

Indicator/approach	Number of countries (with a UNICEF-supported country programme) that have missing data
Multiple Overlapping Deprivation Analysis (MODA)	~75
Multidimensional Poverty Index (MPI) with extreme child poverty rate (\$1.90)	52
Public allocation to education as a percentage of gross domestic product	32
Social Institutions and Gender Index (SIGI)	24
MPI	26
Inequality-adjusted Human Development Index (IHDI)	15
Income share held by lowest 20 per cent	14
Gini coefficient	13 (~100 have very old data)

Sources: UNICEF Data: Monitoring the Situation of Children and Women, <https://data.unicef.org>; United Nations Development Programme (UNDP), Human Development Reports, Multidimensional Poverty Index (MPI), <http://hdr.undp.org/en/content/multidimensional-poverty-index-mpi>; Organisation for Economic Co-operation and Development (OECD) Development Centre, Social Institutions and Gender Index, <http://www.genderindex.org>; UNDP Inequality-adjusted Human Development Index (IHDI), <http://hdr.undp.org/en/content/inequality-adjusted-human-development-index-ihdi>; World Bank, Development Research Group, Income share held by the lowest 20%, <http://data.worldbank.org/indicator/SI.DST.FRST.20>; World Bank, Development Research Group, GINI Index (World Bank estimate), <http://data.worldbank.org/indicator/SI.POV.GINI>; World Bank, Data from United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics, Government expenditure on education, total (% of GDP), <http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>.

61. The benefits of having a simple and easily-understood indicator that tracks a country's fiscal capacity, like its average income status, should not be understated.

### Minimum allocation

62. The minimum allocation of RR for UNICEF-supported country programmes has been increased several times since 1997, from \$600,000 (decision 1997/18) to \$750,000 (decision 2008/15) to the current amount of \$850,000 (decision 2013/20). These periodic adjustments were meant to help to keep pace with the minimum costs associated with achieving results for children.

63. The minimum allocation allows UNICEF to contribute to a core set of programmatic activities that include advocating for child rights, monitoring the situation of children, advocating for public finance for children, convening child-focused stakeholders, and building partnerships and coalitions for children. While the minimum allocation is inadequate to pay for this core programmatic presence in some country contexts, it ensures that minimal provisions are in place and facilitates resource mobilization for OR.

64. **Analysis:** The approach by the Executive Board to periodically adjust the minimum allocation has proved helpful in supporting country offices in two ways. First, it has assisted offices to keep up with inflation and the related costs of doing business. Second, it has supported offices to carry out normative functions, including as a knowledge leader and a voice for children in various country contexts, in line with the universal role of UNICEF.

### **Necessity for an adjustment mechanism to reduce abrupt changes**

65. As outlined in the discussion of the features of the current RR allocation system above, abrupt changes in country allocations are avoided by limiting them to a maximum of 10 per cent compared to the previous year's level. This has proved to be a necessary step to help countries to manage the impact of sudden changes in their indicators.

## **V. Provision for multi-country and area programme allocations**

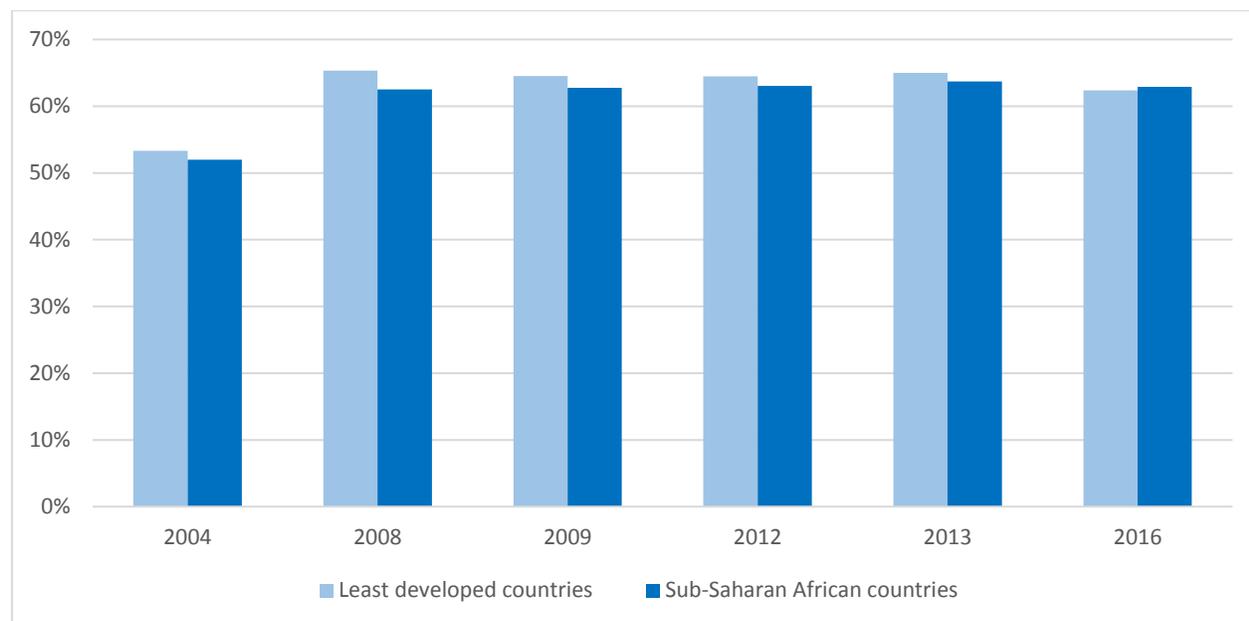
66. Executive Board decision 1997/18 authorizes a fixed allocation to the multi-country programmes. These cover the Eastern Caribbean and the Pacific Islands. A fixed allocation has also been authorized for the approved area programme on Palestinian children and women in Jordan, Lebanon, the Syrian Arab Republic and the State of Palestine. The fixed allocation is set at 3 per cent of the RR available to country programmes each year.

67. The RR allocation to multi-country programmes and area programmes has increased over the years, from \$6 million in 2006 to \$14 million in 2016. In proportional terms, however, the allocation to these programmes has stayed below 3 per cent of the RR available to country programmes each year despite this growth (the allocation was 1.6 per cent in 2016) – due mainly to the fact that yearly increases to these programmes did not keep pace with the growth in the level of RR. UNICEF is rectifying the situation through phased adjustment of annual increases, with the aim of reaching the 3 per cent target in 2021, in line with the end date of the next Strategic Plan. The phased implementation of the adjustment will enable adequate planning for optimal utilization of RR by offices with multi-country programmes and area programmes.

## **VI. Is the formula benefiting the countries that are most in need?**

68. UNICEF continues to meet the target allocation of at least 50 per cent of RR to sub-Saharan African countries and 60 per cent of RR to the least developed countries. Specifically, in 2016, the share of RR allocated to the least developed countries was 62 per cent of the total RR available for programmes and the share allocated to sub-Saharan African countries was 63 per cent. Figure 5 shows the changes in allocations related to these targets over the 2004-2016 period.

**Figure 5 – Share of regular resources to country programme for the least developed countries and sub-Saharan Africa, 2004-2016**



69. Further analysis shows fairly strong targeting of the countries where most deprived children live. In 2016, 50 per cent of RR allocated to country programmes went to countries that are home to 43 per cent of children (nine least developed countries and four lower-middle-income countries). In the same year, 86 per cent of RR allocated to country programmes went to countries that are home to 75 per cent of all children.

**Box: Examples of country-level initiatives supported by regular resources in 2015**

**Improving mother and child health services in Uzbekistan**

While focusing on implementing standard protocols and guidelines for newborn and child survival, UNICEF ensured that its equity focus was also maintained on service delivery so that mothers and children from disadvantaged and hard-to-reach communities can benefit from these reforms. Investing regular resources (RR) in health system strengthening was critical in bringing quality medical care to underserved communities, and for policy advocacy efforts to focus on the most vulnerable mothers and children.

**Scaling up HIV counselling and testing of children in Lesotho**

Support for this project came from RR at a time when the Lesotho country office did not have funding for HIV, and it served as the catalyst for leveraging additional resources from other partners for nationwide scale-up. The next steps include further operational research to gain deeper knowledge and understanding about key success factors, including the use of social mobilization teams, additional temporary clinic staff and the participation of various key actors from the health sector.

**Supporting open defecation-free communities in Pakistan**

Regular resources have been crucial in enhancing efforts to advocate for government policies and legislation to implement the Pakistan Approach to Total Sanitation programme in the whole country. In Punjab, for example, government ownership saw the provincial government begin to implement the programme using its own funds, with plans to link the approach to other government-led projects. One of the concrete results is that \$4 million was committed to end open defecation in 3,600 villages by 2018. In addition, continuous training and engagement with government officials and implementing partners has equipped them with the necessary skills to effectively monitor project results.

**Improving management of malnutrition in the most-affected populations in Iraq**

The flexibility of RR cannot be underestimated in a country like Iraq, where the shifting humanitarian situation requires an equally flexible UNICEF response. Regular resources bolstered and sustained key programming initiatives, including the training of doctors, nurses, and maternal and child health unit staff on infant and young child feeding practices; and helped to equip nutrition research centres with life-saving therapeutic supplements for treating malnutrition.

**Communities leading the way on girls' education in Niger**

Regular resources have proven essential to support girls' education in Niger, helping to provide textbooks and school supplies to nearly 2,000 schools nationwide. This support also helped to gain the trust of the local communities and paved the way for the creation of municipal alliances to implement the national girls' education strategy. Here again the predictability and flexibility of RR were key, given the sensitivity of the topic in Niger and the need for UNICEF and its partners to tread carefully, allowing changes and adaptations to accommodate the local context.

Source: Adapted from: United Nations Children's Fund, *Report on Regular Resources 2015*, UNICEF, Geneva and New York, June 2016.

## VII. Conclusions

70. This assessment has noted strong targeting of RR to countries with children in the greatest need, which is helping to meet the imperative of equity and is aligned with the Sustainable Development Goals. UNICEF has consistently allocated more than 60 per cent of RR to the least developed countries, as required by the Executive Board. The assessment observes that decision 1997/18 on allocation of at least 60 per cent of RR for country programmes to the least developed countries and at least 50 per cent to sub-Saharan Africa is consistent with the requirement of the Sustainable Development Goals to leave no child behind.

71. As discussed above, the U5MR and child population criteria are still highly relevant in the era of the Sustainable Development Goals. The U5MR is a tested measure of the general well-being of children, and indeed of society. Its inclusion in the formula helps UNICEF to focus unequivocally on those children who have been left behind. Together with the U5MR, the child population criterion helps the organization to focus resources on countries that are home to the most deprived children.

72. This assessment has further discussed concerns related to the use of GNI per capita and possible alternative measures of development. The multidimensional child poverty rate holds potential, but still lacks data for more than one third of the countries with a UNICEF country programme. The paper has also noted the strengths of GNI per capita, including its simplicity and relevance in indicating the fiscal capacity of a country as well as the widespread availability of data.

73. The importance of the minimum allocation for normative work in all country contexts, especially in support of the universal agenda of the Sustainable Development Goals, has been discussed in this assessment. The practice of the Executive Board to periodically adjust the minimum allocation in support of normative work has helped many country offices to sustain their programmes.

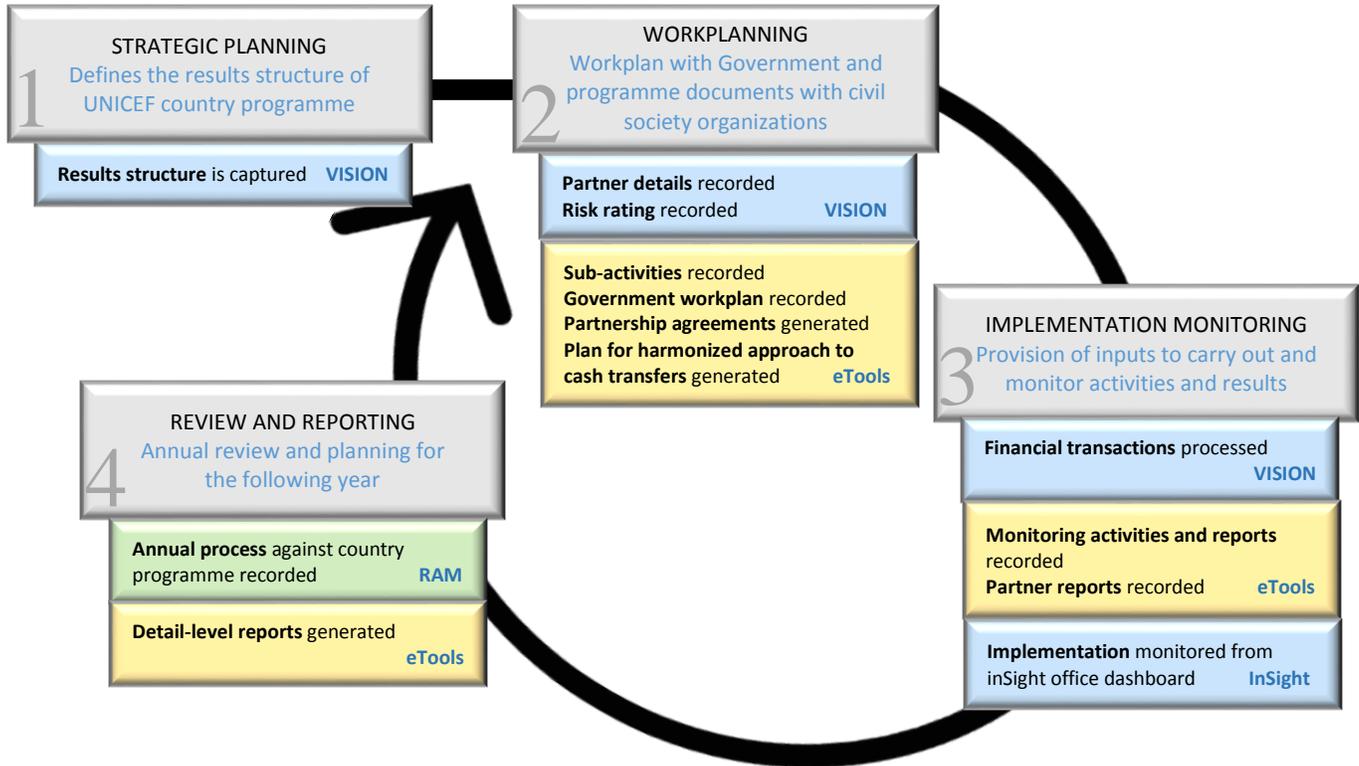
74. Furthermore, the assessment has identified gaps in the allocation of RR to multi-country programmes. UNICEF will be taking steps to rectify these gaps from 2017, with the objective of meeting the required benchmark of the Executive Board by the end of the next Strategic Plan in 2021.

75. UNICEF needs to monitor the application of the formula continuously, as rapid demographic and socioeconomic shifts continue to occur in various parts of the world. UNICEF, Governments and other partners need to accelerate efforts to generate more frequent disaggregated data on viable alternatives to GNI in all countries.

76. The strengths of the current formula are worth noting: that its variables provide a snapshot of the well-being of children in a society without being complicated. Moreover, these variables are based on frequently available data. There is great value in preserving these strengths as UNICEF continues to work with partners to fulfil the rights of all children.

## Annex I

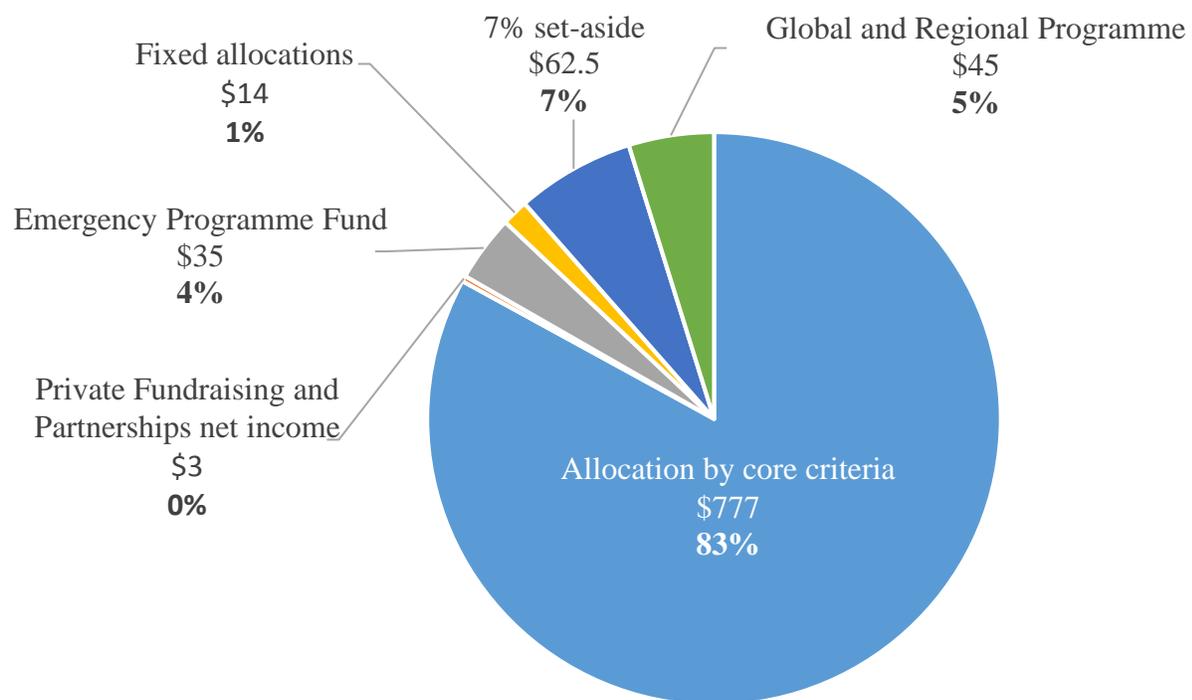
### Interaction and linkages between various tools for resource planning and alignment



## Annex II

### Allocation of regular resources available for programmes, 2016

(in millions of United States dollars)



## Annex III

### Details of the regular resources formula

1. For each country, three weights (under-five mortality rate (U5MR), gross national income per capita (GNI) and child population) are multiplied to obtain a single weight. This multiplication results in a progressive distribution of regular resources in favour of the low-income countries and the least developed countries, as opposed to simply averaging the weights. The combined weight and the size of the child population determine a country's share of total regular resources available for programmes, which will be allocated on the basis of the three core criteria. The formula to determine the regular resource allocation to a country is as follows:

$$\text{Allocation to country } i = \frac{P_i * W_{pi} * W_{mi} * W_{qi}}{\sum_i (P_i * W_{pi} * W_{mi} * W_{qi})} * MTP * SHARE$$

$P_i$  = child population in country i

$W_p$  = child population weight

$W_m$  = U5MR weight

$W_q$  = GNI per capita weight

MTP = total estimated regular resources available for the year

SHARE = share of the total regular resources for programmes allocated on basis of the core criteria

$\sum_i$  = sum for all countries

---