

For action

United Nations Children's Fund

Executive Board

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Financing the UNICEF Strategic Plan 2014-2017

Background document

I. Introduction

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), and Economic and Social Council resolution E/2014/L.19 on progress in the implementation of resolution 67/226, UNICEF is organizing a structured dialogue on financing results of the UNICEF Strategic Plan and critical mass of core resources on 9 September 2014, during the second regular session of the Executive Board. In preparation for this session, two informal briefings on 'How to Finance the UNICEF Strategic Plan, 2014-2017' took place earlier this year, on 29 May and 9 July. An informal briefing will take place on 27 August 2014.

2. UNICEF has actively engaged with other funds and programmes through a series of consultations, many of them convened by UNICEF, to discuss and identify a harmonized approach to respond to the QCPR mandates of structured dialogue and critical mass of core resources. In particular, on 19 December 2013 a joint informal consultation was organized with the Executive Boards of the United Nations Development Programme (UNDP)/United Nations Population Fund (UNFPA) and UNICEF, with the participation of UN-Women and the World Food Programme (WFP), to define common principles of critical mass of core resources.

3. This background paper will support a dialogue with the UNICEF Executive Board on financing the results of the UNICEF Strategic Plan, 2014-2017, as well as a discussion and decision on the issue of critical mass of core resources. This paper highlights the key outcomes of the two informal briefings on 'How to Finance the UNICEF Strategic Plan, 2014-2017' and presents an overview of the UNICEF organization-wide resource mobilization efforts for financing the results of the Strategic Plan. Within this larger context, the paper highlights the common principles of critical mass of core resources and the feedback received from Executive Board members on how to approach the issue of critical mass.

* E/ICEF/2014/14.

4. The formal meeting of the Executive Board on 9 September 2014 will aim to address the two key QCPR mandates related to funding: (a) structured dialogue for financing the UNICEF Strategic Plan, 2014-2017; and (b) critical mass of core resources.

5. In operative paragraph 39 of resolution 67/226, the General Assembly:

Reiterate[d] the potential positive impact of determining the level of critical mass of core funding for United Nations development agencies, and requests the funds and programmes to define common principles for the concept of critical mass of core resources, which may include the level of resources adequate to respond to the needs of the programme countries and to produce the results expected in strategic plans, including administrative, management and programme costs, and to present specific proposals to their respective governing bodies by the end of 2013 with a view to a decision in 2014.

6. In operative paragraph 46, the Assembly:

Request[ed], in this regard, the executive boards of the funds and programmes and the governing bodies of the specialized agencies, as appropriate, to organize structured dialogues during 2014 on how to finance the development results agreed in the new strategic planning cycle of their respective entities, with a view to making non-core resources more predictable and less restricted/earmarked, broadening the donor base and improving the adequacy and predictability of resource flows.

7. Paragraphs 39 and 46 contain two distinct yet interrelated mandates. UNICEF, together with the other funds and programmes, strongly believes that there is merit in addressing these mandates together and discussing the issue of critical mass within the larger context of financing the development results of the Strategic Plan. This allows core resources to be considered in an integrated manner that speaks to their complementarity with non-core resources.

II. Structured dialogue

8. During the informal briefings in May and July, several issues arose from the dialogues with Member States. These included the need to: (a) identify the best mix of core and high-quality non-core resources to fund the results of the Strategic Plan; (b) develop innovative options for quality non-core resources, going beyond thematic windows, and consider geographical funding windows; (c) analyze funding gaps to make better informed decisions; and (d) broaden the donor base, including attracting more non-traditional donors.

9. Feedback from Member States has shaped the key guiding principles for the structured dialogue for financing the results of the UNICEF Strategic Plan, 2014-2017. The guiding principles include: (a) alignment of financial contributions to results in the Strategic Plan; (b) increased transparency; and (c) improved predictability of financing and more flexible funding. During the structured dialogue, UNICEF will present its new online open platform, which allows for tracking of results and resources, thereby increasing transparency and compliance to the standards of the International Aid Transparency Initiative as well as facilitating the alignment of contributions to the results of the Strategic Plan.

10. Resource mobilization efforts will focus on mobilizing the resources that the Executive Board approved in the 2014-2017 Integrated Budget (\$17.5 billion) in order to achieve planned

results of the Strategic Plan in the areas of health, HIV/AIDS, water and sanitation, nutrition, education, child protection and social inclusion, as well as the two cross-cutting areas of humanitarian action and gender equality.

11. Over the course of the next year, Member States will be negotiating a new global framework and goals for sustainable development. Much work has already been accomplished, including the release of the final report of the Open Working Group on Sustainable Development Goals in July 2014. In addition, the Intergovernmental Committee of Experts on Sustainable Development Financing is about to release its report on financing these new goals. Children and youth are at the core of sustainable development. In line with the Executive Board's decisions, the Strategic Plan will be revisited at its mid-term in 2016 to incorporate and be aligned with the agreed post-2015 agenda.

12. Resource mobilization comprises fundraising directly for UNICEF supported programmes and leveraging for the continued and increased allocation of resources for programmes for children. Leveraging is the ability of UNICEF to engage both private and/or public actors to maximize available capital and financial and human resources through joint partnerships and collaboration, given the unique business model of UNICEF.

13. The scale and diversity of resource flows to developing countries have increased rapidly, almost doubling since 2000. In addition to remittances, which are a key international resource for all developing countries, in middle- and high-income countries, financial flows consist mainly of commercial flows and loans. However, traditional official development assistance from the members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development remains the main international resource for low-income countries and constitutes 70 per cent of UNICEF funding. Domestic resources, however, outweigh international resources in most developing countries, which present significant opportunities to leverage resources for children. The aid architecture is evolving and becoming more complex, with pressure for more accountability for the 'donor dollar'; the rise of the private sector in development, including large philanthropic foundations; the emergence of non-DAC donors; and the increasing predominance of pooled funds, South-South and triangular cooperation and a variety of innovative financing mechanisms.

14. The goal of UNICEF resource mobilization efforts is to develop, mobilize and leverage public and private partnerships in support of the Strategic Plan to achieve the following two broad results:

(a) Maximize revenue for UNICEF programmes to reach a total \$15.9 billion (cumulative 2014-2017)¹;

(b) Expand strategic engagement with the public and private sectors to leverage public and private sector resources towards the realization of children's rights.

15. During the 2014-2017 period of the Strategic Plan, the resource mobilization priorities for UNICEF are to grow regular resources (RR) income from the public and private sectors, and to grow the proportion of flexible earmarked funds from the public and private sectors.

¹ Does not include 'other revenue' from interest, procurement services and other sources

16. The principal approaches to securing and growing RR include:

- (a) Strengthening strategic partnerships with government donors;
- (b) Ensuring that all National Committees for UNICEF are committed to unrestricted income and operating efficiently;
- (c) Prioritizing country offices' investment in a limited number of key private sector markets. Although this is currently small, it is key for long-term growth;
- (d) Complementing RR with flexible earmarked funds for an optimum balance between the two;
- (e) Broadening the donor base by investing in programme partnerships with programme countries.

17. Underlying this, and in order to grow RR and reach its targets, UNICEF will take action in a number of key areas, including:

- (a) Shifting from transactional donor relationships to more strategic partnerships, engaging all types of donors more deeply in policy, programmes and overall strategic direction;
- (b) Communicating to donors and potential donors why flexible funds are vital, and why the ratio of unrestricted to restricted funds must increase;
- (c) Ensuring that there are sufficient resources – skilled people and investment funds – to develop relationships with donors and to exploit key income streams.

18. Public sector partners for resource development include: (a) all Governments and multilateral donors including intergovernmental organizations and international financial institutions; and (b) multi-stakeholder platforms and other financing modalities such as global programme partnerships and United Nations trust/pooled funds.

19. UNICEF will continue to maximize resources and leverage the influence of the private sector, including through strategic and structured engagement with business. The private sector is defined as the general public, civil society, business and private foundations and other social groups that influence decision makers.

20. In order to reach resource mobilization objectives, UNICEF will continue to rely on its strong global communication, branding and advocacy.

21. UNICEF aims to shift from transactional donor relationships to more strategic partnerships. To facilitate this shift, UNICEF will prioritize five strategic enablers and cross-cutting actions:

- (a) Articulate the case for support. A critical element will be advocating for RR and the complementarity and balance between unrestricted and earmarked funding. UNICEF will coordinate programmatic dialogues with resource partners around flexible earmarked funding, including the prioritization of proposals that are aligned with the Strategic Plan and national priorities, have multi-year durations and are global or multi-country, and reduce transaction costs through pooled mechanisms such as thematic funding;

(b) Deliver and demonstrate results of the Strategic Plan in support of country programme results, which are aligned with national development priorities relevant for children; children;

(c) Leverage key established partnerships with national Governments, bilateral government donors and international financial institutions, pooled funds and multi-donor trust funds, corporations, private foundations and individuals. This also includes continued engagement with programme countries and emerging donors on leveraging domestic resources for advancing children's well-being and increasing programme country contributions;

(d) Cultivate select new partnerships, including further developing engagement with selected middle-income countries, and explore innovative development finance opportunities;

(e) Develop and implement an emergency fundraising strategy that, while prioritizing Level 3 humanitarian crises, promotes unrestricted and flexible earmarked funding to cover disasters which may not be as present in the public eye and responds swiftly in the first hours and days when disaster strikes. Similarly, develop and implement a fundraising strategy for gender equality.

22. Operational enablers, such as financial and human resources, knowledge sharing and information technology platforms, and risk management, will be employed to help achieve results. Effective alignment and coordination among headquarters divisions, regional and country offices and National Committees will be critical to ensuring a common vision and shared objectives.

23. The post-2015 agenda provides a unique opportunity to reshape the international development agenda. UNICEF believes that these broader ambitions will require a wider range of funding arrangements and financiers, sharing the responsibility of financing development. The organization is already working on innovative approaches to development financing, such as the UNICEF Bridge Fund to accelerate access to lifesaving assistance to children in need around the world.

III. Critical mass

24. As noted in paragraph 5 above, in operative paragraph 39 of resolution 67/226, the General Assembly called upon United Nations development agencies, "to define common principles for the concept of critical mass of core resources" and "to present specific proposals to their respective governing bodies".

25. Further to this request, the funds and programmes have worked together to define a set of common principles for critical mass of core resources. The draft principles were discussed at a joint informal consultation with the Executive Boards of UNDP/UNFPA and UNICEF, with the participation of UN-Women and WFP, in December 2013. The proposed common principles are as follows:

(a) Critical mass of resources reflects the funds needed to achieve the outcomes as stated in each agency's strategic plan;

(b) Critical mass of core resources is the minimum level of resources adequate to provide the foundation from which to respond to the needs of the programme countries and deliver the results of the respective strategic plans;

(c) Critical mass of core resources reflects the specific mandates and business models of each agency;

(d) Critical mass of core resources ensures that agencies are able to respond to changing contexts/needs, including emergencies, in a stable manner and in line with their strategic plans.

26. UNICEF interacted with Member States on this topic between December 2013 and August 2014 both through informal briefings and by soliciting written inputs. Feedback from Member States indicates that there is support for the proposed inter-agency approach, with its common definitions and shared principles. This includes support for the principle elaborated in paragraph 25 (c) above, which emphasizes that the concept of critical mass of core resources must be elaborated separately for each agency depending on its business model and funding modalities. Member States' feedback has also emphasized that the UNICEF Strategic Plan, 2014-2017 was agreed after an extensive process of analysis and consultation, and that funding must be mobilized to cover 100 per cent of the Integrated Budget, in line with the definition of critical mass in paragraph 25.

27. During the second informal briefing on 'How to Finance the UNICEF Strategic Plan' in July 2014, UNICEF presented two possible approaches to defining UNICEF's 'critical mass of core resources' for the Executive Board's consideration: (a) the minimum level of relatively flexible resources adequate to provide the foundation to directly deliver some of the results of the Strategic Plan, including maintaining capacity for universal response in line with the normative mandate of UNICEF, and to leverage further more restricted funding to make up the balance of critical funding requirements; and (b) the minimum level of resources to maintain a universal response and to produce the results as approved in the Strategic Plan, 2014-2017, *including* funding for already anticipated humanitarian action but *excluding* additional resources for emergencies (other resources – emergency) that would only be mobilized and expended in response to unpredictable humanitarian needs.

28. In discussing the possibility of defining a minimum level of relatively flexible resources, Member States acknowledged numerous benefits to increasing the proportion of UNICEF resources that is not tightly restricted. There is a common understanding that relatively flexible and predictable resources can facilitate alignment of resources to Strategic Plan outcomes, longer-term and more responsive programming, partnership-building and complementarity within and beyond the United Nations development system, and reduced transaction costs, as well as other benefits.

29. Member States therefore proposed a number of approaches that UNICEF could use to encourage the shift from more restricted to more flexible financing, such as increased transparency of resource allocations and results, consideration of thematic-style funds for specific regions, stronger performance and risk management systems, and more consistent public acknowledgement of donors that provide the highest quality funding.

30. In discussing a differentiation between funding for already anticipated humanitarian action and further resources that would only be mobilized in response to unpredictable humanitarian needs, Member States acknowledged the specificities of the dual development and humanitarian mandate of UNICEF. It was noted that funding would be required for both anticipated and

unpredictable humanitarian action, even if the total scale of required 'other resources – emergency' could not be accurately predicted. Member States also welcomed the emphasis of UNICEF on using regular resources to support country programmes for development initiatives, humanitarian initiatives and the links between the two, rather than seeing regular resources as being designated solely for development programming.

31. While Member States therefore acknowledged the merit of both approaches presented by UNICEF at the July 2014 briefing, there appeared to be greater interest in how to increase the quality of resources within the overall Integrated Budget, rather than in defining a precise level that would be understood as a critical mass of core resources. Given the UNICEF mandate and business model and the global volatility and the unpredictability of humanitarian emergencies, several Member States emphasized that designating a specific amount or percentage of the Integrated Budget as a 'critical mass of core resources' was risky, as it could inadvertently create a perception that the remaining funds were not necessary.

32. Building on the informal dialogue that has already taken place about critical mass of core resources for UNICEF, the Executive Board may wish to ask UNICEF to continue to explore incentives and mechanisms to support donors in shifting from more restricted to more flexible funding, to be used for both development and humanitarian programming, and the links between the two, rather than defining a precise level or percentage of funding as a 'critical mass'.

33. With regard to the broader issue of financing the Strategic Plan, the Executive Board may wish to reaffirm the importance of financing the entire Integrated Budget of the Strategic Plan, 2014-2017, and welcome the efforts of UNICEF to broaden the donor base for this purpose.
