For information

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Structured Dialogue on financing the results
of the UNICEF Strategic Plan, 2014-2017

Strategic Brief

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 decision 2014/17, and Economic and Social Council resolution E/2015/L.16 on progress in the implementation of General Assembly resolution 67/226, UNICEF will hold the annual structured dialogue on financing the results of its Strategic Plan, 2014-2017, at the second regular session of the Executive Board. In preparation for this session, an informal briefing will take place on 25 August 2015. UNICEF has actively engaged with other United Nations funds and programmes to discuss and identify a harmonized approach to respond to the QCPR mandates on the structured dialogue.

This background paper supports the structured dialogue, and presents an overview of the organization-wide resource mobilization efforts by UNICEF for financing the results of the Strategic Plan, with a view to increasing unrestricted resources, making earmarked resources more predictable and flexible, broadening the donor base and improving the adequacy and predictability of resource flows.

I. Background

1. The development finance architecture is becoming more varied and complex with a more prominent role of the private sector, including large philanthropic foundations; the emergence of non-traditional resource partners; a new generation of multilateral funding structures; the growing importance of a variety of innovative financing mechanisms, pooled funds, and South-South and triangular cooperation, especially around capacity-building. Official Development Assistance (ODA) from members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) remains the main international resource for low-income countries. Both the diversity and scale of resource flows to developing countries have increased rapidly, with the latter almost doubling since 2000. In addition to remittances, financial flows consist mainly of commercial flows and loans. However, domestic resources outweigh

* E/ICEF/2015/12.
international resources in most developing countries. UNICEF needs to adapt and respond to this changing environment if it wants to maximize resources for children.

2. Member States concluded an agreement on Finance for Development in July 2015, and are about to conclude negotiations on a new global framework for sustainable development. The outcome document of the Third International Financing for Development (FFD) Conference, the Addis Ababa Action Agenda, recognizes the importance of investing in children as a core strategy of inclusive growth and sustainable development. In line with Executive Board decision 2013/16, the Strategic Plan will be revisited at its midterm review in 2016 in order to reflect the post-2015 agenda and the FFD3 outcomes.

3. The objective of UNICEF resource mobilization efforts is to develop, mobilize and leverage support for children to achieve the following two broad results:

   (a) Maximize revenue for UNICEF programmes in line with the Strategic Plan financial revenue estimates for 2014-2017, updated to $18.5 billion, which support the Integrated Budget. These resources are essential 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. This strategic brief paper principally focuses on this result;

   (b) UNICEF will at the same time continue to work with governments and other public and private partners to mobilize additional resources that benefit children, well beyond the resources channeled through UNICEF. This leveraging of additional resources is critical for achieving the UNICEF mission of building a world fit for children. This is being pursued through policy advice and advocacy as well as through partnerships and collaboration approaches.

4. In line with these objectives, UNICEF raised $5,169 million in 2014, which amounted to 30 per cent of the budget approved by the Executive Board for 2014-2017. This represents an increase in funding of 6.5 per cent over 2013.

5. Public sector revenue constituted 71 per cent, or $3,679 million, of UNICEF total revenue in 2014, an increase of 11 per cent, or $352 million, compared to 2013. Public sector partners for resource mobilization include: governments and multilateral partners including intergovernmental organizations and international financial institutions, as well as United Nations trust/pooled funds.

6. Private sector revenue was $1,396 million, or 27 per cent of total UNICEF revenue, representing a decrease of 3 per cent, or $41 million, compared to 2013. This was largely due to negative currency exchange variations and significant decreases in the value of the Euro and Yen. The private sector is defined as the general public, civil society, business and private foundations, non-governmental organizations, global programme partnerships, and other social groups.

7. The remainder of UNICEF revenue was from interest, procurement services and other sources and totaled $94 million, or 2 per cent of total revenue in 2014.

8. In 2014, regular resources (RR) amounted to $1,326 million, which is an increase of 5 per cent, or $61 million, compared to 2013. It is, however, important to note the longer-term trend: RR as a percentage of total revenue decreased from close to 50 per cent in 2000 to 26 per cent in 2014. In 2014, the exchange rate situation affected the dollar value of both the public and private sector
contributions. As the United States dollar strengthened, contributions received in other currencies weakened in United States dollar terms.

9. Thematic funds are directly aligned to the seven outcome areas and the two cross-cutting areas of the UNICEF Strategic Plan. Because thematic funds are earmarked at the level of the outcome areas (soft-earmarked), they allow for more flexibility and predictability, as well as for longer-term planning and lower transaction costs for both UNICEF and resource partners. In 2014, overall thematic funding from both public and private sector partners for the seven outcome areas was $202 million. Thematic funding for humanitarian action amounted to $139 million; no thematic funding was received for gender. This represents a decline in thematic funding of 5 per cent compared to 2013. Thematic funding as a proportion of total UNICEF earmarked funding was at 9 per cent, which is the lowest ever since the modality was instituted by the Executive Board in 2003.

10. Overall, earmarked resources to UNICEF increased by 7 per cent (or $255 million) from $3,588 million in 2013, to $3,843 million in 2014. The increase was principally driven by humanitarian funding, which increased by 19 per cent (from $1,329 million in 2013 to $1,577 million in 2014). As UNICEF operates in both development and humanitarian settings, humanitarian action is firmly established as a central element of the Strategic Plan and programming. Non-emergency related earmarked funding also increased slightly by 0.4 per cent (or $8 million) to $2,264 million, representing 59 per cent of overall earmarked funding.

II. UNICEF approach to resource mobilization

11. During the 2014-2017 period of the Strategic Plan, the resource mobilization priority for UNICEF is to finance this Plan, with a focus on growing RR and flexible earmarked funds from a diverse and broad range of partners in the public and private sectors.

12. The principal approaches to securing and growing RR and flexible earmarked funds include:

   (a) Strengthening strategic partnerships with contributing governments by focusing on achieving shared results in shared priority areas;

   (b) Working with the National Committees for UNICEF to efficiently mobilize unrestricted or flexible earmarked revenue;

   (c) Prioritizing investment in a number of programme countries where there is strong potential for private sector resource mobilization. Although revenues are still relatively modest, they are growing rapidly and are key for long-term growth. The 2009-2014 average annual growth rate of country office private sector fundraising was 31 per cent;

   (d) Complementing RR with flexible earmarked funds across the thematic priority areas and seeking an optimal balance among the various types of resources;

   (e) Pursuing the commitment to be open and transparent by scaling up both the quality and depth of country level data on programmes, results and finances. These data are now publicly available on the UNICEF Transparency Portal (open.unicef.org).

13. Underlying this, and in order to grow flexible revenue, including RR, UNICEF is taking action in a number of key areas, including:
(a) Shifting from transactional donor relationships to more strategic partnerships, engaging a wide range of partners more deeply in overall strategic direction, policies and programmes;

(b) Demonstrating the added value of flexible funds aligned to the results of the UNICEF Strategic Plan, and the importance of having the right balance between unrestricted and restricted funds;

(c) Making sure that there is sufficient capacity, including staff with the right skills, to further develop existing and develop new partnerships.

14. Broadening the number and types of resource partnerships is consistent with the neutral and impartial mandate of UNICEF, allows for more stable funding for sustainable programming, and shares the financing of development and humanitarian results as committed to by all partners. In 2014, the number of governments contributing to UNICEF increased from 129 in 2013 to 135. Furthermore, the number of individual pledge donors to UNICEF increased by 13 per cent, from 3.37 million individuals in 2013 to 3.8 million in 2014. More than 35,000 companies, and 277 high-net-worth individuals (contributing a minimum of $100,000) contributed to diversifying the UNICEF funding base. However, more work in this respect is needed, as 76 per cent of funding still comes from 20 partners.

15. The organization is working on several innovative approaches to expand available financing for children. Examples where UNICEF is actively participating include the Bridge Fund of the US Fund for UNICEF to accelerate access to life-saving assistance to children in need around the world, and Power of Nutrition, which is a catalytic fund to scale up finance from public-private sources for high-impact nutrition programmes in collaboration with the Children’s Investment Fund Foundation as lead and the World Bank. In addition, UNICEF is working with key partners and the World Bank, such as in the country-based Water Finance Facilities (water banks). This instrument aims to pool investment opportunities or “blended funding” (domestic public and private with international public resources, including loans, grants, bonds, tariff and taxes) for water, sanitation and hygiene programmes.

16. To facilitate the shift from transactional donor relationships to building strategic partnerships resourced to deliver shared results for children, UNICEF will prioritize nine strategic enablers and cross-cutting actions:

(a) Align with partners around the substance of strategic policy positions and products that strengthen the rights of children, particularly the most marginalized. For example, in 2014, UNICEF and the European Union developed and launched a joint Child Rights Toolkit to mainstream children’s rights in development cooperation. In the private sector, UNICEF worked with companies to implement the Children’s Rights and Business Principles;

(b) Hold programmatic dialogues and consultations with resource partners around RR and flexible earmarked funding. This includes prioritization of proposals that are aligned with the Strategic Plan and national priorities, have multi-year durations, are global or multi-country, and reduce transaction costs through pooling of resources (such as our thematic funding pools for each of the seven outcomes and two cross-cutting areas).
(c) Strengthen and expand key established partnerships, including with programme country partners and emerging economies. This would entail leveraging domestic resources for advancing children’s well-being as well brokering and stimulating South-South and triangular cooperation. From the perspective of funding for UNICEF, government partners that are not members of the OECD DAC are already playing an important role. In 2014 they contributed 11 per cent (or $297 million) of the total contributions from government partners;

(d) Foster existing and new innovative partnerships. An example is the Scaling-Up Nutrition Movement (SUN) and the Multi-Partner Trust Fund, which provides catalytic grants in support of non-governmental organizations for the development and implementation of actions for scaling up nutrition. Through the SUN movement, UNICEF works hand in hand with governments and sister agencies (World Food Programme and World Health Organization) to translate country-led commitment to reduce stunting and other forms of malnutrition;

(e) Develop and use joint funding mechanisms (multi-donor trust funds, joint programming, United Nations agency-to-agency cash transfers). These will be pursued in order to strengthen coherence and results achievement across the United Nations system, including through modalities that can help bridge the development/humanitarian funding and operational divide and thus contribute to relief, recovery and development with less risk of relapse to crisis;

(f) Strengthen current partnerships for mobilizing resources for emergency response. Prioritize Level 3 humanitarian crises, while promoting unrestricted and flexible earmarked funding to respond swiftly in the first hours and days when disaster strikes and where needs are most urgent;

(g) Improve results reporting, demonstrating the results of the Strategic Plan, in alignment with national development priorities. A case in point are the Annual Results Reports per Strategic Plan outcome and cross-cutting area, which have been elevated from thematic pool reports to sectoral annual reports. These reports complement and elaborate on the results captured in the Executive Director’s Annual Report;

(h) Articulate the case for support. A critical element will be advocating for RR and flexible earmarked funding aligned with the Strategic Plan result areas. In this regard, UNICEF has developed – in consultation with public and private sector partners – ten succinct ‘Cases for Support’ that describe the result priorities for each outcome and cross-cutting area in the Strategic Plan, as well as an overall case for UNICEF. The ‘Cases’ lay out the key results to be achieved, supported by an explicit Theory of Change that includes a situational analysis, planned evidence-based solutions, role and areas of focus by UNICEF, based on comparative advantages, our joining in partnership with others; as well as lessons learned, risks and mitigating measures. The ‘Cases’ will also detail the resources required to meet the results. The ‘Cases’ will be launched in the last quarter of 2015;

(i) Employ operational enablers, such as financial and human resources, knowledge sharing and information technology platforms, and risk management, 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.
III. Conclusion

17. The post-2015 agenda is reshaping international development cooperation, and its broader ambitions will require concerted action across all the pillars of development finance, international and domestic, public and private. The Addis Ababa Action Agenda agreed at the FFD3 recognizes child-focused investments as a central pillar of sustainable development. Children are viewed as an integral part of society that will help drive social and economic change for the long term, and with significant returns, as long as they are prioritized for investment from day one. Moreover, the Addis Ababa Action Agenda acknowledges that investing in all children, especially those most disadvantaged and “furthest below the poverty line”, is required in order to “finish the unfinished business of the MDGs”. Remarkably well aligned with the UNICEF mission and equity-based approach, these commitments reached create opportunities for increased investment in children, both through UNICEF in support of its Strategic Plan 2014-2017 and beyond, as well as its partners.

18. The financial resources in 2014 helped UNICEF and partners to achieve much-needed results for children. On behalf of the many millions of children reached, UNICEF is grateful to its many strong friends and allies. In order to deliver even better and greater results for children in coming years, UNICEF looks forward to building ever-strengthening partnership and collaboration with its partners around the globe: Member States, United Nations agencies, international financial institutions, regional organizations, local authorities, civil society organizations, businesses, and people everywhere committed to a world fit for children.