Annex 3
Business model

Summary

Annex III to the UNFPA strategic plan, 2022-2025, describes the UNFPA business model for defining where and how UNFPA will implement the strategic plan. It also presents the resource allocation and distribution system. The highlights of the business model include:

(a) With its presence in over 150 countries, UNFPA will classify and prioritize countries into three tiers, depending on whether all transformative results have not been achieved (tier I), two transformative results have not been achieved (tier II), or one or zero transformative results has not been achieved (tier III);
(b) Countries in any tier can apply, in principle, the five modes of engagement and six accelerators defined in the UNFPA strategic plan, 2022-2025, to ensure the most impactful solutions to the local context, challenges and priorities;
(c) UNFPA will allocate resources to countries according to (a) the progress made towards the three transformative results; (b) the vulnerability to disaster risks; (c) the inequalities in access to health care; (d) the population size; and (e) the gross national per capita income;
(d) All programme countries will get a floor ceiling of $500,000 annually – as the foundation for building and implementing the country programme, particularly carrying out the UNFPA normative role to promote the ICPD Programme of Action and to advocate achieving the three transformative results;
(e) UNFPA will give the multi-country programme countries in the Caribbean and the Pacific special consideration; it will increase the annual allocation of regular resources to these countries;
(f) UNFPA will ring-fence resources allocated to countries in tier I. It will aim to spend at least 60 per cent of programme resources in tier I countries;
(g) UNFPA will set aside $5 million to support the creation of a strategic investment fund – meant to leverage domestic and international public and private funds to support the ‘call to action’ in the UNFPA strategic plan, 2022-2025.
I. Introduction

1. The UNFPA strategic plan, 2022-2025, focuses on acceleration progress towards the achievement of the three transformative results: (a) ending unmet need for family planning and modern contraceptives; (b) ending preventable maternal deaths; and (c) ending gender-based violence and harmful practices, such as child marriage and female genital mutilation. The current progress towards these results is not enough to achieve them by 2030. Acceleration is needed. Yet doing business as usual will not generate the needed acceleration. Hence, new ways of doing business must be adopted, as called upon by the Decade of Action, the United Nations development system reforms and the 2020 quadrennial comprehensive policy review, to adapt to the rapidly changing environment and leverage emerging opportunities to pursue solutions that lead to sustainable development while leaving no one behind.

2. The UNFPA strategic plan, 2022-2025, business model articulates (a) where (presence and prioritization), and (b) how (modes of engagement and accelerators) UNFPA will implement its new strategic plan, and also (c) how UNFPA will allocate and distribute its regular resources available for programming among programme countries towards reaching the three transformative results.

A. Where – UNFPA country presence and prioritization

3. UNFPA has a near-global presence in over 150 countries. UNFPA will work through its 119 country programmes, two multi-country programmes, six regional programmes, and one global programme to implement the new UNFPA strategic plan, 2022-2025.

4. UNFPA classifies the 119 programme countries into three tiers to prioritize the countries furthest from achieving the three transformative results. Tier I comprises programme countries that have not achieved any of the three transformative results; tier II comprises programme countries that have not attained two of the three transformative results; and tier III comprises programme countries that have not attained one of the three transformative results. The achievement of the transformative results is based on the desired progress by 2030 for each of the transformative results (see table 1 below).

<table>
<thead>
<tr>
<th>Transformative result</th>
<th>Indicator</th>
<th>Threshold (based on desired progress by 2030)</th>
<th>Value</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending the unmet need for family planning</td>
<td>Need for family planning satisfied with modern methods</td>
<td>75 per cent</td>
<td>World Contraceptive Use, 2019, states that a family planning need “exceeding 75 per cent is generally considered high”</td>
<td></td>
</tr>
<tr>
<td>Ending preventable maternal deaths</td>
<td>Maternal mortality ratio</td>
<td>70 per 100,000 live births</td>
<td>Sustainable Development Goal 3, target 3.1</td>
<td></td>
</tr>
<tr>
<td>Ending gender-based violence and harmful practices, including female genital mutilation and child, early and forced marriage</td>
<td>Gender inequality index</td>
<td>0.3 (1=inequal; 0=equal)</td>
<td>The Human Development Report, 2019, uses 0.3 as the gender inequality index for countries with high human development.</td>
<td></td>
</tr>
</tbody>
</table>

5. Using the most recent data from the United Nations Population Division, the World Health Organization (WHO) and UNDP, the 119 programme countries fall into each tier as follows: 54 countries in tier I; 35 countries in tier II; and 30 in tier III.

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1 This indicator reflects inequality in achievement between women and men in three dimensions: reproductive health, empowerment and the labour market, which are essential for ending gender-based violence and harmful practices. According to the UNDP Human Development Report, 2020, the gender inequality index was 0.6 for low human development countries, 0.5 for medium human development countries, and 0.3 for high human development countries.
6. The above classification approach, based on the distance from reaching the three transformative results, has two clear benefits: (a) it drives the focus to the three transformative results; and (b) it provides a simpler and transparent way of measuring the need, at any level, national or subnational, where the data on the three indicators is available.

7. The multi-country programmes are excluded from the classification system because UNFPA takes their special needs into account when allocating regular resources to country programmes – see the section on resource allocation below (in paragraph 16).

B. How – Modes of engagement and accelerators for implementing the strategic plan

8. To implement the strategic plan, 2022-2025, UNFPA will carry out interventions through five modes of engagement:

(a) Advocacy and policy dialogue. This is the direct interaction of the United Nations with national policy decision-makers and other stakeholders toward the development, improvement, reform, implementation, monitoring and assessment of policies, legislation, strategies, plans, budgets and programmes. This includes providing evidence-based analyses (including identifying the major drivers and bottlenecks of policy implementation) and recommendations, convening and facilitating policy dialogues and offering options to address development challenges. UNFPA normative work centres around policy advocacy and dialogue, supported by knowledge management, including data and analysis, and partnership and South-South and triangular cooperation;

(b) Capacity development. This involves a set of interventions by which people’s skills, organizational and national systems, tools, resources and knowledge are strengthened, created, adapted, mobilized, deployed and sustained over time to achieve results, including in humanitarian, conflict and post-conflict settings. The UNFPA strategic plan, 2022-2025, stresses the need for national capacity development to deliver sustained results and prevent, respond to and recover from natural and human-made crises, including the COVID-19 pandemic;

(c) Knowledge management. This is a dynamic process of generation and acquisition, dissemination and sharing, utilization and adaptation of knowledge products and evidence, including localized innovative solutions, for accelerating the achievements of the three transformative results, advancing the ICPD Programme of Action and the 2030 Agenda for Sustainable Development. It covers systematic coordination of people, technology, processes and organizational structures to ensure the programme countries have the knowledge they need when they need it – and in the format that they need it – to tackle the most difficult development challenges;

(d) Coordination, partnership and South-South and triangular cooperation. This involves building strategic connections, alliances and networks among stakeholders and exchanging knowledge, creative solutions and innovations. Interventions, strategies and initiatives under this mode of engagement include the following: country, regional and global inter-agency and humanitarian (sub-cluster) coordination, partnerships focusing on engagements with traditional and non-traditional partners, and South-South and triangular cooperation;

(e) Service delivery. The provision of effective, safe, comprehensive, life-saving and high-quality reproductive health or gender-based violence services, supplies or commodities to bridge essential gaps in countries. This mode of engagement will be vital in countries with weak service delivery systems or those countries facing the onset of disasters to strengthen their systems and address critical needs in humanitarian crises. While this mode of engagement can be used in tier II and tier III countries to pilot or showcase different or alternative ways of providing high-quality services, it will only be used sparsely, and on a small scale; it will be approved only on an exceptional basis.

9. To move away from “business as usual”, the UNFPA strategic plan, 2022-2025, identifies six accelerators. These accelerators enhance the performance in implementing a mode of engagement, scaling up or speeding up the progress towards the strategic plan results. Country programmes will be able to adopt the accelerators that are relevant to their local settings and identify context-specific accelerators, when needed, including (but not limited to) the six below.
(a) **Human rights-based and gender transformative approaches.** This implies focusing on those who are most marginalized, excluded or discriminated against when deploying modes of engagement, to address structural inequality and tackle the root causes of gender equality, and empower girls, boys, women, and men, as change agents to challenge the social norms that perpetuate gender inequality and shape unequal power relations;

(b) **Innovation and digitalization.** This combines cutting-edge technology, strategic thinking and a proven process to discover, create or co-create and develop innovative pilot solutions and scale up successful innovations, including new and underutilized health technologies, worldwide, as well as engage in local creative solutions. A successful innovation increases impact with the same investment or makes the impossible possible, including reaching the hardest-to-reach populations;

(c) **Partnerships, South-South and triangular cooperation, and financing.** This is to be used as a cost-effective programming modality for catalysing transformative changes when combining with all modes of engagements (except, of course, when “coordination, partnership and South-South and triangular cooperation” is used as a primary mode of engagement) and for leveraging innovative financing to unlock domestic and international resources from both public and private sources;

(d) **Data and evidence.** This refers to an intense effort to capture data and evidence through various data collection approaches including big data and machine learning, and timely, effectively and continuously deploy data analytics and modelling, as well as evidence on successes, pitfalls and limitations into programming. It also includes gathering and unifying individual partners’ efforts and valuable insights, to collectively accelerate and maximize the impact of the modes of engagement on achieving transformative changes;

(e) ‘**Leaving no one behind**’ and ‘reaching the furthest behind first’. This entails supporting effective measures to combat discrimination and rising inequalities within and among countries, addressing their root causes and strengthening data and evidence-based policies and accountability for leaving no one behind;

(f) **Resilience and adaptation, and complementarity among development, humanitarian action and peace-responsive efforts.** This entails coherently addressing people’s vulnerability before, during and after crises, with strong preparedness, agility and adaptability of modes of engagement to various changing contexts and, in line with the comparative advantages of UNFPA and in collaboration with specialized entities, contributing to social cohesion and peace. It requires prioritizing life-saving interventions focused on humanitarian, conflict and post-conflict contexts.

10. Country programmes can employ all the modes of engagement and accelerators but UNFPA will empower country offices to customize any of the five modes of engagement and accelerators to their respective local settings to bring about bold, innovative, enduring and tailored solutions within the overall frameworks of the United Nations country teams.

11. UNFPA will strengthen its quality assurance system to support and hold accountable country offices to design and implement the modes of engagement and accelerators that have the most impact on accelerating progress towards the achievement of the three transformative results.

12. The UNFPA strategic plan, 2022-2025, emphasizes prioritizing the organization’s normative role in all countries and contexts to support the implementation of the ICPD Programme of Action and the achievement of the three transformative results. In this regard, UNFPA will ensure a minimum of $500,000 in every programme country to facilitate this role.

C. **The resource allocation and resource distribution systems**

13. Regular resources, which are the bedrock for UNFPA critical support to countries in achieving the ICPD Programme of Action, are allocated to countries through the UNFPA **resource allocation system** and the UNFPA **resource distribution system.** The resource allocation system is implemented at the **headquarters level** to allocate resources to countries, while the resource distribution system is implemented at the **regional level** to adjust the resource allocation to address local and regional contexts and priorities.

14. The resource allocation system is a three-step process of (a) setting the floor; (b) taking into consideration countries or activates with unique needs; and (c) allocating the remaining resources based on a criterion (set of indicators).
15. For the new strategic plan cycle (2022-2025), UNFPA has set the minimum floor to $500,000 per annum for every country programme to perform essential functions, including normative roles in advocacy and policy dialogue, knowledge management and partnership building.²

16. To meet the unique needs, UNFPA will:
   (a) Dedicate increased amounts for the two multi-country programmes of the Caribbean and the Pacific;
   (b) Reduce amount for countries without a country programme document;
   (c) Ring-fence funds for country programme evaluations;
   (d) Establish a strategic investment facility, starting with $5 million from regular resources annually, to provide incentive measures to unlock domestic and international public and private resources towards achieving the three transformative results. The facility applies in all programme countries.

17. The new resources allocation system allocates the remaining resources using a formula that factors in (a) the distance from the three transformative results thresholds; (b) the country vulnerability to risks; and (c) inequalities arising from communicable, maternal and prenatal conditions. In addition, the formula factors in country population size and the gross national income per capita.

18. The indicators for measuring these factors are maternal mortality ratio; gender inequality index; and the family planning demand satisfied – to measure status regarding the three transformative results; the INFORM index to measure vulnerability to disasters and risks; ‘disability-adjusted life years’ (DALY) arising from communicable, maternal and prenatal conditions – to capture inequalities in access to health care; total female population aged 10-24 years to reflect the population size; and the average gross national income per capita based on purchasing power parity for the last three years.

19. For each country, the formula produces a value used as the basis to distribute resources among the countries proportionately. For example, ceteris paribus, countries that lag in progress toward lower maternal mortality, meeting the family planning needs in the country, attaining gender equality will get more resources than countries that are closer to achieving all or any of the three transformative results.

20. UNFPA will invest a large proportion of the regular resources for country programmes – with a minimum of 60 per cent – to tier I countries. If increased regular resources are available for country programmes, above the current level, as projected in the UNFPA integrated budget, 2022-2025, UNFPA will distribute the additional resources mainly to the countries in tier I. In case of a decrease in regular resources, the proportion going to the tier I countries may be negatively affected.

21. The resource distribution system enables UNFPA to fine-tune its annual programme ceilings for optimizing resources for results, based on the indicative planning figures of the resource allocation system, taking into consideration the following factors:
   (a) Continuity of the ongoing country programme pooled resources;
   (b) Availability of other resources and pooled resources;
   (c) Inequalities and disparities within countries;
   (d) Emergency, transition or recovery situations in the country;
   (e) Country programme performance or implementation capacity.

22. The resources allocation system and the resource distribution system are limited to regular resources for country programmes. Over two-thirds of UNFPA total resources are other resources. While other resources can help meet specific needs, an overreliance on other resources creates challenges for UNFPA to strategically deploy its resources for maximized and sustained accomplishment of results and cost-effectiveness. Increases in regular resources will ultimately be a more effective and efficient means of achieving the three transformative results.

² The resource allocation system in effect since 2013 applies two different floors: (a) $500,000 for UNFPA offices in low and lower-middle income countries; and (b) $300,000 for UNFPA offices in upper-middle or high income countries.