

UNWomen - Flexible & Predictable Funding: A spectrum of funding sources and instruments

Thank you Madam/Mr. Chair, distinguished delegates, and colleagues for joining us in this important conversation.

Structured dialogues offer us an important opportunity to pursue our joint commitment to the Funding Compact and fulfil its ambition to place UN development work on a more secure financial footing.

Funding that is flexible and predictable is the most strategic investment that Member States can make to enable our joint development results.

Today I would like to highlight three key areas of benefit associated with flexible and predictable funding.

First, increased flexibility and predictability of funding helps position our agencies to better fulfil our unique mandates with the right balance of regular and other resources.

Getting the balance right is important because in many ways, it defines the personality of our agencies, through the work we are able to carry out and the results we achieve in partnership. Yet the “right balance” is not a one size fits all. It varies across agency, depending on mission and mandate.

The funds and programmes here today reflect this reality. For example, in 2018, to implement our coordination, normative and operational mandate, UN Women’s Board-endorsed target was to receive 43% of voluntary contributions as unrestricted regular resources. In the same year, UNDP, by comparison, had a regular resource target of just over 12%, but an aspiration and need to climb to the Funding Compact minimum of a 30% share.

Having a strong backbone of regular unrestricted funding is critical to a range of essential functions. It supports our institutional budgets that enable leadership, representation, independent assurance, strategic and programme direction, operations and fiduciary duties, corporate communications, resource mobilization, external relations, and corporate security.

On the other hand, other resources allow us to scale up programme interventions from the foundation enabled by regular resources. They allow for the expansion and replication of best programme practices and capacity development in countries.

Second, flexible and predictable other resources, such as interagency pooled funds, help to enhance UN system coordination and coherence, in line with UN reform.

In the context of UN development reforms, including the new generation of Cooperation

Frameworks, led by independent and empowered Resident Coordinators, the Secretary-General has set a target of \$3.4 billion in pooled funds by 2023 to enable collective UN action.

Interagency pooled funding arrangements help operationalize the spirit and letter of the UN reform agenda. Pooled funds can drive integrated approaches and encourage cross-sector responses to development challenges. This improves effectiveness, reduces duplication and promotes alignment among a range of actors.

We must seize the opportunity to ensure that our full mandates are well represented in Cooperation Frameworks and well-funded in interagency arrangements.

In 2018, inter-agency pooled funds accounted for 19% of UNFPA's total other resources; and 13% of UN Women's; 11% of UNICEF's¹; and 8% of UNDP's total other resources.

The third area of benefit I want to highlight is that other resources are more effective and efficient when contributions are provided in a flexible and predictable manner.

Thematic funds, for example, are a key flexible financing instrument. They support high-level results at country, regional and global levels, in line with Executive-Board endorsed Strategic Plan outcome areas. Thematic funds offer greater flexibility to direct resources where they are most needed with greater predictability. This leads to effectiveness and efficiency gains related to better planning, greater sustainability, and reduced uncertainty and transaction costs through streamlined annual reporting and monitoring and evaluation, leading to a lower indirect cost recovery that benefits both funds & programmes and funding partners.

In 2018, UNFPA recorded its largest growth in thematic funds to date, with an increase of 57 per cent. In 2018, thematic funding to UNICEF increased by 6% and was 8% of total other resources, the same level as in 2017. UNDP is currently revamping its thematic funding windows to more closely align with its Strategic Plan, and planning is under way within UN Women to establish thematic funds, in alignment with the Funding Compact.

Another example of both efficient and effective investment is in multi-year commitments, which improve the predictability of revenue streams, and lead to faster and more efficient response times and longer-term programme planning and implementation. Strategic or Standard Framework Agreements are an important instrument of multi-year funding. In 2018, 74% of regular resource contributions to UN Women were multi-year, up from 39% in 2017, while for UNDP the figure was 43%, up from 29%; 40% for UNFPA, up from 14%; and 29% for UNICEF, up from 8%. All positive trajectories, thanks to you.

¹ For UNICEF, interagency pooled funding other resources from all sources includes humanitarian funding (i.e. Central Emergency Response Fund) and excludes World Bank funding. Excluding humanitarian funding brings this figure to 6%.

Alongside this, payments made as early as possible in the year or at the start of a multi-year planning period facilitate planning and management and reduce risks associated with currency fluctuations. Both UNFPA and UNICEF have experienced a growing proportion of regular resource payments recorded in the second half of the year, which presents predictability and implementation challenges.

It is also worth acknowledging that the Funding Compact encourages improved stability through a diversified funding base.

The growth in funding from the private sector is a positive trend in the overall resources available to the UN development system. UNICEF is mobilizing over 50% of regular resources from private sector individuals. Separately, innovative financing offers UN entities opportunities for strategic engagement with a diverse set of stakeholders. UNDP and UNFPA are pursuing new partnerships and innovative instruments such as blended finance that include a combination of grants, performance-based payments and credit instruments, impact bonds and insurance products.

In conclusion, flexible and predictable funding optimizes the investments you are making to transform the world, as envisioned in the 2030 Agenda for Sustainable Development. Structured dialogues provide us with an important forum to promote this Agenda. These dialogues allow us to jointly identify solutions, in line with UN reform and the Funding Compact, and move towards the shared benefits of flexible and predictable funding and a stronger financial footing for the UN development system.

I thank you.

UNDP - Planning & Budgeting cycle in a voluntarily funded environment

How we plan and budget:

- We see the mutual commitments of the Funding Compact as an opportunity for Member States to improve the predictability of resources, by committing to more multi-year agreements and shifting to more flexible funding; AND for F&Ps to improve how we cost our strategic plans. With more flexible and predictable resources, we will be able to more realistically capture our funding needs and potential gaps.

So let's start with the corporate picture on how we all plan and budget – this is done through our Strategic Plans, which capture our organization's strategic priorities and planned results. Our Strategic Plans cover a four-year period, and are accompanied by a Resource Plan, indicating the estimated amount of regular and other resources needed to deliver the plan - an Integrated Results and Resources Framework (IRRF) - and an Integrated Budget. The resource plan is disaggregated by fund type, i.e., core and non-core resources.

- At country level, we operationalize our Strategic Plans through the United Nations Sustainable Development Cooperation Frameworks (Cooperation Frameworks), and our own agency-specific country programme documents (CPDs) or Strategic Notes.
- Similar to our Strategic Plans, both the Cooperation Frameworks and our respective country programme documents include a resource plan, which states the amounts of core and other resources needed to deliver the programmatic outcomes throughout the duration of the plan.
- As Funds & Programmes, our ability to allocate resources to specific results is somewhat limited. For instance, we allocate core resources to support country, regional, and global programmes, following a specific formula approved by the Executive Board. Government and third-party cost sharing (non-core resources) are earmarked, with predetermined resources allocated to specific results.

Challenges we face:

- In a voluntarily funded environment, our planning and budgeting is highly dependent on the adequacy and predictability of resources, especially flexible resources, over a multi-year period.
- While we have been practicing Results Based Management (RBM) for many years now, because of the limited predictability of multi-year resources, our planned results tend to be conservative, grounded within the limitations of our funding realities –

i.e., projected available resources based on past funding trends and future projections rather than the actual costs of the results in the CPDs. In this financial planning context, we do not expect funding gaps, unless faced with unplanned and significant defunding.

- Additionally, since our resource plans mostly capture resources at the outcome level covering the entire programme period or planning cycle, conducting granular analyses of financial gaps is a challenge.

Improvements we can make:

- We, the four agencies represented here today, have started our respective efforts to improve our resource planning processes:

When preparing our future CPDs or Strategic Notes, we can ensure that the resources planned against specific results reflect the total and annualized funding required to deliver those results and are not limited to the level of resources anticipated to be available.

- In UNDP, we are revising our Results Planning process and system, to allow for capturing the annualized costs of our country, regional, and global programmes, at the output level. This will allow us to analyze our funding needs at both the outcome and output levels. We have started to implement the process in 2020, but as mentioned earlier, it will take some time for the process to mature. Our enhanced Transparency Portal shows the resources we have invested in our three development settings, six signature solutions, and the SDGs. We are also looking at ways to improve our pipeline management to better capture our future funding needs.
- UNICEF has launched its Budget Formulation Tool (BFT) in 2019. The BFT is a web-based application designed to help UNICEF improve its ability to link its results to resources. UNICEF is currently fine-tuning the system in order to enhance its performance to further facilitate resource planning at a granular level. UNICEF will continue to refine the system and its rollout throughout 2020.
- UNFPA has initiated a “Costing and Financing Initiative”, which will provide robust funding estimates and requirements at global and country levels. UNFPA also initiated an “information and communication technology transformation” (ICTX), aiming at adjusting UNFPA internal systems to more systematically link resources to results, to improve the monitoring of income forecasts and better support the planning, allocation, management and reporting of resources, based on expected needs and results.
- To better link results to resources, in 2020, UN Women will launch an interactive Results Transparency Gateway that reports on development results and organizational performance against Strategic Plan indicators and offers an overview of expenses by outcome and region. The Gateway will support the more regular monitoring of financial gaps against UN Women's Integrated Results and Resources Framework.

- We expect to learn a great deal from these initiatives in each agency and further improve and institutionalize the practice of costing for results.
- We hope that by understanding the voluntary nature of our funding, and the ensuing planning and budgeting challenges it brings, we can collectively appreciate the need to look at funding gaps from a wider lens, which is the focus of the following discussion.

UNICEF - Gaps: Various aspects to consider

In the previous session, we have seen how the voluntary funding business model affects the ability of UN Funds & Programmes (F&Ps) in planning and achieving results in the context of continuously changing financial projections, and within the constraint of projected available resources.

The Structured Funding Dialogue (SFD) is meant to address this challenge through dialogue with you - Member States who are our governance body and resource partners - to find solutions to improve the quality and predictability of funding so that we can better plan and implement programmes to achieve results.

To improve the quality of the SFD dialogue, it is important to align our joint understanding on:

1. What is meant by the term “funding gap”?
2. What type of gaps should the SFD focus on?

This should take into account both (1) the purpose and principles of the SFD, as well as (2) the planning and budgeting specificities of the UN F&Ps due to the voluntary nature of our funding business models.

It is important to note that all F&Ps discuss the overall funding gaps during the different Executive Board sessions with you. e.g. (UNICEF Second Regular Board session on UNICEF Strategic Plan (SP): Updated Financial Estimates). The difference between how well our entity-specific Strategic Plans are funded and the SFD is that the SFD focuses on the quality of funding and specific commitments.

What is a funding gap?

- It is the difference between planned and actual (both in terms of fundraising/income targets as well as planned expenditures)
- It is also the difference between Funding Compact commitment targets and progress to date. Funding compact was adopted in 2019 and for the first time provides a system wide UN-member states jointly agreed targets against which we can benchmark progress and identify gaps.

What type of gaps should we focus on during the SFD?

We would like to suggest two broad types of gaps to be the focus of discussion:

- 1) The difference between fundraising (or income targets/projections) and funds mobilized focusing on the quality of funding (as defined by the Funding Compact) in terms of adequate levels overall, flexibility, and predictability. For these, we could focus on:
 - Gaps in core resources (Regular Resources or RR) – calculated against two targets: (a) against the Strategic Plan targets and (b) against the Funding Compact commitments;

- Gaps in thematic funding – again, calculated against SP targets and against the Funding Compact Commitments;
- Trends in predictable/multi-year funding commitments over time.

2) The difference between planned (or projected) resources and actuals:

- **FUNDRAISING GAPS** - Gaps between planned (projected) resources and actual revenues for core and non-core resources – annually and over the 4-year Strategic Plans period. As explained previously – stemming from the voluntary nature of our funding business model – our planned SP budget over the 4-year period represents resources required to deliver planned results within the constraint of projected availability of resources. It is to be noted that this information is only available per outcome and output area once financial books are closed, ie: for calendar year 2019, this is available in April 2020. Fundraising gaps could also be presented for softly earmarked funding instruments, ie: thematic or pooled funds.

- **RESOURCE IMPLEMENTATION GAPS** - Gaps between planned (projected) resources and actual expenditures for core and non-core resources. This can be presented per outcome/output areas, geographic areas or other relevant categories, on an annual basis, and cumulatively throughout the SP cycle.

In sum, to improve the quality of the SFD:

- The focus should be on the flexible and predictable funding against commitments made through the Funding Compact – especially core, thematic, pooled, and multi-year funding gaps. This information would provide basis for meaningful discussion on the impact of the gaps in quality funding on the achievement planned results and how we can jointly address these challenges.

- The focus should also be on gaps between planned resources and actual budget expenditures in order to gauge the compliance of Funds and programmes to their respective IRRFs.

Moving forward, UNFPA, UNDP, UNICEF and UNWOMEN will be aligning our reporting on the funding gaps based on this understanding and further guidance by the Development Coordination Office (DCO), which is further elaborating on Funding Compact targets measurements and reporting format.

We believe in the benefits of providing a comprehensive and coherent comparative analysis of our funding situations, one that also provides a broader view of the UN-development system.

Questions to member states:

- Do MSs agree with this approach to gaps ?
- Are there any other considerations which should be taken into account ?
- Are member states interested in joint-briefing to further clarify those concepts ?