Annex

Strategies to enhance predictability of voluntary core resources flows and policy coherence

Three distinct funding models have emerged in the UN system to enhance the predictability of voluntary core resources flows and policy coherence.

1. Multi-year funding frameworks (MYFFs)

(a) UN funds and programmes

Following GA resolution 50/227 and ECOSOC resolution 1997/59, the Executive Boards of UNDP, UNICEF and UNFPA decided to develop multi-year funding frameworks (MYFFs), with the aim of increasing core resources flows on a predictable, continuous and assured basis. For UNDP, Executive Board decision 98/23 laid out the basic principles and purpose of the revised funding strategy, which would consist of the MYFF, accompanied by a reporting system comprising an annual results-oriented report and a four-yearly assessment of the MYFF. The MYFF itself is comprised of a strategic results framework and an integrated resources framework, bringing together both programme and administrative resources. The Executive Board of UNDP approved the first MYFF in September 1999. The first annual results-oriented report was presented to the UNDP Executive Board in mid-2000. For UNICEF, the first MYFF was approved by the Executive Board in January 2000 and for UNFPA at the second regular session of its Executive Board in the same year. The WFP, however, doesn’t have a MYFF, but has opted instead for a strategic plan approach to guide its operations and funding.

The MYFFs and the strategic plans have become the main instrument of UN funds and programmes for articulating organizational goals, focus areas, performance indicators, outcome expectations and recourses requirements. A survey undertaken for the preparation of this note has confirmed that this approach has been widely adopted within the UN development system as all UNDG members have such a framework in place, although with varying timeframes and not all including a resources component. An essential requirement of MYFFs and strategic plans is the establishment of results indicators to monitor the effective use of resources. Donors are invited to make contributions that are consistent with and for the entire timeframe of the MYFF.

A major challenge in many UN organizations has been to meet the regular resources targets, agreed in the MYFF or strategic plan. Burden-sharing has been another important issue affected by the voluntary nature of the pledging process for UN funds and programmes. From 1995 to 2007, as mentioned earlier, the top ten donors to UNICEF contributed on average almost 81 per cent of core contributions; for UNDP the percentage was close to 85 per cent; and for UNFPA it exceeded 93 per cent. This suggests that the MYFFs have not yet resulted in more effective burden-sharing among donors.
The multi-year funding framework or strategic plan approach has also been adopted by a number of specialized agencies, with two of those models briefly described here below.

(b) UNESCO

UNESCO has recently adopted an Action Plan for improved management of extra-budgetary contributions, with a view of forging seamless interface between the regular programme and activities funded through supplementary resources. The key innovation in the Action Plan is the preparation, beginning with the 2008-2009 biennium, of an “additional programme of targeted/projected extra-budgetary activities” in full alignment with the regular programme and budget adopted by the General Conference of UNESCO. UNESCO has identified some 500 targeted/projected extra-budgetary activities, which follow the structure of the regular programme and are closely linked to results. The “additional programme” is meant to be the main vehicle for the resources mobilization of UNESCO during the current biennium.

(c) FAO

The 35th (Special) Session of FAO Conference held 18-22 November 2008, adopted an Immediate Plan of Action (IPA) for FAO Renewal (2009-2011). A key element of the IPA is a new strategic framework and resource mobilization and management strategy, which shifts the focus of the organization from what it does with assessed contributions to what it intends to achieve through the integrated application of existing assessed resources and voluntary funding, with a view of providing greater transparency and improved basis for monitoring. In the new integrated framework, assessed contributions are supplemented by extra-budgetary funding in support of agreed strategic priorities. This approach is expected to facilitate increased predictability of extra-budgetary resources through greater pooling of programme funding (as distinct from project funding). As part of this framework, seven Impact Focus Areas are proposed for resources mobilization, fully aligned with the new strategic framework and medium-term results-based plan.

2. Negotiated voluntary core funding

(a) UNEP

Since its inception, UNEP has received some funding from the regular budget of UN to finance the expenses of its secretariat, with programme activities financed through voluntary contributions to the Environment Fund. In the early years, the contributions from the UN regular budget covered more than 20 per cent of the expenditures of UNEP. That input has now fallen to about 4 per cent of the total budget.

The Governing Council/Global Ministerial Environment Forum of UNEP at its seventh special session in Cartagena, Colombia, in 2002, adopted a report of the Open-ended Intergovernmental Group of Ministers or their Representatives on International
Environmental Governance. The report called for all Member States to contribute to UNEP, and towards that end, proposed the application of a voluntary indicative scale of contributions (VISC) to the Environment Fund. The objective would be to broaden the base of contributions and enhance predictability in the voluntary financing of the Environment Fund.

The VISC was developed specifically for the Environment Fund, taking into account, among other things, the UN scale of assessments and the following factors:

- A minimum indicative rate of 0.001 per cent;
- A maximum indicative rate of 22 per cent;
- A maximum indicative rate for least-developed countries of 0.01 per cent;
- Economic and social circumstances of the Member States, in particular those of developing countries and countries with economies in transition;
- Provision to allow for any Member State in a position to do so to increase its level of contributions over and above the current level.

In response to the Council/Forum’s adoption of the Working Group’s report, the Executive Director of UNEP launched a pilot phase of the voluntary indicative scale of contributions for one year, the second year of the 2002-2003 biennium. Following the pilot phase, the scale was then applied in the biennium 2004-2005 and subsequently revised for 2006-2007 and 2008-2009.

The main results achieved through the introduction of the VISC have been summarized in a recent report of the Executive Director of UNEP and include the following:

- Significant broadening of the donor base, as 157 UN Member States have pledged and paid contributions during the last six years. In particular, many developing countries and countries with economies in transition have become new donors. Not all donor countries have been able to make regular annual contributions;
- Greater short-term predictability with respect to voluntary contributions to the Environment Fund, as approximately 75 per cent of Member States pledge annually in accordance with the VISC;
- Improved financial stability, as the majority of countries have at least maintained the level of their payments to the Environment Fund;
- Higher voluntary payments to the Environment Fund, as the negative trend in contributions experienced during the four biennium preceding the adoption of the VISC was reversed and positive growth in contributions commenced immediately upon adoption of the scale. Pledges and contributions to the Environment Fund increased by 83 per cent, from $48 million in 2002 to $88 million in 2008;

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1 UNEP/GC.25/INF/14, 1 December 2008.
- Approximately 25 per cent of Member States contribute in amounts below those suggested by the VISC.

In a 2006 report, the Joint Inspection Unit of the General Assembly supported the VISC model of UNEP as a ‘best practice’ to improve the predictability and adequacy of resources for those UN system organizations facing uncertain core funding.

(b) WHO

For WHO, the concept of negotiated core voluntary funding was introduced against the backdrop of extra-budgetary resources gradually becoming major proportion of total contributions. In the 2004-2005 biennium, for example, about 74 per cent of total contributions to WHO were voluntary. Contributions to WHO come from three sources: (a) assessed contributions, (b) negotiated core voluntary contributions, and (c) other voluntary contributions. When the “negotiated core voluntary funding” concept was introduced by WHO Medium-Term Strategic Plan (2008-2013) and Programme Budget (2008-2009), more than 75 per cent of its extra-budgetary resources came from 12 donors, with the remaining 25 per cent contributed by 400 donors. Negotiated core voluntary contributions would provide predictable amounts for a time period corresponding to the WHO Medium-Term Strategic Plan, and would be negotiated centrally in order to align the extra-budgetary funding with the strategic objectives and results of the organization. Currently, slightly more than 10 per cent of voluntary contributions can be considered as negotiated core voluntary funding, with the aim to increase this share to one-third by 2013.

(c) ILO

ILO and its tripartite constituents have established a Regular Budget Supplementary Account (RBSA). The RBSA is a ‘core voluntary account’, which allows donors to make non-earmarked voluntary contributions over and above their assessed contributions to expand and deepen the capacity of the organization to deliver on the priorities set by the ILO Programme and Budget, in particular the implementation of Decent Work outcomes and priorities as contribution to UNDAFs and national development frameworks. The integrated programme and budget sets out limited number of priority outcomes as well as total resources that would contribute to the results proposed under each outcome. Under each outcome, indicators of performance are identified and targets are set, corresponding to priorities defined by the governing body, the regions and in Decent Work country programmes. This hierarchy of results, the underlying results-based management strategy, and the integrated resource planning has been further streamlined in the programme and budget proposals for 2010-11 that ILO presented to its governing body in March 2009.

So far, eight donors have contributed more than $42 million to the RBSA and have agreed to uniform reporting standards fully aligned with the results-based programming

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2 Approved by the World Health Assembly at its 60th session in May 2007.
and reporting frameworks of ILO. In its first-ever report on the multilateral system,\textsuperscript{3} OECD/DAC has highlighted the core voluntary account of the ILO as ‘best practice’: “the ILO example suggests how donors could usefully apply Paris Declaration principles in their non-core funding of multilateral organizations”.

3. **Replenishment system**

**IFAD**

In addition to MYFFs used by the funds and programmes and the innovative approaches applied by UNEP, WHO, ILO, UNESCO and FAO, to enhance the predictability of voluntary resources flows, IFAD has adopted an approach based on “negotiated replenishment”. According to this approach, required contributions are first estimated based on review, undertaken under the responsibility of the Governing Council of IFAD, of the adequacy of resources available in the Fund. In the second stage, donors negotiate burden-sharing among themselves. The replenishment process is a complex mechanism, involving full review of the policies pursued by the Fund, including the performance-based system for allocating resources and assessment of results and impact of field operations.

The strength of the replenishment mechanism is that the volume is closely related to perceived needs and defined objectives, that it allows for financial planning by the institution over a number of years and that burden-sharing is negotiated and effected within a unified framework, thus minimizing scope for “free-riding”, i.e. reaching the agreed target becomes a collective responsibility.

The experience of IFAD with the negotiated replenishment mechanism has been positive. Since the fourth replenishment (1998-2000), contributions from Member States have grown steadily. During the sixth replenishment (2004-2006), IFAD received $569.1 million, representing nearly 29 per cent growth from the previous cycle. The target-level for the seventh cycle (2007-2009) is $720 million, with $588.1 received in the first year, surpassing total contributions for the entire sixth replenishment period. The average annual growth, in real-terms, in contributions in the 2002 to 2007 period was 18.7 per cent (constant 2006 US dollars).

Since its establishment, IFAD has used a voting structure partly linked to contributions paid by individual donors. This process ensures an ongoing majority level of votes for programme countries, while the pool of votes to donor countries can shift according to level of contributions. Like most organizations with such voting structures, IFAD strives to reach decisions by consensus. If consensus cannot be achieved, countries vote with different voting shares. These shares are also factor in determining donor representation on the Executive Board of the Fund.

Besides IFAD, a negotiated replenishment modality is used by a range of institutions such as the International Development Association (IDA), as well as several global funds

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\textsuperscript{3} See 2008 OECD/DAC Report on Multilateral Aid.
including the GEF and the Global Fund to Fight AIDS, Tuberculosis and Malaria. While complex, the replenishment modality has proven itself capable, given the necessary political will and the right environment, of mobilizing significant volume of resources for the concerned entities.