

Reforming IPPF's Resource Allocation Model

Draft 2

Background and preliminary findings

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September 2019

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1.	FOREWORD-----	3
2.	INTRODUCTION -----	4
2.1	TERMS OF REFERENCE -----	5
2.2	METHODOLOGY AND TIMELINE-----	5
3.	IPPF RESOURCE ALLOCATION MODEL-----	7
3.1	OVERALL IPPF FINANCING -----	9
3.2	THE CURRENT APPROACH TO ALLOCATING UNRESTRICTED FUNDS -----	10
3.2.1.	<i>Regional resource allocation formula</i> -----	10
3.2.2.	<i>Performance-based funding</i> -----	12
3.3	IMPLICATIONS OF THE CURRENT ALLOCATION APPROACH -----	13
4.	PROBLEM STATEMENT -----	16
5.	LEARNINGS FROM THE REVIEW RESEARCH AND THE CONSULTATIONS-----	17
5.1	EXPERIENCE OF OTHER INSTITUTIONS -----	17
5.2	SURVEY RESULTS -----	20
5.3	CONSULTATIONS-----	23
5.4	OTHER CRITICAL ISSUES FOR RECOMMENDATIONS -----	25
I.	AN MA-CENTRIC APPROACH -----	25
II.	IPPF SECRETARIAT IS AN ENABLER-----	26
III.	CULTURE CHANGE -----	26
IV.	BUILDING THE CAPACITY OF MAs-----	26
V.	A FLEXIBLE RA MODEL-----	26
VI.	ALIGNMENT TO THE BUSINESS PLAN AND STRATEGIC FRAMEWORK -----	27
6.	RECOMMENDATIONS -----	27
6.1	PRINCIPLES FOR ALLOCATING OF UNRESTRICTED FUNDS -----	28
6.2	MODELS AND PROCESSES CONSIDERED -----	29
7.	APPENDICES -----	1
	APPENDIX 1. TABLES AND FIGURES -----	1
	APPENDIX 2. PERFORMANCE BASED FUNDING DESIGN COMPONENTS -----	6

1. Foreword

At the time of writing this report, the Mexico City/Global Gag Rule is once again impacting on organisations' funding, and human rights and choice, together with a more active and influential opposition. Sexual and reproductive health and rights (SRHR) are again highly contentious subjects at the UN, with weakening support from many member states for human rights, women's rights and gender equality, including LGBTQi+. Indeed, the space for civil society at the UN and in many countries is shrinking and there is less opportunity and more competition for government funding. The loss of reputation of NGOs and institutions because of sexual harassment, bullying and other safeguarding issues has resulted in decreasing trust in NGOs and diminishing public support.

It is in this context that the International Planned Parenthood Federation (IPPF) seeks to deliver its mission more effectively and with greater determination to make a difference. Already there have been great leaps towards meeting the challenges of tomorrow:

- IPPF's Strategic Framework (2016-2022), with its four ambitious outcomes, provides a solid backbone of vision and direction.
- IPPF's Business Plan with its seven solutions and cross-cutting issues "provides a clear roadmap to transform IPPF" by seeking to "radically improve performance by driving business planning, and unleashing capabilities throughout the organisation", so changing behaviour and the organisational culture.
- The new GB£130 million Women's Integrated Sexual Health (WISH) contract with DFID offers a new way of results-based funding that requires IPPF to be more efficient, tightly managed and commercially adept.
- Gender equality and human rights are at the centre of the 2030 Agenda and the Sustainable Development Goals, providing another opportunity for IPPF and its Member Associations to contribute to a more just, equal and sustainable world, so ensuring no-one is left behind.

Nevertheless, recent internal challenges have led to IPPF finding itself facing an urgent call for reform. It is to this end that "a plan to transform IPPF" was devised, and approved by IPPF's Governing Council, and two Commissions created. We are fortunate that the reform has been supported by IPPF's core donors.

After nearly 70 years IPPF still has the creative courage to make a difference to people's lives, to ensure both voice and choice. We on the Independent Resource Allocation Commission are grateful to those who have participated in meetings, webinars, consultations and in our survey, sharing their experiences and their hopes for the future of this organisation, in the belief that, at a time of disruption and uncertainty, IPPF is still relevant and responsive, and has a significant role to play in delivering global SRHR services.

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2. Introduction

Locally owned and globally connected, IPPF is a global service provider and a leading advocate of sexual and reproductive health and rights (SRHR): a worldwide Federation of 134 national Member Associations (MAs), with over 29,000 staff and hundreds of thousands of volunteers working with communities and individuals across the globe. In 2017 IPPF programmes averted an estimated 11,515 and 66,695 maternal and child deaths respectively. The value of these benefits – conservatively estimated at US\$11 billion – were delivered at costs of less than US\$350 million.

IPPF's recent governance and reputational crisis puts much of this at risk.

Improved safeguarding processes and training were put in place, and IPPF's Governing Council (GC) agreed in May 2019 that a more accountable, agile and modernized Federation is critical to its survival and mapped out a process of transformation over a six-month period, anticipating a plan for radical governance and financial reforms to enable the Federation to better fulfil its potential and deliver its Strategic Framework.

The GC requested the establishment of two independent review Commissions, one to review IPPF's governance and the other to review the process through which IPPF allocates core (unrestricted) resources to MAs and the Secretariat across regions and countries. It was agreed that the Commissions' proposals for reform should be put to an extraordinary general assembly of all MAs, alongside partners and donors, to be convened in New Delhi, India in November 2019. This report, by the Independent Resource Allocation Commission (IRAC) focuses on IPPF's resource allocation model.

A Business Plan and the first IPPF three-year financial plan were approved in November 2018. Improved safeguarding policies, processes and training were also underway to address some of the challenges that had led to the crisis which triggered GC's decision.

Donor core (unrestricted) grants make a vital contribution to IPPF, representing about US\$75 million a year. However, the resource allocation model which determines the amount of core funding to individual MAs and to the Secretariat is outdated. Approved in 1997 it was last reviewed in 2004, resulting in minimal changes. The model is not applied according to uniform criteria in all regions, but based on historic or region-specific criteria or past performance.

MAs, GC, donors, partners and staff agreed steps were necessary to bring about radical governance reform and a refreshed allocation model. This resulted in A Plan to transform IPPF, "the Plan". This was intended to be a roadmap for reforms that would enable IPPF to realise its full potential, and "better serve those who need it to succeed". IPPF's donors agreed to finance the Plan, and those MAs that had intended resigning from IPPF agreed to delay their decision until after the Plan's completion.

Having reviewed IPPF's current model, and others, the IRAC has brought together alternative models used in the sector (GFATM, GAVI and others), lessons learned, and outlined potential options that

have been reviewed. It has provided a set of recommendations focused on ensuring IPPF is sustainable and equipped to successfully advance sexual and reproductive health and rights for all.

2.1 Terms of reference

The IRAC was required to:

1. Review IPPF's existing resource allocation model, and apply learnings from previous attempts to modify the model.
2. Compare models applied in the sector (GFATM, GAVI and others).
3. Outline potential options and put forward a set of specific recommendations focused on ensuring IPPF is both sustainable and better able to advance sexual and reproductive health and rights.

Ultimately, the IRAC was expected to set a trajectory toward an operational model that underpins the approved resource allocation.

It is the opinion of the IRAC that the main purpose of a resource allocation model is to ensure that the Federation makes the best use of available funding towards meeting its strategic objectives.

While broader financing issues and decisions about how to shape the restricted projects portfolio and best "integrate" bilateral member funding would be valuable, those considerations were not to be prioritised during this first phase. These will form recommendations for Phase II where restricted funding will also be considered. Similarly, issues related to membership fees or other possible options to contribute to Secretariat funding are not to be considered in this timeframe, but as part of wider income generation and sustainable financing.

2.2 Methodology and timeline

The review was conducted by an eight-person Commission (the IRAC), comprised of independent experts, representatives of Member Associations, donors, a youth representative, assisted by Secretariat support staff. A full list of IRAC members is attached.

The IRAC was led by Gillian Greer, a former Director General of IPPF, and a former MA Executive Director, who has had first-hand experience of the model but is far enough removed from the current operation to be considered truly independent. The Chair was supported by a second independent commissioner, Mark Pearson, a UK-based health economist with international experience in resource allocation models.

The IRAC members provided informed perspectives and advice, and served as conduits for key stakeholder engagements. The IRAC reached out to MAs' staff and volunteers, Secretariat Offices – Central Office (CO) and Regional Offices (ROs) – donors and partners to gather their input, share progress and create engagement.

Reforming IPPF's Resource Allocation Model

The review was conducted through an extensive process of consultation that included an interactive website forum enabling open contributions from all stakeholders and a web-based survey which all MAs, volunteers and staff were encouraged to complete. A total of 200 verified surveys were completed.

IRAC members engaged formally and informally in consultative dialogue with volunteers, Executive Directors (EDs), chief executives and youth representatives in meetings in:

- Tallinn (European Network RC, 14-16 June)
- IPPF's annual Donors' Meeting and Donors Advisory Group Meeting (London, 16-18 June)
- Kuala Lumpur (ESEAOR RC, 6-7 July)
- Nairobi (Africa Region RC and regional youth forum, 28-29 June)
- New York (WHR, 28-29 June)
- Bangkok (SAR RC, 20-21 August)
- Tunis (Arab World RC, 23-25 September)

There have also been some individual meetings and correspondence with present and past staff and volunteers, and the IRAC received a number of emails with suggestions and best wishes for the reform process.

The IRAC also led webinars and zoom meetings with some regional staff and EDs from AWR, EN and EN, and representatives of some MAs, as well as virtual and face-to-face thematic meetings with CO and others with a particular focus on youth involvement in IPPF governance.

The reform process has been overseen by an Executive Committee (ExCo) with a clear Terms of Reference that includes five key areas:

- To oversee the work that the Director General undertakes in designing, instigating and co-ordinating an independent review of IPPF's governance and resource allocation.
- To ensure the involvement of key stakeholders in the reform process.
- To oversee the process of bringing back proposals for change for final approval.
- To review the budget for the reform process.
- To receive and respond to queries and concerns from stakeholders about reform processes and to report regularly to the members of GC on the progress of the work of the ExCo.

Both Commissions have provided reports to the ExCo on progress. The sharing of this preliminary report on key findings and suggested ways forward in September, and the responses from IPPF stakeholders, will be followed by a final report translated into IPPF's main languages, and containing both Commissions' specific recommendations on 13 October 2019. This is in advance of a vote at an extraordinary General Assembly in November, followed by endorsement at Governing Council.

Key dates for this review are as follows:

25 July	Survey launched
28 August	Survey closed

1 September	Preliminary report finalised
16 September	Secondary Consultation
1 October	Final report submitted
28 November	Youth Conference, Delhi, India
29-30 November	General Assembly, Delhi, India

3. IPPF resource allocation model

IPPF was founded as a means for the Member Associations (MAs) to strengthen their work through collaboration in 1952. It was not until 1966 that CO also took on the function of raising resources for the Federation at large. IPPF today consists of legally independent MAs supported by a Secretariat of Central Office and Regional Offices (CO and ROs). IPPF as a legal entity is a registered UK charity and has financial responsibilities only for the funds which flow through CO.

A Secretariat Business Plan and the first IPPF three-year financial plan were approved in November 2018. The Business Plan provides a new business model, including six solutions and the critical cross-cutting issues of gender, youth and vulnerable and marginalised people. It emphasises the intention to develop an MA-centric approach, with an enabling and collaborative Secretariat.

The outcomes and values of [The Strategic Framework 2016-2022](#) currently guide the priorities of IPPF as a whole.¹ While some implementation is done by the Secretariat, delivery against the Strategic Framework is predominantly done by MAs, who provide a wide range of services, from advocacy to direct sexual and reproductive health (SRH) service delivery. In 2018, IPPF delivered a total of 223.2 million services worldwide. The Secretariat had total income of US\$133 million while the unrestricted grant-receiving MAs mobilized local income of US\$264.3 million.

IPPFs priority outputs are, in many cases, concentrated in a relatively small number of countries. In fact, six countries – Nigeria, Ethiopia, Pakistan, India, Sudan and Uganda – account for almost half of the SRH services provided by MAs in 2017. In addition, China accounted for over 88% of all youths completing a CSE programme. Colombia accounted for over 44% of people reached with positive SRH messages. Nigeria accounted for over 17% of CYPs delivered with Cuba, Colombia and Zimbabwe accounting for a further 12.7%, 11.8% and 10.1% respectively. Pakistan accounted for over half of all activists whilst India and Myanmar accounted for over 30% of all volunteers.

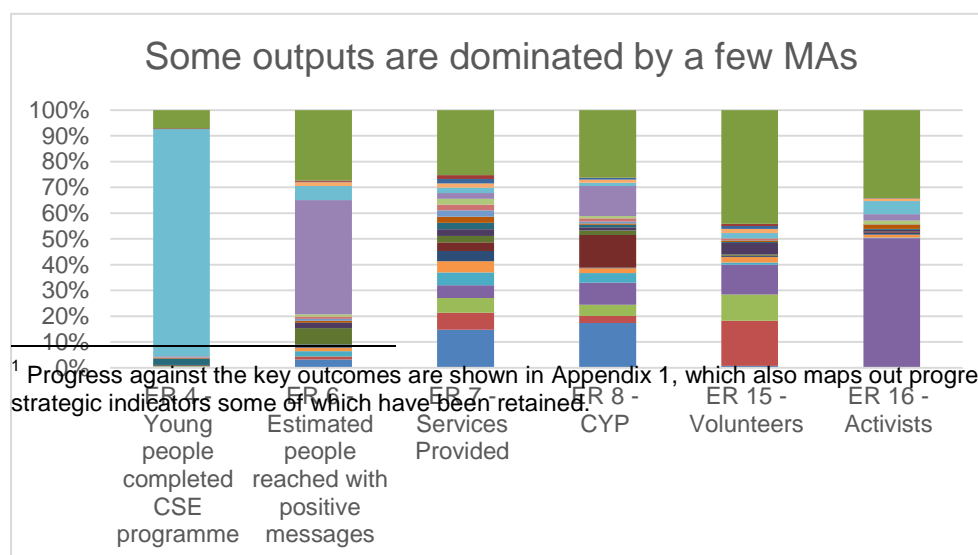


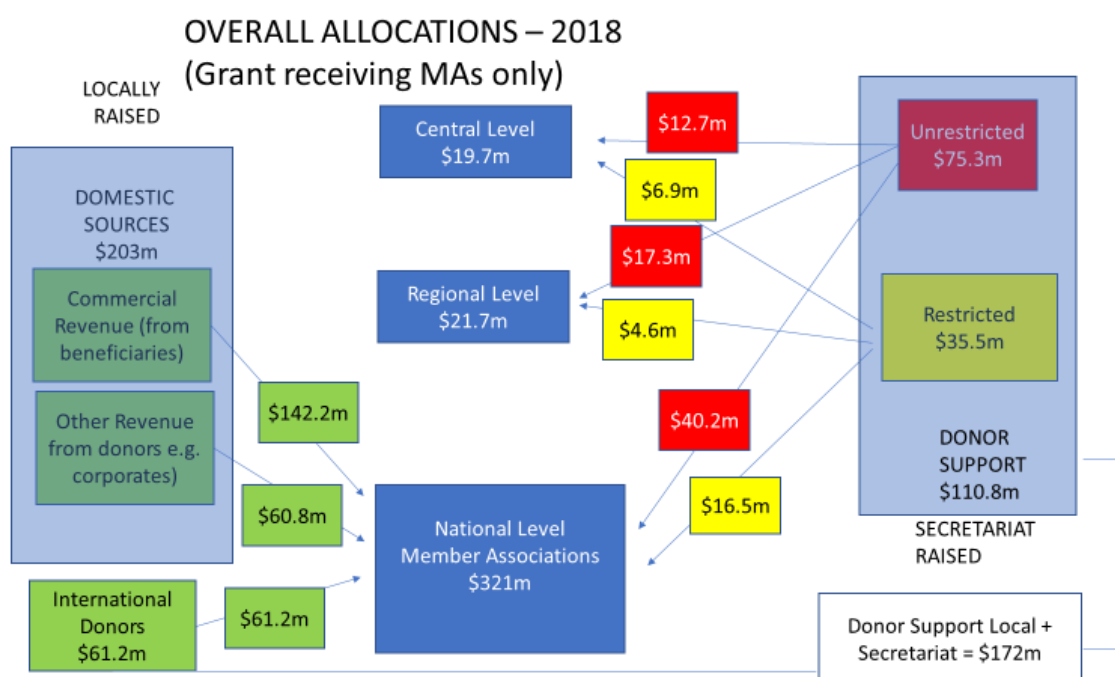
Table 1: MAs' outputs

3.1 Overall IPPF financing

IPPF as a Federation is funded through a number of sources. Governments and institutional donors provide restricted and unrestricted funding through the Secretariat but, as donors increasingly localise their support, they also provide a considerable amount of funding directly to MAs at the country level. MAs also generate significant income from fees for services, sale of commodities, contracts with national governments and grants from private foundations and the corporate sector.

The current overall funding picture for IPPF is incomplete as it takes into account allocations for unrestricted grant-receiving MAs only, whereas the progress against the Strategic Framework performance indicators includes the contribution of all MAs. The income of MAs that do not receive unrestricted grants through the Secretariat is currently being assessed, taking into account which funding is for services within the country itself, and how much is used for international work, often with other MAs.

Table 2: Overall allocations



The 2018 funding picture of IPPF's grant-receiving MAs and the Secretariat is presented in Table 2; it shows some of IPPF's different sources of income, and the two main different types of income: restricted and unrestricted. Of the Secretariat's unrestricted funding of US\$75 million, just over

US\$40 million was allocated to MAs². The distribution between the Secretariat, including CO and ROs and the MAs, has been the subject of some discussion in the IRAC.

The vast majority of MAs' total income in 2018 of US\$321 million came from national sources, with local fundraising and income from fees/commodities alone accounting for over US\$142 million. Total donor support in 2018 amounted to US\$172 million, with US\$61 million raised directly by MAs at country level, and the remaining US\$110 million by the Secretariat.

As shown later there is considerable variability in how individual MAs are funded – some are highly reliant on unrestricted grants from IPPF, others are skilled and experienced in generating income from a diverse range of sources.

Grants to MAs are made on the basis of a regional allocation formula and subsequent processes at the regional level (these are described in detail later). Recent trends in allocations to MAs are shown in Appendix 2.

3.2 The current approach to allocating unrestricted funds

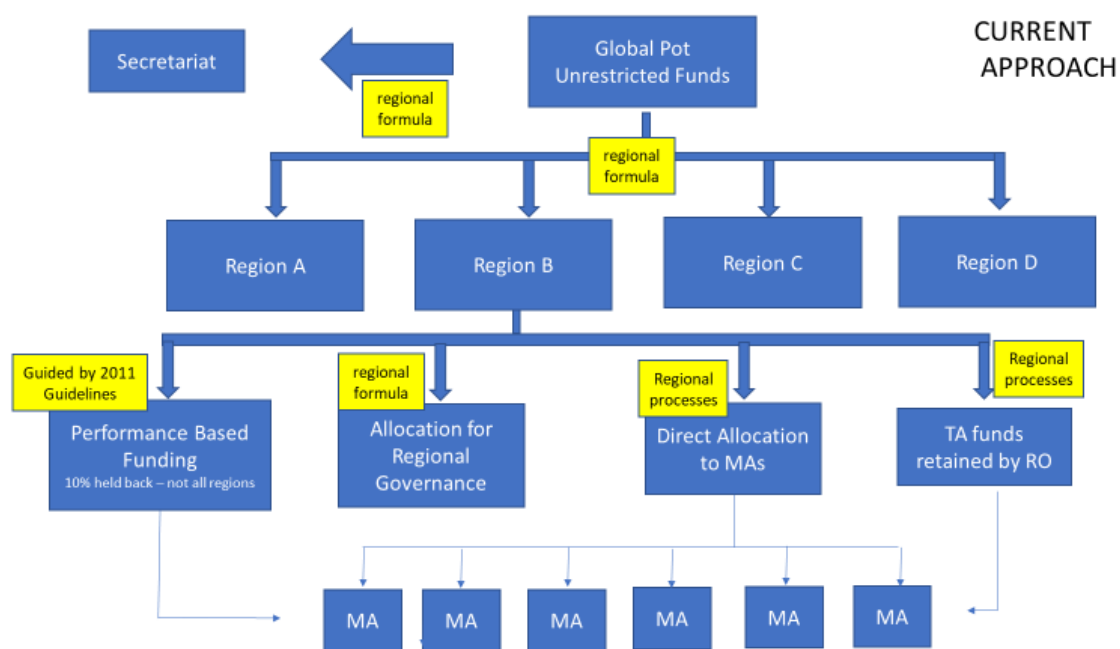
3.2.1. Regional resource allocation formula

CO, RO and MAs currently receive unrestricted funding as shown in the chart below. Allocations are largely based on a regional formula in which ROs have discretion as to how resources are allocated between countries and, for this reason, practices vary. For example, in some regions, an amount of MA funding is withheld to cover costs associated with MA technical support. Additionally, in most regions, the RO withholds a share of funding which is then distributed to MAs according to their performance.

Table 3: Current approach

² This does not allow for the funds that regions hold back for technical assistance which is, in theory, spent on behalf of MAs.

Reforming IPPF's Resource Allocation Model



The current regional allocation model follows a formula (see table below) agreed at GC in November 1997. Countries were categorised according to need (high/medium/low) using UNFPA criteria and other factors (for example, countries in transition and other small countries). Some modifications were made to take account of countries' specific health needs. The aim of this formula was to ensure 70% of funds went to high need (category A) countries. This approach was successful in that between 1997 and 2004 the share going to category A countries increased from 49.8% to 69.2% although these changes were driven in part by an increase in the number of new associations joining the Federation.

The discussion about which data and criteria should be used to measure high, medium and low need has continued within the IRAC, as members have concern about governments' and agencies' accuracy in collecting and publishing data, and the varying relevance of some data over others in particular regions or countries, for example, burden of disease, compared with adolescent fertility rates. Also, in some regions there will be distinct variations which need to be recognised in service delivery and advocacy.

In 2002, GC requested a change in approach, adopting a needs-based UNFPA methodology applied to IPPF's 5 "A"s Strategic Framework: Adolescents, Abortion, AIDS, Advocacy and Access. Key indicators included:

- Adolescents' contribution to TFR (1-8% = low, 9-14% = medium, 15-20% = high).
- % with HIV (pregnant women and FSW).
- Abortion (legal restrictions HML, level of abortion related mortality <6%, 6-20%, 20%+).

Table 4: Current regional allocation formula

Location	MAs	Secretariat	Governance	Total
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Reforming IPPF's Resource Allocation Model

Africa	44.5%	24.4%	12.1%	37.3%
Arab World	10.0%	7.6%	7.3%	9.1%
ESEAOR	9.5%	5.6%	5.0%	8.1%
Europe	4.0%	10.6%	7.0%	5.8%
South Asia	16.0%	7.3%	2.9%	13.0%
WHR	16.0%	10.9%	8.0%	14.1%
Central Office/London	0.0%	33.6%	57.7%	12.6%
Total	100.0%	100.0%	100.0%	100.0%

Following concerns that certain factors were not fully represented, the formula was again amended to take account of:

- Existing commitments
- Size
- Technical support received over previous 40 years
- New associations joining

The intention was that ROs would use the same approach for allocating to MAs. They appear never to have been implemented, and there is no recollection how the current model was ultimately calculated. The implications of these modifications are shown below. The allocation currently is relatively inconsistent between regions although there has been some assessment of the impacts.

3.2.2. Performance-based funding

In an attempt to encourage better performance, the approach was modified in 2011 to incorporate an element of performance-based funding (PBF). This has typically accounted for 5-10% of the allocations received by MAs (see outcome 4 in Appendix 1). Performance-based funding in IPPF was piloted in eight MAs³ from 2011 with a decision taken to scale up the approach Federation-wide (except for the Arab World region) taken in 2012.

There were a number of design features in the approach, including giving roughly 10% of the allocation of unrestricted funding for MAs to ROs as a PBF management fee (see further features in the Appendix).

Key recommendations from the review⁴ focused on measures to build the institutional capacity to implement PBF effectively and modifications to the design of the approach to sharpen incentives for

³ Initially Bolivia, Uganda, India and Ghana. Albania, Barbados, Cambodia and Palestine in 2012.

⁴ Short term recommendations included:

1. Create a PBF Unit to provide overarching leadership for PBF.
2. Strengthen PBF support and TA from RO to MA.
3. Revise the PBF payment model to reward improvement distinctly from contribution to regional performance.
4. Strengthen implementation of PBF using the current metrics plus penalties for misreporting of data.

better performance (including better and more reliable reporting on performance) as well as measures to improve the predictability of funding.

Concerns were, however, expressed about the focus of the approach. Some stakeholders felt that it favoured easier to measure quantitative output measures over important but difficult to measure dimensions such as quality and equity. There was also concerns about its self-perpetuating bias towards strong and high-performing MAs, while not supporting high potential MAs. Nevertheless, many MAS indicated support for the PBF as shown in the table in the Appendix.

3.3 Implications of the current allocation approach

In order to present a viable model, it is important to first understand the implications of the present regional allocation/PBF model on allocations to MAs. In analyzing the data, it is evident that of the unrestricted funds allocated to MAs, over 75% goes to low and lower middle-income countries (34% to low-income countries, and 42% to lower-middle-income countries). Africa accounts for over 77% of the grants going to low income countries and almost 45% of the grants going to lower middle income countries. Western Hemisphere accounts for over 50% of the grants going to upper middle-income countries and almost 80% of the very small amount of grants that go to high income countries.

The IRAC discussed whether any MAs in high income countries should receive unrestricted funding. The likely recommendation is that MAs in high income countries could receive income from unrestricted funding for contestable funding through the Innovation Fund or a similar strategic mechanism (see later discussion), and that this may also require a degree of cost sharing or partnering with another MA for collaborative capacity building.

Table 5: Allocation of grants to MAs by country income status

	Low income	Lower middle income	Upper middle income	High income	Not Classified*	Grand Total
Africa	10,602,824	7,496,213	778,963	72,371		18,950,371
Arab World	466,049	1,258,851	329,756	48,112	347,985	2,450,754
ESEAOR	103,476	2,950,771	1,371,355		150,029	4,575,631
Europe	68,042	270,698	907,729	121,332		1,367,800
South Asia	2,021,714	3,478,853	613,170			6,113,737
WHR	455,408	1,327,947	4,114,543	880,898		6,778,797
Grand Total	13,717,514	16,783,334	8,115,517	1,122,712	498,015	40,237,091
% of total	34.1	41.7	20.2	2.8	1.2	100.0

* Includes territories such as Somaliland and Palestine

By comparison, while 25% of the estimated ill-health burden associated with maternal abortion and miscarriage is faced by those in low income countries, more than two thirds falls on those in lower

income countries (Table 6). Similarly, Africa and South Asia account for almost 85% of the burden. This suggests that if IPPF were to focus its efforts more on outstanding needs, it would imply a shift of resources from upper middle-income countries to lower middle-income countries. Similarly, Table 7 also highlights the challenges faced by lower-income countries with adolescent fertility rates much higher in lower incomes and much higher in Africa than other countries irrespective of income status.

Table 6: Estimated burden of ill health associated with maternal abortion and miscarriage

DALYs lost	Low income	Lower middle income	Upper middle income	High income	Grand Total	% of total
Africa	614,662	402,918	16,837	51	1,034,468	38.9
Arab World	24,144	44,311	5,454	179	74,665	2.8
ESEAOR	3,880	185,878	48,870		238,628	9.0
Europe	1,082	3,263	5,016	198	9,559	0.4
South Asia	38,312	1,176,979	4,050		1,219,341	45.9
WHR	10,428	10,429	56,755	3,237	80,849	3.0
Grand Total	692,507	1,823,778	136,982	3,664	2,657,510	100.0
% of total	26.1	68.6	5.2	0.1	100.0	

Source: Global Burden of Disease study 2019 – figures relate to 2017

Table 7: Adolescent fertility rates 15-19

	Low income	Lower middle income	Upper middle income	High income	Grand Total
Africa	112.4	90.3	43.3	56.9	96.0
Arab	49.5	41.8	11.0	13.4	33.9
ESEAOR	0.3	41.6	22.0		30.6
European	36.4	38.1	26.5	12.1	25.9
South Asia	62.5	26.8	6.6		28.2
Western Hemisphere	37.5	69.5	55.7	32.6	49.5
Grand Total	94.3	60.5	37.3	29.8	55.9

Source: World Bank, WDI 2017

There is surprisingly little variation in the reliance or dependence of MAs on unrestricted funding to support their overall activities either by region or by income category (Table 8). The share of IPPF unrestricted grants in total allocations varies from 22.6% in the Western Hemisphere Region to 41.7% in the European Network. Reliance on IPPF unrestricted funding at 37.3% is only slightly higher than for upper middle- and high-income countries. Lower middle-income countries rely more on other sources than upper middle and high-income countries. By and large, therefore, the current

pattern of MA grants through unrestricted funds mirrors the broader pattern of MA funding, and plays little or no redistributive role.

Nb. It should be noted that the comparison of total unrestricted/total funding by region is not fully representative as non-grant receiving MAs are excluded. What is also interesting is the percentage of MAs within the region relying on unrestricted income, and where the funding is applied by the most reliant MAs.

There is, however, wide variability in the reliance on unrestricted funding *within* regions. Of countries receiving more than US\$1 million in total between 2015 and 2018, reliance ranges from almost 70% in the Central African Republic to less than 5% in some Western Hemisphere countries. Most of the heavily reliant countries are in Africa. What is not clear from this analysis is whether the degree of reliance is due to large unrestricted allocations from IPPF, or the inability of some MAs to raise funds from other sources including client fees. Some will also have governments that are not prioritising SRHR, and they and their populations will be too small for effective fundraising. It has also been suggested that some are so accustomed to receiving core funding through IPPF that they have developed a false sense of entitlement. Nevertheless, capacity building in Resource Mobilisation, and possibly social enterprise should be considered in Phase 2, or sooner if possible, as part of addressing this.

Table 8: Reliance on unrestricted funding as a financing source (selected countries)

	Unrestricted as % of total	IPPF Unrestricted 2015 to 2018
Central African Republic	69.8	1,210,324
Guinea-Conakry	67.7	1,541,133
Niger	59.7	1,225,035
Madagascar	58.8	1,653,110
Guinea-Bissau	57.0	1,124,871
Congo	54.0	1,277,900
Haiti	48.0	1,925,528
Chad	45.5	1,232,521
Cambodia	4.6	1,291,015
Indonesia	3.8	1,245,936
El Salvador	3.5	1,480,213
Honduras	3.3	1,551,819
Dominican Republic	3.2	1,674,891
Guatemala	3.0	1,811,347
Colombia	1.0	2,477,217

Another key finding is the variability of IPPF unrestricted grants to MAs year-on-year which again suggests a lack of predictability in funding (Table 9). Further analysis may show the extent to which

performance-based funding is responsible for this. The following table shows year-on-year increases and decreases in unrestricted IPPF grant allocations for a selection of countries

Table 9: Variability in funding – annual change in allocation of unrestricted funds (selected countries)

	2015-16	2016-17	2017-18
Benin	- 8.8	- 22.6	13.0
Ethiopia	- 18.7	- 37.0	21.7
Ghana	- 17.0	- 12.9	9.1
Burundi	- 58.9	- 21.3	25.0
Kenya	- 12.7	- 11.8	58.6
Côte d'Ivoire	- 0.2	- 29.5	94.0
Congo, Dem. Republic	- 28.2	1.1	- 4.0
Madagascar	- 21.4	- 11.2	9.4
Malawi	- 27.2	0.9	32.3

4. Problem Statement

IPPF lacks a comprehensive, cohesive strategy for how to finance its work at large. There is a Global Income Generation strategy in the pipeline which could potentially address some of the issues. A social enterprise model for Comprehensive Sexuality Education and appropriate health products would also be worth careful consideration. While developing better ways of allocating unrestricted funding will help, it is no substitute for developing an effective financing strategy for the Federation as a whole.

Whilst there was some underlying rationale to the current model, it is now outdated and not fit for purpose as evidenced, *inter alia*, in the Federation-wide survey (see section 5). It is a major concern that the model, and the formula that underpins it, is dated, largely unknown, and not understood.

Despite their modest role in the overall funding of IPPF activities, unrestricted funds are a particularly valuable resource given their flexibility. There is a concern from some that there is little evidence that unrestricted funds are used strategically – but they seem instead to merely mirror other financing sources. It needs to be recognised, however, that for a small MA in a small country, with low income clients and little chance of fundraising, being able to continue to deliver much needed SRHR services through core funding IS their key strategy.

The relationship between allocation and unmet needs is not particularly strong and the performance focus appears to reward MAs for delivering a high number of services. There are wide country variations in reliance on unrestricted funds, although it is not always clear whether this is because of large allocations of unrestricted funding or a failure to tap other resources. The current approach does not offer any predictability – year-on-year swings in allocations are large and even performance-based funding is often largely out of individual MAs' control. The first should be addressed by the three-year financing plan and the recommendation that different funding streams

should fund a number of activities for two to three years, depending on their maintaining appropriate levels of delivery and performance, and no unexpected changes in funding.

Whilst it is clear how much MAs *do* spend in the absence of an agreed package of services it is not clear how much MAs *should* spend. Given that individual MAs adopt vastly different approaches to meeting IPPF's strategic outcomes, it is extremely challenging to say how much each MA should receive. This is further complicated by the finding that up 30% of all surveyed MAs have an 80-100% dependency on IPPF-sourced funding. This is particularly true in small and low-income countries where:

- Governments are not supportive of funding SRHR.
- There are few donors.
- Incomes are low, making fees unaffordable and donations unlikely.

Given there is a year between the decisions made at the end of 2019 and implementation of the new model, there should be time to work through these issues and develop steps to minimise some of these challenges.

5. Learnings from the review research and the consultations

5.1 Experience of Other Institutions

As part of this review, the IRAC looked at practices in a range of international institutions. A recent assessment of the resource allocation practices of a range of multilateral institutions (Bump and Chi, 2018⁵) found that most organisations used a systematic approach to allocating resources taking account of a range of factors often included but was not restricted to GNI per capita. It also found that allocation formulae often played only a limited role in the allocation process – choices related to operational strategies, specifying particular types of support, eligibility criteria and qualitative adjustments were often more influential.

Where formula-based approaches are used a range of criteria are applied. GNI per capita is widely used as a proxy for both need (poorer countries tend to have greater (health) needs) and ability to pay (poor countries tend to have less fiscal capacity). Institutions with a narrower disease focus tended to supplement or replace this with more disease specific outcome indicators or indicators of service delivery gaps. Approaches range from relatively simple using a couple of general indicators (WHO and UNDP) to more complex (UNFPA and the World Bank). It is important to refer to the Equitable Access Initiative (see Chi and Bump) on GNI, which states that most of the world's poor now live in middle-income countries.

Table 10: Indicators used in Allocation Formulae

⁵ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5886160/pdf/czx140.pdf>

Resource allocation processes at multilateral organizations working in global health, Chi and Bump, Health Policy and Planning, 33, 2018, i4–i13

Reforming IPPF's Resource Allocation Model

Institution	Criteria used in formulae (where used)
GAVI	Size of the birth cohort, price of vaccine, GNI per capita (to calculate co-financing element)
GFATM	Disease burden (calculated separately for each disease), GNI per capita
UNDP	GNI per capita, population size
UNFPA	Skilled birth attendance for the poorest population quintile, proportion of demand for modern contraception satisfied, adolescent fertility rate, maternal mortality ratio, Gender Inequality Index, HIV prevalence in 15–24-year olds, GNI per capita
UNICEF	Under five mortality rate, GNI per capita, and child population
WHO	Life expectancy and GDP per capita
World Bank	CPIA, Country Portfolio Performance, Population size, GNI per capita

The Bump and Chi assessment set out a series of shortcomings:

- **The lack of transparency:** the authors found it difficult to document actual practices resulting largely from post-hoc qualitative adjustments. They believed that “there should be clarity about all parts of the process, even if the operational details of some steps are kept confidential”.
- **Limited country participation** in the allocation process: while countries were often brought into the process at different stages they were not fully engaged in the process as a whole.
- **Lack of a results or performance focus:** country performance played little role in the allocation of resources. Assessments tended to be qualitative and where quantitative were often extremely crude (the Global Fund judges performance according to past spend).
- **Design weaknesses** which serve to create inappropriate incentives: as a consequence of the lack of emphasis on performance the authors expressed concerns that allocation systems often directed resources towards the countries with the greatest needs yet the worst performance (suggesting that the poor performance at least in part is responsive for the outstanding need). They found this problematic especially in aid dependent countries.
- **Inadequate flexibility:** the inability of systems to respond to changing circumstances.
- **Unclear goals** arising from the lack of explicit elaboration of ethical principles underlying the approach. They noted that whilst Gavi emphasised impact, the GFATM focused on equity and stability, and the UN system health need that these principles needed to be set out more explicitly .

Other lessons identified relate to the need to:

- **Avoid cliff edges** in funding: this becomes an issue where eligibility is based on discrete variables such as low-income country status (and where changes can occur with little notice due for example to updating of national accounts as occurred in Kenya in recent years). This is particularly problematic where multiple funders use the same variables.

One way to avoid this is to use continuous variables – such as GNI per capita - to determine eligibility and funding levels.

- **Manage transitions:** changes in allocation systems, particularly radical ones can have major, short term financial implications for those receiving funding. This raises the question as to whether countries should adopt a “big bang” approach or whether they should apply changes incrementally. In moving from a rounds-based approach to a formula-based approach the Global Fund adopted the latter; post-apartheid South Africa, on the other hand, used a big bang approach to redistribute resources between provinces.

What can IPPF learn from others' experiences and what are the implications going forward?

While IPPF is a unique organisation which faces particular challenges and it makes little sense to lift any model from another setting, the experiences outlined above set IPPF a number of challenges as it seeks to improve its own allocation processes. Following the November meetings consideration should be given as a priority to all these identified issues as the model is developed in detail.

How can IPPF ensure transparency? Adopting a relatively simple approach based on quantitative factors can help with transparency. But if other more qualitative factors are to be considered, will IPPF specify precisely how judgements are made and how these factors are taken into account? To put it bluntly: will IPPF not only spell out to MAs what their allocations are and describe what the process is but actually share the spreadsheet used to calculate these allocations? While transparency on the actual allocation calculations and explanations of adjustments is vital; using the WHO validation mechanism would also be useful, for example, a periodic check as to whether global resource allocations mirror the Strategic Framework performance goals.

How can IPPF increase/optimize country participation? As outlined earlier, the consultation process, including the on-line survey, has attempted to ensure wide participation albeit within the short timeframe imposed on the IRAC. But moving forward, should the IRAC recommend a single model or provide wider decision space for the membership by setting out a range of possible options? Having agreed on a model will MAs have a role in any subsequent reviews? It is important to highlight the options between (i) allocating resources based on criteria and letting the MA decide how to use them, with monitoring of results vs (ii) approval of a detailed work plan.

Should IPPF consider performance in allocating resources and how should it balance this with its wish to support those MAs in greatest need? If so, how should it measure it and how should it apply it? Is IPPF confident its current performance framework is credible? Does it measure the right thing? Is there adequate verification to allow it to trust the results? Is it willing to apply sanctions for poor performance (reduce funding or apply more conditions on the use of funds?) Should it build on the current performance-based funding approach? Should it use other measures in the performance dashboard? Should other factors be considered?

It was generally agreed by the IRAC that the current PBF should not continue, but a simpler system developed which is based on the delivery of priorities in MAs' work plans.

How can IPPF ensure any approach is flexible? The introduction of any new system is likely to have some unintended consequences. Is there a case for any early review?

Can IPPF be explicit about what it is trying to achieve? The ultimate objective is to make the best use of the available funding towards the attainment of IPPF's strategic plan, which is what donors ultimately fund. Further to this, an overall funding strategy is required to specify funding objectives. Is unrestricted funding meant to be transformative or stabilizing core work; or should it be predominantly programmatic or take into account that without funding of core structures and overheads some MAs would not be able to continue?

More generally, IPPF can learn from the key design features employed by other institutions and consider whether, and if so how, such design elements might be tailored to IPPF's situation. These design elements are set out later. Should the chosen model's implementation be phased in with an early review as suggested above? For example, with more shared support from CO as well as RO, particularly at first, using the work plan approach and subsequently moving to a situation of greater flexibility if needed or appropriate?

5.2 Survey Results

As part of the consultations for the ongoing reform, the two Commission Chairs launched a joint survey on the reform website on 25 July. The objectives of the survey were to:

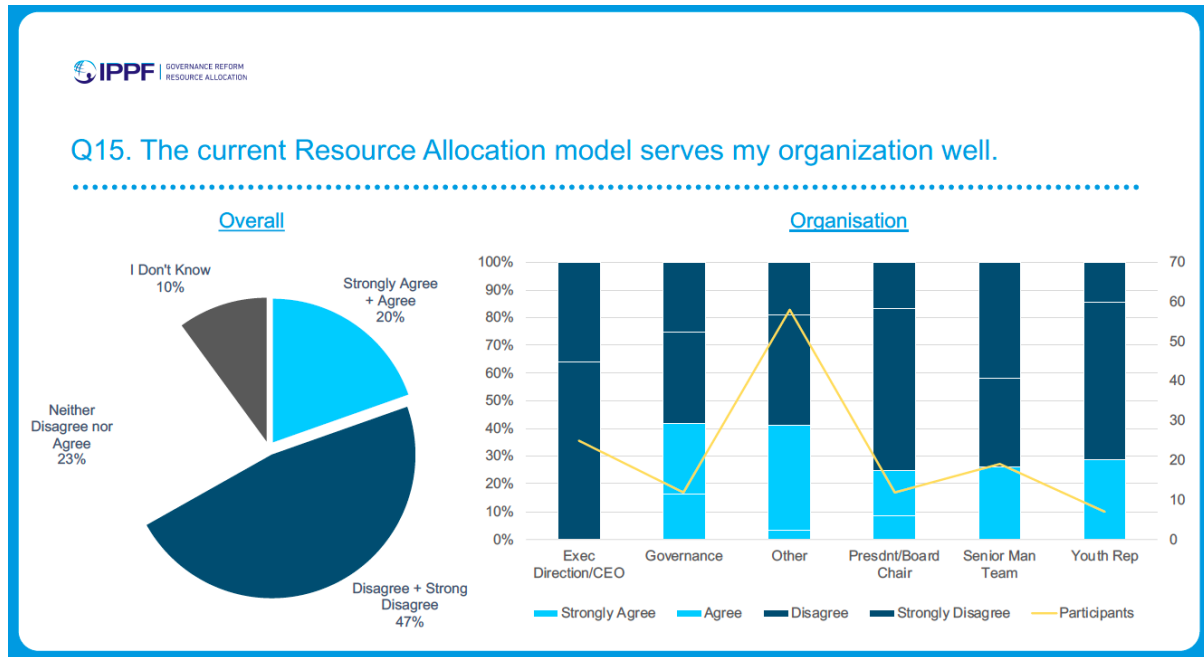
- Understand the variety of opinions about the need for change in relation to the IPPF Global and Regional Governance, as well as its resource allocation model.
- Solicit input for the development of appropriate and effective regional and global governance structures, and a strategic resource allocation model.

In total, 200 verified respondents completed the survey, from all regions and across the Federation. The majority of respondents were Member Associations (46%) with the Secretariat, Regional Executive Committees, Regional Councils, Governing Council and collaborative partners forming the remainder. Senior Management, Executive Direction and other staff made up the vast majority of respondents – 81% – with youth being under-represented, at just 7%.

The largest percentage of respondents came from the Africa region (26%); the smallest from South Asia region (2%).

Dependency on IPPF for funding: almost one third of respondents state they receive 81-100% of their total annual income from IPPF; one fifth receive 80-100% of their unrestricted annual income from IPPF. This demonstrates a high dependency on a relatively small amount of unrestricted funding, which comprises only US\$40m of IPPF's total income to MAs. These results have been received only recently and will require further assessment to understand what the actual total amount provided to highly dependent MAs is, particularly as it's not clear that the highest grant receivers are the most dependent.

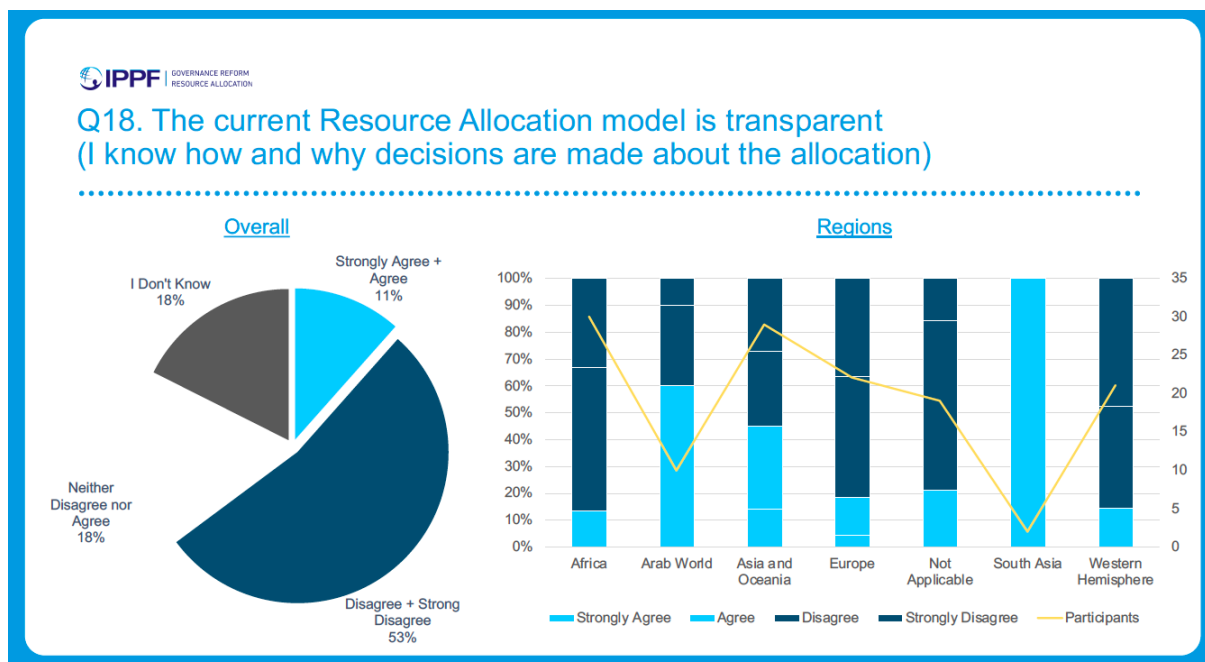
Reforming IPPF's Resource Allocation Model



The current Resource Allocation model: what is unequivocal from the survey is that the current Resource Allocation model does not serve individual MAs or the wider Federation well, with only 20% agreeing. Notably none of the MA EDs thought well of the current model.

A mere 18% feel IPPF's unrestricted funding has been allocated fairly and correctly.

An even smaller percentage – 11% – thinks the current Resource Allocation model is transparent.



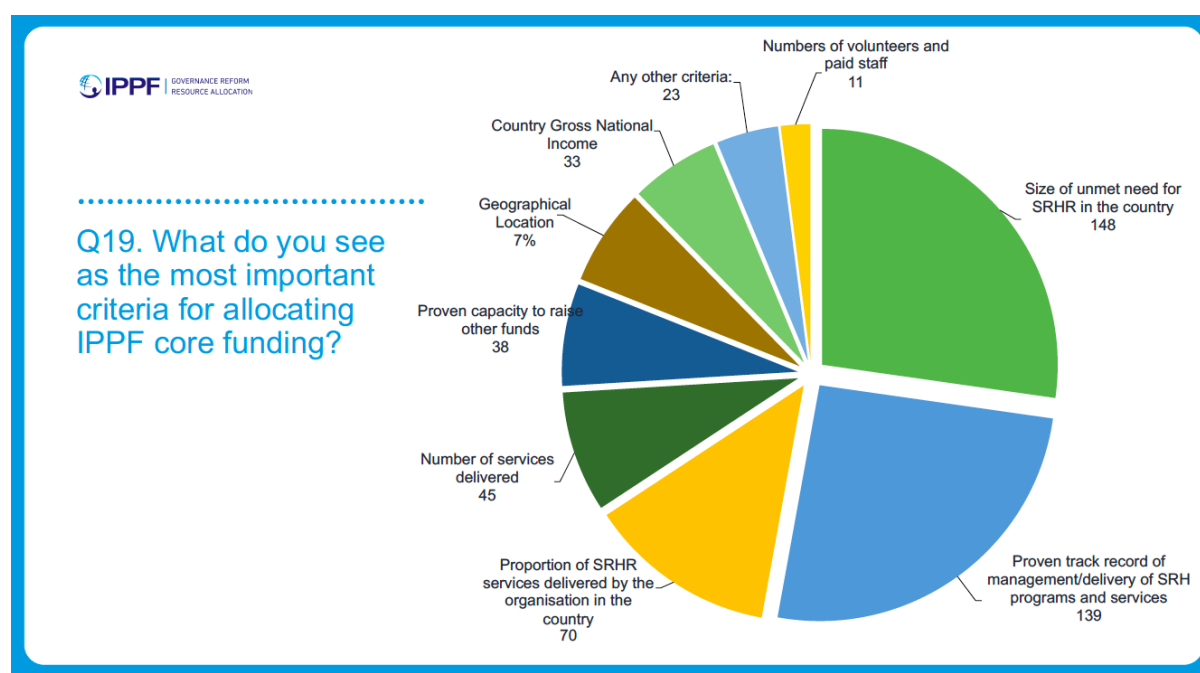
Member Associations and unrestricted funding: respondents are divided fairly evenly over whether all Member Associations should receive unrestricted funding.

A new Resource Allocation model: there is almost total agreement amongst all respondents that:

- IPPF should have a special fund to respond to specific issues (93%).
- The new model should be regularly reviewed to ensure it remains honest, equitable and relevant (96%).

The three most popular criteria for the new model were: Size of unmet need; proven track record; proportion of SRHR services in the country, in that order.

In the light of this, the IRAC will give more consideration in preparing the final report and recommendations, to the impact of the number, quality, accessibility, affordability, appropriateness and location of other service providers in the country, as this has been considered only relatively briefly at this stage.



Comments from respondents: the current RA model:

- Many African MAs feel financial oversight of RECs and GC is “not accountable, has weaknesses, is corrupt, incompetent, inequitable and not sustainable – with much room for improvement”.
- Western Hemisphere Regional Office thoughts around IPPF's unrestricted funding allocations ranged from “it's fair overall, although doesn't take into account MAs' contributions” to “the allocation formula is archaic and doesn't reflect current realities”.
- Regarding the transparency of current RA, CO said “there is no transparency, no information sharing, and we don't know how decisions are made – the model must be totally overhauled”.

Comments from respondents: looking to the future:

- AWRO SMT advises that IRAC “reviews the current country context, including conflict and unmet need for services, for each region; this will be fair in allocating resources. We wish them all the best luck in this great effort to improve IPPF’s situation”.
- ESEAOR youth and governance want “needs assessments to allocate funding to MAs that have the highest population and service provision needs, with equity and long-term sustainability at the core of all conversations”.
- President and Board members in EN request a “special fund to support research, innovation of new SRH devices (eg contraceptive methods) and to challenge the anti-choice network”.
- Governance, SMT and youth from SARO advise allocation is centred on “level of need, based on a GC-approved framework; performance of MAs based on the REC-approved performance-based funding system; and MAs’ capacity to move the needle on improving important indicators”.

5.3 Consultations

In total, eight consultations were carried out. These were:

- EN
- Donors
- ESEAOR
- ARO
- WHR
- Secretariat (partly virtual)
- SAR
- Francophonie (virtual)

The Arab World Regional Office was closed for a major part of the consultation period, which made it very difficult to reach widely in that region. In addition, the dates for the Regional Executive Council were changed due to internal issues in Tunis. Efforts were, however, made to reach out to MAs directly, and an Arab World virtual consultation is scheduled.

The consultations were active and rich in providing input to the IRAC. A broad range of views were aired, often passionately or emotionally. The overwhelming sentiment was one of support for urgent and lasting change. However, there were also strong dissenting voices, concerns and anger, which we have heard and respected.

The need for more transparency was a recurring theme. Participants also made a number of suggestions on variables which might be used to ensure that any model responds to the wide variety of circumstances MAs find themselves in. It is notable that the consultations generally reflected the findings of the survey. Detailed statements from the regions or stakeholders can be found in the updates section of the [IPPF website](#).

Reforming IPPF's Resource Allocation Model

Below are listed a selection of points raised:

- Need for greater transparency in funding allocations and reasons for any changes in budgets, sub-budget allocations, formulae and funding.
- Full transparency and visibility must be embedded in the proposed improved resource allocation model.
- The proposed model must take in to account the diversity and equity issues within the Federation, so that does not inadvertently encourage the concentration of resources to stronger-performing MAs to the detriment of others.
- The proposed formula may include a mix between fixed and flexible allocation, both based on clear, transparent criteria.
- There needs to be transparency and understanding on how much money goes where and what criteria is used.
- Resource allocation should be based on the strategic priorities of IPPF not only on a fixed DAC⁶ focus system.
- Consider whether resource allocations should be based on competitive processes dependent on the specific context.
- Consider if resource allocations could be performance-based and time-bound (3 years).
- Consider if a threshold /ceiling for those that are eligible (i.e. 'too rich').
- Concerns that Africa has more health challenges hence resource allocation should take the challenges into consideration.
- Stressed the need for the new resource allocation system to consider unmet need for family planning, other health needs, vulnerability, value for money and achievement of results.
- The need to provide incentives for high performing MAs to do more as with the current bonus allocation system which rewards these type of achievers.
- The need to consider the fate of countries falling into the lower middle-income bracket which result in weaning by some donor countries.

Regional Views

"Clarify the role of the EDs regarding resource allocation in the national context: give them her power to decide and report directly to RO and CO on the exact situation, to help them decide on how to allocate resources."

"I'd like IPPF to be agile and modern."

"We have to build trust."

"Thank you for asking us some good questions – it doesn't happen often."

"ROs ought to share yearly Resource allocation plans and budget – who gets what and why."

⁶ The OECD Development Assistance Committee (DAC) is an international forum of many of the largest providers of aid, who use internationally agreed criteria for their Official Development Assistance (ODA): <http://www.oecd.org/dac/development-assistance-committee/>

"ROs need to be accountable."

"Regions are like small fiefdoms – or not so small – it's all about protecting their interests. The regional teams should make the resource allocation decisions, but you need to be able to trust the regions to make the right decisions."

"Funding is biased in favour of service delivery, but the biggest change comes from advocacy."

*"I think the principles shared by the commission set the tone. To my mind this is in the right direction, and now it is about the **how** of it. Everyone would love a simple and easily comprehensible formula/model of funding however considering the complex nature of issues and diverse type of organisations we work with this will not be easy."*

"We need a kind of a core-funding withdrawal strategy if MAs are not already self-sufficient."

"We are not just ensuring the services; we also aim to bring in behavioural change. I think there should be an option of accommodating those who work on a specific niche area acknowledged by us."

"Also, to get out of that sense of entitlement – a competitive approach should be adopted."

These comments are just a few of those we heard from the many people who took the time to share their views. We appreciated this very much. Surprisingly, some EDs in the region were still unclear about why reform was needed, and others felt this uncertainty was because of lack of knowledge. Some felt that this had resulted from information being unequally shared among their colleagues.

5.4 Other critical issues for recommendations

i. An MA-centric approach

The IRAC proposal supports the **MA-centric** approach, outlined in the Business Plan especially with the concept of a work plan as a basis for resource allocation: MAs' EDs will develop work plans, budgets and priorities and a clear rationale, ensuring they are in line with unmet need, the Business Plan and IPPF's Strategic Framework before being signed off by the RD and DG.

The MA work plans will be budgeted in line with a proposed funding envelope, to assist in meeting the country's unmet need, and IPPF Secretariat's Business Plan and Strategic Framework. They will also take into account previous performance, emerging issues and any need for capacity building. Consideration will also be given to alignment with common elements across the region and possibly a global or regionally modified formula. Where there is a need for a particular MA to have a specific focus the rationale for this will be clearly submitted. The work plan will be discussed with RO team members and CO as required, prior to sign off by the RD and MA Board, and ultimately the DG.

ii. IPPF Secretariat is an enabler

The elements of this proposal support the IPPF **Secretariat as enablers** of MAs' work: in the delivery of services, CSE and advocacy projects. The recent survey and other comments suggest there is still very much a general sense throughout IPPF that the Secretariat is at the "top" of IPPF. This proposal and the subsequent RA model present an opportunity to change this, by bringing about a genuine shift towards a more democratic and trusting culture in IPPF. The Secretariat can then be seen as consulting and supporting MAs, rather than as dictating policies and processes and making unilateral decisions, which has sometimes been the perception.

iii. Culture change

IPPF has been trying to effect changes in organizational culture throughout the Federation for some time, especially with the need for increased accountability for funding and greater responsibility for generating income. This will involve MAs' CEs and EDs in collaborative discussions with the RD, RO team members and CO as required, and greater transparency and trust, two key requirements identified by some survey respondents, together with enhanced performance through mentoring and capacity building. This will be critically important if a more MA-centric approach is to work, particularly with some funding streams being agreed for 2-3 years, in line with the newly developed three-year Financial Plan (2019-2021).

In some ways this change in culture may not only lead to the success of this new business model and resource allocation process, but will also bring a very positive and wider change leading to MAs making decisions on priorities within a broad strategic framework set by Governing Council, and led by CO, in consultation. A degree of performance evaluation and clear expectations of future performance will drive greater accountability rather than a sense of entitlement. Unrestricted funding will be used strategically which may be service provision in some cases, or innovation in others, depending on MAs' individual situations. In either case the rationale will be transparent.

iv. Building the capacity of MAs

This is a long-term issue, and IRAC wishes to see some clear processes and methodologies for ensuring that capacity building is systemically embedded in IPPF's global programme in general, and in the RA process. The desired changes cannot happen without that. Some capacity building can be carried out by partner MAs, MA to MA and by CO and ROs. This should include TA across areas included in the Business Plan and Strategic Framework, and SRHR, in terms of services, advocacy and Comprehensive Sexuality Education and also in management; finance, communications and Resource Mobilization.

When weaker MAs are offered capacity building to improve performance in areas of need, this may be a condition of funding for their work plan and funding level. IPPF cannot afford to have MAs which fail to meet the needs of the people they serve, and IPPF's and the SDGs' vision of "leaving no-one behind." If necessary, an MA's work can be complemented by that of a country partner. We understand this arrangement, already in place in some countries, will be discussed in Phase 2 of the "plan to transform IPPF", as well as possible wider strategies for increasing IPPF's overall income such as social enterprise.

v. A flexible RA model

The IRAC should ensure that the RA model is flexible, that it can be adapted where, when and if necessary, and continues to be relevant to MAs. This means that it should be reviewed regularly, and that IPPF will be brave enough to change the model's processes if necessary. MAs' work plans, and the resource allocation model will be reviewed after three years, or earlier if necessary. In some cases of weaker performance this review may need to be an annual process.

vi. Alignment to the Business Plan and Strategic Framework

The links between the RA and the Business Plan and Strategic framework will need further clarification as MAs' local actions collectively deliver IPPF's global agenda. Naturally, the RA model must support, enhance, and help deliver the strategic objectives of IPPF, and also meet local need. These objectives, priorities and strategies will provide the basis for the work plan and funding, and categories for allocating activities and budget to meet identified country needs.

The RA model also aims to enable IPPF to deliver its services much more effectively. **Although** the Strategic Framework and the Business Plan are silent about how IPPF might focus its efforts geographically, the needs of countries within each region can be assessed using an agreed set of indicators. This in turn, will provide an overview of their region. Not surprisingly, there is currently discussion within the IRAC, as elsewhere, as to which data should be used as indicators to demonstrate unmet need, for example, burden of disease, adolescent fertility rates, country or UN data.

IPPF does not have a core requirement of specific activities and services that must be delivered by every MA, but meeting a country's unmet need for SRHR will fit within IPPF's vision, and include a broad range of potential activities that align with the Business Plan's six Solutions and cross cutting issues, and the Strategic Framework's four Outcomes and priorities. These will be worked through in the development of an MA's strategic direction, led by its Board, and the work plan, budget and sign off processes led by the ED/CE, in consultation with the RD.

6. Recommendations

Shrinking global funding and civil society space for SRHR means that IPPF must make its income work harder, in order to deliver its strategic goals. Unrestricted income can help do this, if it is spent wisely and effectively. Through the IPPF staff survey, and other consultations, the IRAC understands that IPPF's current RA model is neither understood, respected or trusted. With this in mind, the IRAC has sought to develop a new model that has additional value for the Federation; that will bring greater accountability – so we can measure how effective investments to MAs are; and that will be reviewed regularly to ensure it continues to be relevant. At present, none of these are being achieved by IPPF's allocation of unrestricted funding. The proposed model will bring new, significant benefits, including:

- MA-centricity: MAs are at the heart of the proposed RA model, and building their capacity to ensure “no one is left behind” is a key element.
- A focus on core services – and MAs – that are “difficult to fund” , challenging environments and poor national health indicators; these will play a more prominent role in future resource allocation.
- A more comprehensive performance-based funding approach, with a wider range of key performance indicators that will measure services and a broader contribution to IPPF's mission.
- Multi-year unrestricted grants, perhaps for 2-3 years, which will help MAs to plan more strategically: MAs can submit proposals for strategic activities.
- Funding for emergency preparedness and resilience, for which all MAs will be eligible; this will enable MAs to respond more rapidly to emerging crises.

- Transparency around resource allocations to the Secretariat, whose role as enablers of MAs will be clarified and strengthened.

Using this new model to allocate unrestricted grants will enable MAs to play to their strengths, to be more innovative, and to accelerate their progress towards delivering their strategic goals.

The Commission stresses the importance of developing a strategy to ensure the effective financing of IPPF as a whole – and how this can best support the delivery of the outcomes set out in the Strategic Framework – and seeing the allocation of unrestricted funds as making a limited, but important, contribution to this.

The starting point should be a need for clarity on what IPPF should do, in terms of its strategic goals; what the potential costs are and what budgets are needed. IPPF's Strategic Framework and Business Plan should play a central role in providing direction and serving as the basis for more specific annual or multi-year planning and budgeting processes. The question, within this framework, is what is the best use of limited unrestricted funding and how or if it should be used to help finance the Federation's global and regional Secretariat and governance functions and/or as a complementary and strategic source of financing for MAs in addition to the resources they raise themselves. This also highlights the important role of the Board in ensuring a sound overall financing strategy is in place, approving CO budgets, monitoring progress and fulfilling its statutory financial obligations.

6.1 Principles for allocating of unrestricted funds

In identifying possible allocation models the Commission was guided by the following principles and considerations. Any approach to the allocation of unrestricted funds should:

- Contribute to the effective financing of IPPF as a whole and further its mission (as set out above).
- Be consistent with current and proposed governance arrangements (set out in the Governance report).
- Build on the comparative strengths of different parts of the organization.
- Be transparent.
- Be predictable – allowing for longer term planning.
- Remove any sense of entitlement by providing incentives which ensure that whilst good performers are rewarded that appropriate support is provided for those who would otherwise be left behind.
- Be simple – to the degree that the complex nature of IPPF's business allows.
- Be flexible – allowing it to respond to emerging circumstances and opportunities such as emergencies.
- Be dynamic – in the sense that any reforms should be closely monitored, reviewed and amended as necessary.
- Be innovative – focus on accelerating the response not simply funding the response. Unrestricted funds are particularly valuable and should not support business as usual rather they should support higher risk activities which offer higher rewards.

6.2 Models and processes considered

6.2.1 Allocation of funds to Secretariat functions (Central and Regional Offices)

From their review, the IRAC concluded that:

- A formula approach is difficult to develop – most organisations define roles and 'accept' that a proportion of core funding is devoted to global and regional roles, administration and management.
- The definition of CO and RO roles will be critical and could be drawn from the approved Business Plan.
- Allocation of budgets to CO and RO should be transparent – classifying functions and describing how they are funded is a potential mechanism for this.
- Many organisations co-fund management and global and regional role costs from contributions from MAs/voluntary contributions – mechanisms should be clearly defined.
- Key to the managing the allocation is a commitment from CO and ROs on accountability, including for efforts on efficiency and effectiveness.

The IRAC proposes that the following criteria for allocation to CO and RO functions:

- Based on defined roles of CO and RO and approved Business Plan.
- Have a results-based budget with all elements implemented by CO and RO identified.
- Full cost recovery principle be implemented; with transparent policies and reporting on classification of functions and definition of which functions will be borne from the core unrestricted budget and which should be 'recovered' from MAs , projects, and partners.
- Adoption of CO and RO performance indicators for efficiency and effectiveness.
- Development of a resourcing strategy within the Business Plan including targets for cost recovery and revenue generation.

In addition, the Secretariat should explore whether (one or all of) the costs of management, governance and programme support (for example, development of norms and standards) could be borne through a fee attributed across all MAs.

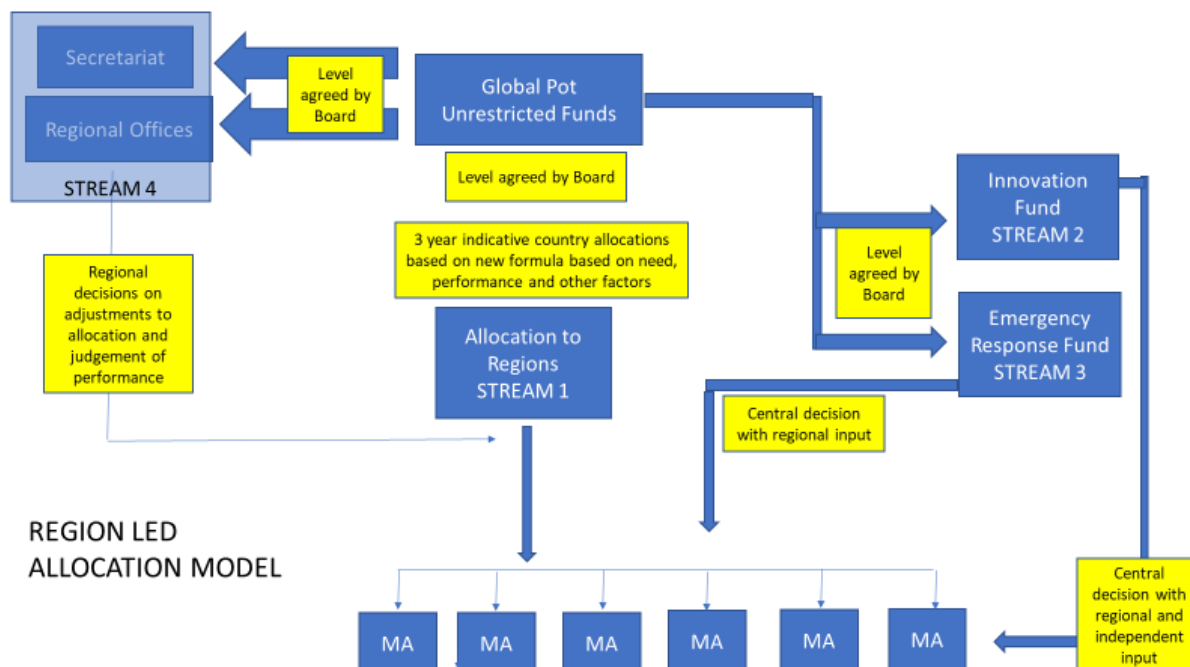
6.2.2 Resource allocations to Member Associations

The IRAC considered a number of models based on different combinations of the above design features. The section below maps out the key features of the IRAC proposal. The model is compared to two radical alternatives:

- One model which simply allocates resources according to the burden of illness associated with issues Member Association seeks to address (described here as a pure allocation model).
- A second model – a pure proposal-based model in which MAs would compete for funds and receive no guarantees of any funding.

Whilst neither of these models is considered as a serious alternative to the proposed model, they help illustrate some of its pros and cons.

Table 11: Region-led allocation model



Funding will be provided in four streams:

i. Stream 1: Member Association core functions

A formula-based allocation will be made to LIC and LMIC MAs to undertake their core functions. These functions will include emergency preparedness and capacity building and, where service delivery is funded, the focus should be on “difficult to fund” such as abortion services and some youth services, for example, CSE support for partner organizations. The allocation will be based primarily on unmet need/burden of ill health and possibly indicators including adolescent fertility rate, estimated abortion/miscarriage related DALYs lost and the size of the target population.

These indicative summary allocations will be aggregated to the regional level and regions will then have some limited discretion to modify allocations according to a range of agreed criteria which will include, but not be limited to:

- Access to other funding sources.
- Availability of other providers able to deliver similar services
- Scope of services delivered and specific local circumstances e.g. presence of conflict/humanitarian crisis, landlocked nature.

Details include choice of criteria, indicators and weightings will be firmed up in Phase 2. It may be necessary to increase CO involvement depending on the RO’s capacity.

The process will be fully transparent – the indicative allocations will be shared with countries and regions will be required to show exactly how they have modified the allocations and exactly how each modification affects the country allocation. The model will build on the existing performance-based funding approach but considers possible ways of strengthening the approach. These might include using a broader definition of performance – the current performance system tends to reward the delivery of services rather than the broader contribution to Member Association's mission – and possibly a mix of financial and non-financial incentives. Looking forward performance should be judged against a wider range of indicators. Prior performance will be used to determine 3-year allocations – performance during the 3-year planning period could be rewarded through a mix of financial and non-financial incentives will be used to establish subsequent 3-year allocations.

There is also the need for a capacity building TA fund- Member Association cannot succeed without this and ideally it would often involve Member Association to Member Association capacity building.

ii. **Stream 2: Strategic fund**

Funds for strategic activities would be awarded to MAs on a competitive basis for a period of 2-3 years (in exceptional cases more). Any proposals supported would need to have a strong evaluation component, be strategic, be potentially replicable within/beyond the region within a reasonable timeframe and set out a viable scale up/sustainability plan. The fund could be a combination of a passive approach – in which CO request proposals within broad parameters including, for example, Resource Mobilization – and a more proactive approach in which CO commissions proposals in specific priority areas. This fund would be subject to an independent review mechanism – with input from CO/RO. Initially some funds may be used for IPPF capacity building.

iii. **Stream 3: Emergency responsiveness preparation start-up fund**

An emergency response fund will be held by CO to support preparation for emergency response costs, to complement the SPRINT programme, with restricted funding expected to then meet full emergency response training and preparation costs. All MAs will be eligible – HIC and HMIC MAs would be expected to reimburse costs – in LIC and LMICs donors would be encouraged to replenish the funds as part of their broader emergency response and resilience.

iv. **Stream 4: Governance costs**

Reasonable governance costs as agreed by the Board and depending on functions agreed should be top sliced. In the longer term IPPF should seek to add a management fee to restricted funds to contribute towards meeting such costs (along the lines of approaches used by other institutions). As a result of this approach it is expected that unrestricted funds are increasingly focused on streams 1 and 2 (and that this could be a key indicator in the next Strategic Framework).

How the new model will work

i. **Eligibility**

The aim is to target resources to meet the needs of MAs whose populations are most at risk of being left behind. It is therefore proposed to exclude high income and upper middle-income countries from core support, unless there is a clear rationale that creates an exception, and to consider applying co-financing restrictions to their access to the innovation fund and emergency response fund as shown in table 12 below). In order to prevent or mitigate any major or sudden drop offs in funding, any country considered to be an LMIC at the beginning of any Strategic Planning period (e.g. 2022-2028) will remain in this category throughout the plan period. If there are exceptions to be made because of specific factors then the rationale will need to be clearly made and transparent and the funding approved by the DG.

Table 12: Eligibility by Income Status

	Country Status			
	Low Income	Lower Middle Income	Upper Middle Income	High Income
Core Support	YES	YES	NO, depending on rationale	NO
Strategic Fund	YES	YES	YES – providing approach is potentially replicable. Subject to co-financing arrangement	
Emergency	YES	YES	YES	YES
Start Up				

ii. **Timeframe**

In order to improve predictability, it is proposed to allocate core funds on a 3-year cycle (i.e. twice per Strategic Plan period). Actual allocations may still have to be amended depending on resource availability. Given that the formula will generate significant impact on some MAs, it is proposed to implement the formula on a phased basis with full implementation from 2022 aligned with the next strategic planning period. A midterm review to assess progress should be carried out in 2024.

iii. **Applications for unrestricted funding**

The new RA model supports an MA-centric approach, with MAs’ work plans as a basis for resource allocation: MAs’ work plans will be strategic, budgeted and will include a clear rationale, ensuring they are in line with their country’s unmet need, IPPF’s Business Plan and Strategic Framework. They will also take into account previous performance, emerging issues and any need for capacity building. Consideration will also be given to alignment with common elements across the region and possibly a global or regionally modified formula. Work plans will be discussed with RO team members and CO as required, prior to sign off by the RD and MA Board, and ultimately the DG.

Table 13: Description of alternative models considered

Model	Description
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Reforming IPPF's Resource Allocation Model

Pure Allocation Model	The pure allocation model adopts a hands-off formula-based CO-led approach to allocating resources to MAs. The formula is driven primarily by outstanding needs and adopts a stronger performance focus than that currently in place - building on the existing approach but also broadening it and building in stronger verification. Resources are focused on low income countries; high income countries will no longer be eligible for support. Support for middle-income countries will be limited and take into account alternative funding sources and special circumstances. The approach would be piloted over a 2-year period to align with the new strategic framework then be employed in a 3-year cycle.
Pure Proposal Based Model	<p>The pure-proposal based approach adopts a hands-on administrative model with funds allocated on a proposal basis according to a number of themes. Proposals will be approved by an independent technical panel under guidelines set by CO. MAs will receive a minimum allocation to meet basic operational expenses. Beyond that there will be a number of funding streams.</p> <p>Technical assistance: support will be focused on countries with significant needs where MAs are identified as “willing but weak”. This will include:</p> <ul style="list-style-type: none"> ▪ Cross-Member Association support. ▪ An acceleration fund to allow MAs with a demonstrated track record to rapidly scale up activities; use of funds will be fairly flexible within broad guidelines. ▪ A strategic fund to allow MAs to be proactive and strategic. ▪ Emergency fund: this funding stream will be used to support emergency preparedness in a number of countries identified as vulnerable as well as providing start-up funds to allow an initial emergency response. High-income and upper middle-income MAs will only be eligible to apply funding to provide support to other MAs.

Table 14: Analysis of proposed region-led model

Key considerations	Extent to which model addresses them
Contribute to the effective financing of IPPF as a whole and further its mission	Proposed model suggests some ways of improving the overall financing of IPPF
Consistent with current and proposed governance arrangements	
Build on the comparative strengths of different parts of the organisation	Yes. Recognises the value added at the region level by providing discretion to modify allocations

Reforming IPPF's Resource Allocation Model

Transparent	Yes. But steps will need to be taken to ensure that the approach is truly transparent i.e. documenting and communicating decisions better
Predictable – allowing for longer term planning	Yes. Three-year horizon should help – though will depend on donor support
Providing incentives which ensure that whilst good performers are rewarded that appropriate support is provided for those who would otherwise be left behind	Yes. Proposes a more balanced approach to supporting performance and ensuring weaker MAs have access to TA
Simple – to the degree that the complex nature of IPPF's business allows	No – fairly complex approach
Be flexible – allowing it to respond to emerging circumstances and opportunities such as emergencies	Yes, emergency fund and innovative fund aimed at responding to challenges and opportunities
Dynamic	Yes – early review proposed
Innovative	Yes – through innovation fund

7. Appendices

Appendix 1. Tables and Figures

It must be noted that IPPF needs to improve its overall financial data. Efforts are, the IRAC observes, integral to the 2018-2021 Business Plan. The below data must be read with this caveat in mind.

Table 1: Progress against Strategic Framework performance indicators (Outcomes)

		2012	2013	2014	2015	2016	2017	2018
Outcome 1	Successful policy initiatives	105	97	81	82	175	146	163
	Success global/regional policy initiatives	11	13	17	22			
	On track for SDGs							
	Public action by women's/youth groups					661	1015	1038
	MAs monitoring human rights compliance	42	55	54	60			
Outcome 2	CSE completers (m)	18.2	25.1	25.2	25.7	28.1	31.3	30.8
	CSE skills utilised (%)							
	People reached - SRH messages (m)					112.4	140.7	242.6
Outcome 3	SRH services (m)	112.7	136.6	149.3	175.3	145.1	163.9	168.1
	CYPs (m)	11.8	12.1	14.5	15.7	18.8	21.1	23.5
	First time modern contraceptive users (m)					6.3	6.1	6
	% recommending IPPF (%)					90	92	93
	SRH services enabled (m)					37.4	44.7	55.1
	SRH services to under 25s (%)	40	48	45	44			
	Abortion-related services (m)	2.1	3	3.8	4.3			
	poor/vulnerable clients (%)	81	81	85	82			
	% of MAs providing integrated service package	21	26	30	36			
Outcome 4	Income generated by Secretariat	144.8	136.1	126.1	116.2	130.4	125.1	133

Reforming IPPF's Resource Allocation Model

Local income generated by unrestricted grant receiving MAs	372.1	384.1	370.3	358.8	291.2	291.7	264.2
% of unrestricted funding through PBF (%)	6	7	9	9	6	5	9
Number of volunteers					172,279	232,881	261,573
Number of activists (m)					10.2	11.2	12.3
MAs with service costing data - static clinics	13	27	28	31			
MAs collecting poverty and vulnerability data	10	20	31	41			
MAs with >20% U25 representation	58	63	73	70			

Tables 2 and 3. These tables show trends in the allocation of Secretariat budgets (for which IPPF is legally responsible) and the allocation of unrestricted funds only (which this commission has been asked to focus on).

Table 2: Overall IPPF Secretariat funding (US\$m)

	2014	2015	2016	2017	2018
Grants to MAs and partners	74,543	72,333	68,317	50,154	64,685
Unrestricted	45,597	49,115	38,572	35,132	41,460
Restricted	28,946	23,146	29,745	15,022	23,225
Central Expenditure	20,450	19,035	16,128	15,453	19,707
Unrestricted	14,315	12,305	10,112	7,983	12,744
Restricted	6,135	6,730	6,016	7,470	6,963
Regional Expenditure	34,429	34,407	34,008	7,483	8,321
Unrestricted	16,849	18,788	20,003	5,526	6,257
Restricted	17,580	15,619	14,005	1,957	2,064
Regional Office grants				11,491	13,614
Unrestricted				10,266	10,983
Restricted				1,225	2,631
Governance	2,316				

Reforming IPPF's Resource Allocation Model

Unrestricted	2,198				
Restricted	118				
Fundraising and Other	5,841	6,064	5,394	5,387	4,463
Unrestricted	5,312	5,390	5,210	5,224	3,889
Restricted	529	674	184	163	574
Total	137,579	131,767	123,847	89,968	110,790
Unrestricted	84,271	85,598	73,897	64,131	75,333
Restricted	53,308	46,169	49,950	25,837	35,457

Table 3: Use of unrestricted funding (US\$m)

	2014	2015	2016	2017	2018
Grants to MAs and partners	45,597	49,115	38,572	35,132	41,460
Central Expenditure	14,315	12,305	10,112	7,983	12,744
Regional Expenditure	16,849	18,788	20,003	5,526	6,257
Regional Office Grants	-	-	-	10,266	10,983
Governance	2,198	-	-	-	-
Fundraising and Other	5,312	5,390	5,210	5,224	3,889
Total	84,271	85,598	73,897	64,131	75,333

Source: IPPF Financial Statements

Reforming IPPF's Resource Allocation Model

Table 4: Overall trends in MA allocations (US\$m)

	Funds raised at national level		Funds raised by IPPF Secretariat		Total
	Raised Locally from Domestic sources (local donations, revenue generation)	Raised Locally from International (donor) sources	IPPF Unrestricted	IPPF Restricted	
2016	217	70	37	22	345
2017	226	66	34	19	345
2018	203	61	40	17	321

Table 5: Biggest recipients of unrestricted funding: 2015 to 2018 (US\$m)

	2015	2016	2017	2018	Total
India	2.6	1.8	1.5	1.8	7.7
Pakistan	1.9	1.7	1.7	1.6	6.8
Nepal	2.0	1.3	1.3	1.6	6.2
Nigeria	1.6	1.2	1.1	1.8	5.7
Ethiopia	1.8	1.4	0.9	1.1	5.2
Uganda	1.2	1.0	0.9	1.1	4.3
Tanzania	1.0	0.9	0.8	0.9	3.7
Ghana	0.9	0.7	0.7	0.7	3.0
Kenya	0.8	0.7	0.6	0.9	2.9
Bolivia	0.9	0.8	0.6	0.5	2.8
Colombia	0.6	0.5	0.6	0.7	2.5
Burkina Faso	0.7	0.6	0.6	0.6	2.5

Reforming IPPF's Resource Allocation Model

Zambia	0.8	0.5	0.5	0.7	2.5
Burundi	1.1	0.5	0.4	0.5	2.4
Congo, Dem. Republic	0.7	0.5	0.5	0.5	2.3
Other	27.1	22.2	21.1	25.1	95.5
Top 15	18.6	14.1	12.6	15.1	60.4
Total	45.7	36.3	33.6	40.2	155.9
% Top 15	40.78	38.79	37.32	37.59	38.75

Table 6: Reliance on unrestricted funding by region and income status (US\$m)

	Low income	Lower middle income	Upper middle income	High income	Not classified	Grand Total
Africa	42.7	30.5	28.4	68.5		37.5
Arab World	7.8	35.9	89.6	38.3	16.5	37.0
ESEAOR	15.6	36.7	29.9		66.5	34.8
Europe	18.7	50.7	37.0	63.0		41.7
South Asia	28.9	24.2	35.9			29.8
Western Hemisphere	46.0	3.6	25.1	21.4		22.6
Grand Total	37.3	31.6	32.5	32.8	33.2	33.3

Appendix 2. Performance Based Funding Design Components

- Performance is judged against 10 indicators
- MAs are rewarded in part directly according to their performance against these indicators (improvement bonus) but also according to their contribution to improvements in regional performance (contribution bonus)
- ROs have some discretion on the relative shares between the improvement and contributions bonuses and the weights assigned to different indicators
- There are a number of ceilings/caps. No country can receive more than 4% of total PBF funding; countries get no benefit from improvements of >40% in a particular indicator. The PBF increase/decrease cannot exceed 25% of the core grant
- A 2015 évaluation (Eicher et al⁷) found that:
 - The majority of MAs perceived PBF to be empowering, transparent
 - and fair though around a third of MAs found it to be punitive
 - MAs felt that PBF captured their true performance, that
 - indicators and targets were aligned with their priorities, and had not encountered
 - unintended negative consequences
 - Follow up in-depth Interviews suggested a rather weaker MA understanding of the PBF funding mechanism
 - MAs believed that PBF had changed the way HQ and Branch Teams
 - work together and manage for performance
 - MAs felt that PBF had improved overall MA performance
 - including enhanced efficiency and promotion and sharing of best
 - practices
 - MAs reported that PBF has improved recording, reporting, and use
 - of data

⁷ Eichler, Rena, Susan Gigli, Jenna Wright. September 2016. *Strengthening Performance*

with the IPPF Performance Based Funding Initiative: Evidence and Recommendations. Bethesda, MD: Health Finance & Governance Project, Abt Associates Inc

Reforming IPPF's Resource Allocation Model

- Online Survey respondents reported that ROs are explaining PBF and providing TA to help MAs improve performance but that more could be done
- The focus on indicators has enhanced the “performance culture”:
- MAs are more accountable for achieving improvements in performance and have improved the quality of their data so they can track, manage and report
- MAs do not appear to be featuring PBF in proposals or in discussions with potential funders though they do feature accomplishments on the metrics that PBF rewards
- Reputational incentives appear to be as motivating as financial incentives and sharing across MAs is the platform to support both