

**Remarks by
Dr. Nicholas K. Alipui, Director of Programmes, UNICEF
at the
ECOSOC Panel on “Funding of UN Operational Activities for Development:
Challenges and Best Practices at the Country Level”
12 July 2010**

It is a pleasure and a privilege to represent UNICEF in this panel session, focused on the critical issue of the funding of UN Operational Activities for Development. This topic is most timely. We are seeing a changing aid environment and pressures on many donors to exercise fiscal restraint; we are seeing continuing, and in some cases worsening, cycles of vulnerability and insecurity compounded by man-made and natural disasters; and we are entering into the final push to achieve the Millennium Development Goals; much as we might achieve statistical success, the underlying stresses in reaching the most disadvantaged communities means that we have to “dig deeper” beyond the perceived achievements, which hide wide disparities and inequities. UNICEF is a field-based agency with development, humanitarian, and human rights-related mandates, with presence and strong partnerships in over 150 countries, and as an entirely voluntarily-funded organization, the need for predictable, flexible, and adequate funding support is paramount to our operational success in serving the needs and best interests of children, women, and vulnerable populations.

Advantages of current core/non-core funding mix for programme countries—At the country level, a mix between core and non-core funding can be used in a synergistic and complementary manner. **Core resources** are the bedrock for operational activities for the United Nations System, enabling organizations to have field presence, and to provide value-added to national development efforts and humanitarian responses through hiring and retaining qualified staff with the range of expertise necessary, whether to provide policy advice and analysis, or to fulfil cluster lead roles and responsibilities, and to have adequate surge capacity when disaster strikes.

Organizations often have to rely on core resources for addressing **emerging issues** and for **trailing innovations**, which can be modelled, piloted, evaluated and then subsequently scaled-up using **non-core** funding from donors. UNICEF has many examples and good practices of this, and regularly contributes to policy reform and the formulation of sector-wide approaches in this manner.

Another advantage of having a mix between core and non-core funding, is that for those areas where UN organizations including UNICEF have a comparative advantage, and which are within a donor’s priority areas of assistance to national governments and other partners, non-core funding can be used, thus freeing up core funding to support activities such as the generation of data vital in providing concrete **evidence** of the plight of the disadvantaged and those in the bottom quintile, as well as the fulfilling of **normative roles and responsibilities** mandated by the UN General Assembly or the Security Council. An example of this is UNICEF’s work in supporting governments and building their capacity to fulfil their responsibilities as a State Party to the Convention on the Rights of the Child and its Optional Protocols.

Disadvantages of current core/non-core funding mix for programme countries—As highlighted in the Secretary-General’s report, “*Analysis of the funding of operational activities for development of the United Nations system for 2008*”, and to a certain extent in the recently-launched “*2010 DAC Report on Multilateral Aid*”, the **imbalance between core and non-core funding is increasing**. This is growing for reasons including that earmarking provides greater visibility to donors, who face pressures from demands for increased domestic accountability and fiscal exigencies.

UNICEF has a concern common within the UN system regarding the increasing imbalance between core and non-core contributions. While UNICEF and other agencies continuously seek to adapt to these trends, in addition to undertaking reform programmes to increase efficiency, effectiveness, accountability and transparency, it is likely that if these trends continue, there will be **serious implications for operational effectiveness** and the capacity of the organization to respond quickly and effectively to programmatic challenges as well as emergencies.

A diminishing percentage of core resources will restrict the capacity of the organization to **allocate funds when and where they are most needed** without being beholden to donor interests, political agendas, or other external influences. Core resources also make possible a **quick response** to the most life-threatening crises without waiting for funds to be mobilized through formal appeals. Core resources provide greater **predictability and flexibility** of funding for humanitarian needs, including supporting early warning, disaster risk reduction, preparedness, and local capacity development.

The sustainability of UNICEF’s work largely depends on its ability to engage with government counterparts, civil society organisations, and other key national stakeholders on the design and implementation of socio-economic policies, legislative and budgetary provisions, and enforcement and monitoring mechanisms. The organisation’s **engagement in these upstream economic and social policy advocacy issues**, as well as its ability to **leverage results** through **wide-ranging partnerships**, is critical to advancing child rights and the rights of women over the long term. Core funding plays a vital role in filling funding gaps in these areas and enabling UNICEF to press forward with these important agendas. Good examples of the use of core resources include funding for programme communication; work on social norms and change that are critical for addressing inequities and also for the sustainability of results.

Core resources are often used as catalytic funding to leverage larger investments from global funds such as the Global Fund to Fight AIDS, TB and Malaria, or GAVI. For example, UNICEF invested US\$550,000 of its discretionary resources to support the preparation of malaria funding proposals for the Global Fund’s Rounds 7 and 8. The success rate for malaria proposals subsequently increased from 23% and 32% in Rounds 5 and 6 respectively, to 75% and 78% for Rounds 7 and 8 respectively.

Advantages of thematically or sectorally earmarked non-core contributions (pooled funding, Multi-Donors Trust Funds (MDTFs)—In recent years, many organizations have been successful in increasing the amount of flexible funding received by creating **internal multi-year**

pooled funds against their strategic plans, which in UNICEF we call **thematic funds**. This type of funding is second best after core funding because it supports the goals and objectives of strategic plans and allow for longer-term planning and stability with reduced transaction costs. With only one pool per thematic area we provide one consolidated annual report to all the donors, who contributed to the pool.

Non-core inter-organizational partnership arrangements, including MDTFs, joint programmes and bilateral UN arrangements, are growing in importance as a source of funding to UNICEF and other UN organizations. One of the main advantages is that **multi-donor trust funds** (MDTFs) reduce transaction costs for the donors, who receive consolidated reports and for whom processes are more streamlined.

Challenges in making better use of the pooled funding mechanisms—Great efforts have been made in recent years to standardize and streamline agreements and structures of pooled funding mechanisms. While donors are increasing the amount of available resources to UN organizations through these funds, experience has shown that although many may reduce transaction costs for donor and partner governments, these **transaction costs are shifted to the UN agencies** which have now taken on the whole "proposal process" that donors used to manage; very complex allocation processes; monitoring and evaluation, and in some cases increased reporting requirements. Most studies over the past three years have recognized that UN agencies bear the burden of higher transaction costs, and donors have acknowledged this fact.

UNICEF fully **supports calls made in UN fora and agreements for more stable, predictable, flexible and multi-year funding** for the operational activities of the United Nations system, including through the Triennial Comprehensive Policy Review; the Financing for Development commitments; the System-Wide Coherence Agenda; and at the High-Level Tripartite Conference on "Delivering As One" hosted by Viet Nam in June 2010, where the focus was on the multi-donor One UN Funds. Donors were called upon to "provide sustainable funding for One Funds". The outcome document stated that "Discussions on Delivering as One should be part of broader dialogues on funding for development and the funding architecture of the UN", and also called upon the Secretary-General to "examine, with UN Member States, the modality for their set-up and sustainable operation in programme countries."

We would also support the **exploring of new and different financing instruments**, including **innovative financing, public-private partnerships**, and expanding the role as donors of **emerging economies**. Even though DAC donors still account for more than 90 per cent of all ODA, non-DAC donors are expanding their support, while developing new approaches, and even new and different definitions of ODA. New modalities of co-operation are possible, where countries like Brazil and Russia are envisaging contributing expertise and good practices along with development and humanitarian assistance. We welcome the enormous contributions these countries can make, including in sub-Saharan Africa.

UNICEF stands ready to work with all partners to strengthen the funding architecture of UN operational activities, as well to increase the mobilization of resources to enable the achievement of our common goals for children, women, and vulnerable groups.