



2011 ECOSOC operational activities segment- Panel I
“How to define the concept of “critical mass” of core resources?”
Monday, 18 July, 10:00 am - 12:00 pm

Concept Note

Background

The United Nations General Assembly, in a 2010 resolution on improving UN system-wide coherence (GA resolution 64/289), requested governing bodies of funds and programmes to initiate the discussion of “the most appropriate definition of and a process towards arriving at a critical mass of core funding”.

This panel aims to promote a free flowing discussion on the concept of critical mass of core funding, its rationale, meaning and implications. It also aims at kick starting the work on this issue in the executive boards of UN funds and programmes.

What is meant by “critical mass” of core funding?

The critical mass of core funding, as broadly defined by GA resolution 64/289 on System-wide Coherence refers to the level of resources adequate to respond to the needs of the programme countries and to produce the results expected in strategic plans, including administrative, management and programme costs. However, beyond this broad concept, there is a need for more technical and nuanced understanding of the definition of “critical mass”.

Why is there a need to define “critical mass” of core funding?

Defining the level of a critical mass of core funding serves multiple purposes. First, it quantifies the level of resources in support of the essential operations of a given organization, thereby clearly indicating the resource-mobilization target for multiyear/non-earmarked contributions; Second, it increases the prospect of adequate financing for the implementation of strategic plans; and Third, it motivates UN system organizations to define critical vs. non-critical functions, leading to rationalization of operations.

Is the current mismatch in growth rates of non-core and core contributions undermining the sustainability of the current funding/operational model of Funds and Programmes?

The concept of critical mass was raised against a backdrop where core funding that fulfils the core/essential functions of UN system organizations has been stagnant compared to the exponential growth of non-core funding. The share of core funding for development-related activities declined

from 69 per cent in 1994 to 34 per cent in 2009. As a result, UN agencies have had to overwhelmingly use non-core resources which are generally restricted with regard to their use and application as determined by the contributor. The degree to which the use and application of non-core resources are subject to and aligned with the mandates, guidelines, priorities and goals established by intergovernmental governing bodies is at best indirect.

The implications of the exponential growth of non-core funding are manifold, including notably 1) agencies find it difficult to pursue longer term objectives due to the volatility of non-core funding; and 2) the institutional structure and manpower installed for the core mandates have to be overstretched to support the activities financed by non-core funding, especially when cost recovery is insufficient. Analysis has shown that the core resources cover a disproportional share of the institutional costs, with relatively smaller portion going to programmes than non-core resources. Member States have consistently underscored that core resources should not subsidize non-core resources.

“Critical mass” of core funding for what?

Clearly there is a need to define the benchmarks/goals against which to determine the “critical mass” of core resources. This requires better definition of the contribution of the UN development system to international development efforts, its competitive and comparative advantage and corresponding niche in the “global market” (demand/supply) for operational activities for development. The best points of reference in this regard are the MDGs/Internationally Agreed Development Goals, the specific role of the UN in reaching these goals and whether and how gaps can be attributed to a lack of “critical mass” of core funding.

It is important to note that this discussion is not about the totality of ODA to meet the MDGs but about the unique role and funding of the UN development system. Here the issue of both the quality and quantity of “critical mass” of core funding matters. For example, it cannot be ascertained that the quality of UN support to programme countries is directly related to the quantity of “critical mass” of core funding. Other factors may cause under-performance of existing “mass” of resources including fragmentation, overlap, lack of coordination, general efficiency and effectiveness etc.

What should the process be to arrive at a “critical mass” of core funding?

Given the very different mandates and business models of funds and programmes, the dollar figure of “critical mass” could vary from one organization to the other. But, there should be common approaches to defining “critical mass”, for example, in terms of the way to classify and calculate costs and to distinguish core and non-core functions.

It is therefore more effective to have funds and programmes work together at the very beginning to develop the definition of critical mass instead of developing agency-specific concepts for subsequent harmonization. An inter-agency working group, including academia, could be tasked to carry out the analytical work and submit a joint document for intergovernmental discussion.

Once there is agreement on the definition, each executive board could launch a reflection on the amount corresponding to the critical mass of core funding for the respective organizations, and identify a process for arriving at a critical mass. Such a process could include considering different models for funding core/regular resources.

Suggested Questions:

The following questions may be addressed in the discussions:

- What is meant by “critical mass” of core funding?
- “Critical mass” of core funding for what?
- Is the current mismatch in growth rates of non-core and core contributions undermining the sustainability of the current funding/operational model of Funds and Programmes?
- What are the current approaches used by Funds and Programmes to estimate core funding requirements?