Three-Seminar Series: Dialogue on UN operational activities for development

Preparations for the 2012 QCPR

Seminar 2: Funding of UN operational activities for development:
What is meant by “critical mass” of core resources?

Venue: Permanent Mission of Indonesia to the United Nations
325 East 38th St., New York, NY
29 March 2012

Between 1994 and 2009, non-core development-related contributions to the UN development system grew by 335 percent in real terms while the corresponding figure for core funding was 2 percent, also in real terms. The mismatch in growth rates of non-core and core development-related contributions has implications for the sustainability of the current funding/operational model of the UN development system as well as that of individual UN entities. The seminar will explore the concept of “critical mass” of core resources for UN funds, programmes and specialized agencies, particularly what it means and towards what ends. The seminar is also expected to contribute to the upcoming dialogue on "critical mass" of core resources at the level of the Executive Boards of the funds and programmes, mandated in GA resolution 64/289 on system-wide coherence.

**PROGRAMME**

**TIME**

**SESSION**

9:30-9:40 a.m. 
**Welcoming**

H.E. Desra Percaya, Vice-President of the Economic and Social Council, Ambassador and Permanent Representative of Indonesia to the United Nations

9:40-10:10 a.m. 
**Opening remarks**

H.E. Nassir Abdulaziz Al-Nasser, President of the General Assembly

Michelle Bachelet, Executive Director, UN Women

Rebeca Grynspan, Associate Administrator, UNDP

10:10 - 10:45 a.m. 
**“Critical mass” of core funding: what does it mean and for what?**

Ad de Raad, former Executive Coordinator, UNV, former Director, Budget Office,
10:45 – 11:30 a.m. Interactive dialogue
Moderator: Werner Puschra, Executive Director, Friedrich-Ebert-Stiftung New York Office

11:30-11:45 a.m. Coffee break

11:45-12:00 noon Additional perspective on the issue of “critical mass” of core funding
Douglas Lindores, former Chief Operating Officer, Canadian International Development Agency (CIDA), former Chair, UNDP Executive Board

12:00 -12:50 p.m. Interactive dialogue

12:50 – 13:00 p.m. Summary and closing
Werner Puschra, Executive Director, Friedrich-Ebert-Stiftung New York Office
“Critical mass” of core funding for UN operational activities for development

The fact that Member States have agreed to discuss the concept of “critical mass” of core resources for funds and programmes at the intergovernmental-level indicates already some concern about the efficacy of the present funding architecture of UN operational activities for development.

Two follow-up questions come to mind: (a) what is meant by "critical mass" of core funding? and (b) "critical mass" for what?

As for the first question, the following definition of the “critical mass” concept developed at the level of one UN entity several years ago may be helpful: "The point at which an organization has gained sufficient momentum or market share to be either self-sustaining or worth the input of extra investment or resources".

This definition of the “critical mass” concept implies a situation where a UN entity is able to deliver on its core mandates in a sustainable manner and additional non-core contributions are likely to generate "value-for-money" or higher "rate-of-return" on all the funds invested. Leaving aside who determines the “worth” of such additional resources, this definition is linked to an assessment of whether the current level of core contributions and performance of funds and programmes are such that they are able to attract additional resources. That could be either in the form of additional core or new/additional non-core resources as long as non-core funding relates to and is aligned with core mandates/strategies/priorities set by the respective governing body.

Most UN entities somehow make the case that non-core funding is aligned with strategic plans adopted by governing bodies. Based on UNDESA analysis one could thus argue that the UN development system as a whole is indeed able to leverage its core funding with additional non-core resources by a factor of two. This is an argument sometimes used by UN entities to explain their high non-core ratio and to justify the de-facto subsidization of non-core by core resources.

Most recent trends with regard to the totality of resources for the UN development have been very positive, including the share of UN operational activities for development of multilateral ODA (estimated at 36 per cent when including both core and non-core funding). Between 1993 and 2008 total contributions to the UN development system also grew at twice the rate of ODA flows of OECD/DAC countries. Moreover, DESA analysis shows that growth in non-core funding has not been at the expense of core resources (e.g. between 1993 and 2008, non-core development-related contributions grew by almost fivefold in real-terms, while core increased by 2 per cent in real-terms). In addition, the “donor” base for UN operational activities for development has broadened and diversified, e.g. for development-related contributions, the share of non-OECD/DAC funding, which is almost exclusively in the form of non-core resources, grew from some 25 per cent in 1995 to more than 40 per cent in 2008. The UN development system has also been able to attract significant local (self-supporting) resources from programme countries themselves.

It can be interpreted from the exponential growth experienced in non-core funding for UN operational activities for development in the 1993 to 2008 period that donors felt that the UN development system was “worth” additional investments through extra-budgetary contributions. At the same time, donors did only slightly increase core contributions in real-terms. The apparent mismatch in growth rates of non-core and core contributions may be undermining the sustainability of the current funding/operational model of the UN development system as well as that of individual entities, an issue that should be examined during the upcoming debate on “critical mass”.

This leads to the second question: critical mass for what? This requires better definition of the contribution of the UN development system to international development efforts, its competitive and comparative advantage

1 Prepared by UNDESA/OESC/DCPB.
and corresponding niche in the global market (demand/supply) for operational activities for development. The best point of reference in this regard are the MDGs/IAGDs, the specific role of the UN in reaching these goals (as articulated by the UN system and recognized by other development partners) and whether and how gaps can be attributed to lack of "critical mass" of core funding (as quantified by actors such as the Millennium Project and others).

It is important to note that this discussion is not really about the totality of ODA to meet the MDGs but rather about the specific unique role and share of the UN development system without which, the MDGs will not be achieved regardless how much others bring to the development table. 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.

That said, if it holds true that the existing "critical mass" of core funding is not doing too badly in terms of attracting additional (non-core) resources aligned with core mandates/strategies/priorities established by governing bodies (at this point in time the place where “worth” is being determined) then the upcoming debate could, inter alia, focus on how to maintain at least that critical core mass in relative terms.

If the leveraging of say one to three is taken as a point of departure then it could be argued that real-term relative growth in core funding should at least be one-third of total resources flows (e.g. if non-core funds grows by $2 in real-terms, core contributions would (have to) grow by $1 as a minimum). However, the evidence so far suggests that core funding for the funds and programmes is not growing at one-third the rate of non-core resources flows.

So the first step in the upcoming consultative process on “critical mass” of core resources could be for the funds and programmes to articulate in quite concrete terms the “value-for-money” they generate with core and non-core funding flows, separately and combined.

There is currently a critical mass for the funds and programmes (and for the UN development system as a whole) that “earns” and generates a lot of additional resources that are (somehow) aligned with central core mandates/strategies/priorities, but there is a danger that "critical mass" of core funding, both from a substantive and operational perspective, becomes less effective in maximizing the added value of all resources if its size does not keep pace with the demands put by the totality of opportunities and resources.

The upcoming discussion on "critical mass" of core resources could therefore examine the potential of further “investment” in core programme resources and activities as means to generate a higher “rate-of-return” on all funds invested. For example, are non-core contributions at present experiencing diminishing rate of return due to lack of “investment” in core programme resources? In all these discussions it is important to note that the “critical mass” concept will have to be adapted to different operational contexts of the respective funds and programmes.