

Rebeca Grynspan Seminar 2: Funding of UN Operational Activities for Development. What is meant by “critical mass” of core resources?

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Part Two of Three-Seminar Series: Dialogue on UN operational activities for development preparations for the 2012 QCPR

- First of all, allow me to thank the President of the General Assembly, UNDESA, and the New York office of Friedrich Ebert Stiftung for organizing this important three-seminars series.
- I am glad to have this opportunity to discuss the concept of “critical mass”, building on earlier discussions during the ECOSOC in 2011.
- To provide you with some basic facts, allow me to start by taking a look at UNDP contributions data over a longer time span - a look that is indeed interesting and revealing:
 - o The level and composition of voluntary contributions to UNDP over the past twenty years shows a growth in contributions from US\$ 1.2 billion in 1990 to US\$ 5 billion in 2011.
 - o However, in 1990, UNDP was largely core-funded with a core to non-core ratio of 5:1. By 2000, contributions had almost doubled to US\$ 2.2 billion with a core to non-core ratio of 1:2. In 2011, contributions to UNDP amounted to US\$ 5 billion and a core to non-core ratio of 1:4.
- This change in core to non-core ratios is indicative of the extent to which funding dynamics have changed over time.
- There is no clear prescription of what an adequate or desirable ratio should be, and an appropriate definition is still needed. But, it is clear that a globally operating development organization, like UNDP, does need what has been called for so often: a stable, adequate, and predictable core funding base. This is essential and this is how I understand the discourse on ‘critical mass’ has started.

- Yet, the rapidly changing funding environment demands us to rethink and to take a fresh, more integrated approach to defining 'critical mass'.
- Before getting to this point, allow me to recall some of the trends and also constants of our funding environment, which I believe we need to work on if we want to achieve a critical mass of resources and sustain it over time.
- On average over the past years, some 55 to 60 member states have contributed to UNDP's core resources annually. These contributions are an important reflection of financial and also political support to the organization, underpinning its global relevance and legitimacy.
- Within that group of contributors there is also a high level of concentration: around 98% of UNDP's core resources are provided by members of the OECD/DAC, and over many years the top ten donors to UNDP have provided between 80% and 85% of our core resources.
- This highly concentrated picture raises two problems: 1) a problem of 'burden-sharing', both within the group of our traditional donors and beyond, with member states at large. and 2) a high vulnerability to any reductions in contributions, even if only from one or two of the top donors.
- So, maintaining our donor base and, at the same time, broadening it by investing strategically in new partnerships, is therefore critical for UNDP.
- It is clear that development funding is under pressure in many traditional donor countries. The ability to communicate measurable development results, and to demonstrate transparency, effectiveness and efficiency are increasingly central to funding decisions. Core resources – un-earmarked and voluntary - need to demonstrate its contribution to improve peoples lives in a very transparent and credible way. Communicating these results is also key to maintain public opinion support to international cooperation. Just as was emphasized by the President of the General, this is important so we can maintain the commitment and also the incentive to contribute to core-resources.
- It is also true that there are today more development actors. This is in itself a challenge and an opportunity, the challenge is to avoid fragmentation of efforts imposing additional burdens on program countries. The opportunity is to enhance collaboration and partnerships within the traditional donors, the new south south partners, the private sector, and the new mega foundations, NGOs and civil society organizations.
- The UN system can make a unique contribution to this bringing an integrated policy advice and solutions to the field, and aligning it to national priorities. Starting by our own coherence and delivering as one efforts, but also, as was stated so clearly by Michelle Bachelet, by bringing in other actors when this is central to delivering results on the ground.

- So, costing, institutionally and programmatically, has to become much more systematic. Results and resources should be seen as a compact. The onus will be on UNDP and its development partners to demonstrate results and on donors and partners to provide the necessary resources.

- This gets me back to the concept of 'critical mass'. Critical mass relates to the relevance member states see in an organization. I see critical mass indeed as the level of resources required for an organization to implement its strategic plan, to be forward looking, while resourcing its base structure adequately.

- It is important to note that the total level of resources needed to serve our programming countries, cannot be reached through core resources alone. Non-core resources are a reality and a very important complement to the regular resources base of UNDP. I think we are not looking necessarily for a mechanical or fix proportion between core and non-core. The critical mass has also the function to help leverage resources to carry out critical support to program countries, but we now that below a certain level it hinders the ability of the organization to do so.

- Let me also say that the non-core category is a very broad category. There are many types of non-core, the less earmarked non-core resources can be, the more they help to leverage core resources and ensure that the overall non-core portfolio helps to bring development programmes to scale. This is important to maximize the contribution UNDP can make to the national development ambitions of its partners.

- But making the case for critical mass is not just a financial question. It is equally a fundamental political question about how the international community intends to address major development challenges and global public goods going forward.

- In this regard, there also needs to be a discussion on how multilateral and bilateral approaches can and need to complement each other. It's a question about the respective comparative advantages and what it takes to finance this complementarity. Every actor needs a critical mass of funding to be relevant and competitive. The price tag that needs to come with determining 'critical mass' will not be an imperial number, but it is one that ensures its relevance and that enables development organizations like UNDP to respond to the demands of its many different partner countries. And this critical mass needs to be carried by a larger number of member states than is currently the case.

- What would be most meaningful would be to see contributions to core resources as a reaffirmation of support to the core mission of the United Nations. We are grateful that the UN is the top channel of multi-lateral aid, and are heartened by the fact that we are the partner of choice for an increasing number of non-OECD/DAC countries. We believe in the mutuality of benefits in South-South cooperation. We are encouraged by the growing opportunities to engage in public private multi-stakeholder partnerships.

Already UNDP is able to leverage resources from program countries that are contributing to their own programs, including from the private sector and increasingly from south-south cooperation. (For example, currently, four billion dollars has been committed as direct co-financing to supplement GEF grant funding of 1.2 billion – a ratio of approximately 4 to 1. In GEF-supported energy projects, the private sector, governments and other groups have committed 1.4 billion in co-financing to projects with total GEF grant funding of 275 million.) It is clear however, that more diversification and a more stable amount is needed for the critical mass to fully play its role.

- We are your United Nations, with unique mandates and missions. Our capacity to fulfill these mandates depends on adequate resources, and the ability to allocate these resources in accordance with the principles which guide and govern us. We ask for your critical support and suggestions on how this can be best achieved.
- I thank you for your attention and look forward to a fruitful dialogue!