

## Working Group

### Funding of operational activities for development

#### Background

Operational activities for development, including humanitarian assistance, constitute 60 per cent of all system-wide activities of the UN.<sup>1</sup> Between 1993 and 2008, total contributions to the UN development system grew by 5 per cent annually, in real-terms, compared to 1.5 per cent for OECD/DAC ODA flows. The increase in contributions to the UN development system was almost exclusively in non-core resources, which nearly tripled in real-terms, while growth in core funding was close to zero. About 10 donor countries accounted for 80 per cent of all core resources flows to the UN development system in the 2007/2008 biennium.

Of non-core development-related funding in 2008, about 71 per cent was programme and project specific, with self-supporting contributions of programme countries accounting for 18 per cent; multi-donor trust funds for 8 per cent; and thematic funds for 3 per cent. A preliminary review of actual programme expenditures at regional and programme country-level seems to confirm that core resources continue to cover a higher share of UN institutional costs compared to non-core funding.<sup>2</sup>

The predictability of contributions to operational activities for development, particularly core funding, is important for effective resources management by both programme countries and the UN development system. In the same vein, attracting additional and stable funding to UN operational activities for development requires demonstrating the effective and efficient use of resources.

A notable change has taken place in the targeting of operational activities for development in the past few years, with more than 50 per cent of expenditures in 2008 in least-developed countries (LDCs) compared to 39 per cent in 2003. For core resources, 81 per cent was spent in low-income countries in 2008 while 14 per cent of expenditures were in low-middle income countries and 3 per cent in upper-middle income countries.<sup>3</sup> For non-core contributions, the same percentages were 63, 24 and 10 per cent respectively.

#### Selected issues

1. What are the *principles* that should guide the intergovernmental dialogue on funding of operational activities for development?
2. Can the concept of “*critical mass*” assist in building consensus on the need for greater predictability of funding for operational activities for development? How can the “critical mass” concept be defined and operationalized in UN entities?
3. What factors, both UN and donor-related, might increase core resources flows to UN entities? Should the concept of core and non-core be redefined? How can improved planning and reporting on results at country-level help increase core resources flows?
4. How could the *predictability* of core and non-core resources flows to the UN development system be improved?
5. How could *governance* of non-core resources flows to UN entities be strengthened?

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<sup>1</sup> With peacekeeping operations accounting for 25 per cent and “norm-setting and other” for 15 per cent.

<sup>2</sup> This follows the approach whereby non-core cost recovery principles are based on the recovery of direct costs and variable indirect costs and not the so-called fixed indirect costs needed to finance the base structures of UN entities.

<sup>3</sup> Income groups are based on the World Bank’s *World Development Indicators 2009* publication which groups countries according to 2008 GNI per capita.

6. How can Member States improve their ability to *monitor resources flows and trends*, and better understand the implications of different funding modalities, including the relevant management and administrative costs?

### **Process**

Deliberations in the WG are expected to be informal and issue-driven. The WG can meet as often as necessary, as long as those meetings do not coincide with others relating to the system-wide coherence process. The WG is encouraged to invite UN experts and outside resources persons to contribute to its deliberations. The WG should complete its work by **12 April**.

### **Outcome/output**

Deliberations in the WG should result in the submission of either elements for a negotiating text or of possible elements for legislation if the latter can be identified, accompanied by a summary of discussions if deemed necessary by the co-chairs.