

Informal Summary

Operational activities segment of the ECOSOC substantive session

Panel discussion on “*The UN system in a changing aid environment: implications and comparative advantages*”

New York, 10 July 2008

- Chair:** H. E. Ambassador Andrei Dapkiunas, Vice-President of ECOSOC
- Moderator:** Mr. Abdoulie Janneh, Executive Secretary, ECA
- Panelists:** H.E. Francis K. Butagira, Permanent Representative of the Republic of Uganda to the United Nations
Mr. Aiichiro Yamamoto, Resident Representative USA, Japan International Cooperation Agency (JICA), USA
Ms. Thoraya Obaid, Executive Director, UNPFA
Mr. Bruce Jenks, Assistant Administrator and Director of the Partnerships Bureau, UNDP

Lead discussant: Mr. Charles Riemenschneider, Director, Investment Centre Division, FAO

1. INTRODUCTION AND MODERATOR’S REMARKS

Following the opening remarks by H. E. Ambassador **Andrei Dapkiunas**, the moderator, **Mr. Abdoulie Janneh** remarked that the United Nations system is a unique player in the current development cooperation environment. Its operational work is anchored in global mandates, and it has access to knowledge, skills and other resources that can help developing countries progress towards their national priorities and the Internationally Agreed Development Goals (IADGs). The universal, voluntary and grant nature of its operations, its neutrality and multilateralism are also part of its unique value added. He commented that the system has a privileged role in helping countries coordinate and manage external aid and to take full advantage of and utilize programme-based aid modalities. How the UN system adapts to the current challenges and opportunities was at the heart of the discussion, which was organized around the following three key questions:

1. What unique contribution can the UN system make to the development of programme countries– given the growing role of other actors in development cooperation, the changing aid environment, and its own funding situation?
2. What is the actual and potential role and contribution of the UN system in making ODA (including programme-based approaches) more effective and in supporting recipient countries to make the best possible use of aid? How can the performance of the UN system be improved in this regard?
3. What key actions should be taken by the United Nations system to enhance the effectiveness and quality of its own development cooperation? What key measures should it take to enhance the quantity and quality of its own funding?

2. PRESENTATIONS BY PANELISTS

Mr. **Francis K. Butagira** (Uganda) noted that since 1970s when developed countries pledged to devote 0.7 per cent of their GNI as aid to developing countries, the picture had been that of dwindling development aid. Only a few countries have delivered on their promises, while in fact about only 4 have met the target of 0.7 per cent, so far.

Developing countries and developed countries committed themselves to a set of developmental goals at the International Conference on Financing for Development in Monterrey, Mexico in 2002. Since then, developing countries have made progress in fulfilling their commitments. In Africa for instance, under the “Peer Review”, significant improvements have been made in monitoring governance, transparency and development effectiveness. But, unfortunately, donor countries have not significantly performed their obligations. Aid effectiveness is compromised by an assorted array of aid providers, who lack coordination, coherence and synergies in aid delivery.

In facing up to these challenges, a new system should be devised to improve coordination and coherence in order to avoid duplication of efforts. Mr. Butagira said that the current UN pilot project. The current “Delivering as One” initiative in 8 pilot countries is an initial step in the right direction. UN should also make full use of the existing mechanisms, including the Annual Ministerial Review (AMR), the biennial Development Cooperation Forum (DCF) and other global conferences to monitor the whole issue of aid delivery, aid effectiveness and policy guidelines. The outcome of the Paris High-Level Forum on Aid Effectiveness should also be fine-tuned in the forthcoming Accra High-Level Forum on Aid Effectiveness.

Furthermore, there should be a monitoring mechanism and inbuilt benchmarks to make donor countries fulfill their commitments. He made a particular reference to the follow-up to the Fourth Tokyo International Conference on African Development (TICAD 4) held in Yokohama, Japan in 2008. Japan has put in place an innovative mechanism for mutual accountability with a view to strengthening peer monitoring by African Ministers, which is an annual Ministerial forum on African development to follow up on the pledges made under TICAD 4.

Mr. **Aiichiro Yamamoto** (JICA, Japan) made a presentation on the United Nations as a guardian of MDG. He stressed that UN’s comparative advantage lies in its role as a guardian of the MDGs, and its strength in managing globalization. Since the adoption of the MDGs in 2000, their attainment has been an overarching goal of all development partners (including the UN agencies, bilateral donors and the international financial institutions such as the World Bank), which has demonstrated the significance of UN’s normative value. In addition, UN has been playing the role of a locomotive pulling the international community together towards the achievement of the MDGs.

However, these efforts by the UN are challenged by two imminent problems, namely, globalization and external shocks, such as the food crisis and natural disasters. Under the current system of globalization, countries striving to free themselves from poverty cannot always succeed, as “globalization per se may not ensure economic growth across the board, unless we do something to make it work for the poor”. Natural disasters, the food crisis and soaring oil prices are also affecting the life of vulnerable people and fragile states on an unprecedented scale. Therefore, a global solution that ensures the benefits of economic growth to reach the poor must be pursued.

Further, there is a need for re-positioning “aid allocation” from the over-emphasized social sector (health and education) to productive sector including agriculture, rural development and infrastructure for sustainable growth to support the cost of social services on a sustainable basis. The current food crisis is partly attributable to the neglect of aid allocation towards agriculture and rural development, particularly, in Africa. The current food crisis may turn the MDG clock backward.

The UN has its own strengths in addressing these challenges. One of the UN strengths is its analytical work represented by the Common Country Assessment (CCA), particularly in the post-conflict context. In East Timor under UNTAET, the UN had played an important role vis-à-vis other development actors in mobilizing, analyzing and producing the data and information on the post-conflict situation in order to provide a common platform for further aid allocation and delivery at country level. Mr. Yamamoto also emphasized the critical role of the UN as a neutral trusted actor in countries undergoing the transition from emergency to development, dealing with politically sensitive issues.

Finally, UN’s comparative advantage is also rooted in its multi-disciplinary, multi-sectoral expertise and human resources. For example, UNDP has all the necessary development expertise ranging from human resources development and disaster prevention to community development. FAO has outstanding knowledge in the area of long-term agricultural development. UNICEF has strengths in many other sectors related to children, in addition to education and nutrition. Recognizing the comparative advantage of UNCDF (a special UN organization in the field of micro-credit) in microfinance and decentralization, JICA is collaborating with UNCDF to support small-scale artisan industry for creating jobs for the urban poor in Africa. Mr. Yamamoto finally called upon the UN to strengthen its comparative advantages and reach out to the donor community, particularly, bilateral donors.

Ms. **Thoraya Obaid** (UNFPA), in her capacity as the Chair of the High Level Committee on Management (HLCM) of CEB, referred to four areas where the UN needs to make substantial changes in order to deliver effectively on the mandates entrusted by Member States.

First, UN needs to improve its support for nationally led and owned development, as requested by the 2007 General Assembly resolution on the TCPR and as reflected in the Paris Declaration. In response to the TCPR, the UN system has been working intensively over the past few years to increase coherence, to harmonize business practices, and to deliver as one in support of national development. The work is being undertaken by UN Country Teams (UNCTs) as well as the Chief Executive Board and its three pillars, namely, the High-Level Committee on Programme, the High-Level Committee on Management and the UN Development Group.

Second, the UN needs to further harmonize its business practices in areas of human resources practice, budget and financing, ICT, and procurement. Members of HLCM have worked together and developed a draft plan to harmonize business practices for the UN system over the next three years. The plan builds on three guiding principles, including 1) improving accountability and reporting to Member States; 2) facilitating UNCTs to provide the best support to their national partners; and 3) ensuring that efficiency gains to be realized to strengthen programme performance.

Third, the UN needs to use its own comparative advantage to help development partners align with national priorities and engage with national systems. The key factor in aid effectiveness is the alignment of aid with national priorities and national systems. One of the UN system’s comparative advantages is its focus on providing a platform to bring all parties together. The UN

is not a major player in terms of financial contributions, but it has experience and responsibility to leverage national and international resources and technical expertise to meet internationally agreed goals and targets. UNCTs play a pivotal role in supporting national leadership and in helping partners verify that sector-based programmes are effectively benefiting the poorest people. This has been demonstrated by UNFPA country offices, which are active in sector-wide approaches (SWAs) including joint-funding in the health sector in over 30 countries.

Fourth, the UN needs to work in partnership with other development actors to ensure that aid is effectively delivered. Aid effectiveness depends on coordinated partnerships, particularly in the area of public health. Ms. Obaid shared with the participants a good practice of the UN. Several UN agencies are working with other global health partners, including UNAIDS, UNFPA, UNICEF, WHO, the World Bank, and other non-UN entities

Finally, Ms. Obaid stressed that the UN needs to keep its eye not on the process of change but on the change it wants to see in terms of the principles and goals it is trying to achieve.

Mr. **Bruce Jenks** (UNDP) identified five areas where states are most likely to solicit interventions of multilateral organizations and where multilateralism could provide the optimum and most rational option.

One of the advantages is pooling resources in aid. In the scenario where many different actors work in the same field, it makes sense to pool resources together through the construction of a knowledge or skill center, where many individual UN organizations have comparative advantage. This has happened in the humanitarian sector where the operational activities are put together and coordinated by multilateral organizations, including the UN. One way of dealing with pooling is to help strengthen government capacities in managing different demands and requirements of donors in an appropriate and consolidated manner, which may be another area in which the UN has strength in the future.

The second comparative advantage was labeled as “outsourcing”. In the situation where there is a lack of interest by other development actors, such as operations in so-called “aid orphan countries”, multilateralism has its comparative advantage. In the early-recovery and peace-building areas, there is also a desire from the donor community for UN’s interventions.

The third area relates to managing globalization. The problems of globalization create a demand for global solutions, the global norms and standards, and production of global public goods and services, which are exactly what the UN is good at. UN’s strength in these fields has been proved by the creation of international health standards by WHO and labor standards by ILO, for instance. In the areas of climate change and the food crisis, independent but inter-related actions could affect each other. Therefore, a comprehensive and global approach could be initiated and coordinated by the UN.

Another comparative advantage of the UN is its neutrality. UN’s comparative advantage also exists in politically sensitive areas such as election and democratic governance, where programme countries look for assistance from a neutral development partner. In this scenario, national ownership is possible only when there are different solutions/options for choice, and policy advice provided is independent from vested interest of individual countries. Multilateral organizations are in the position to assume this neutral policy advice role.

Fifth, in situations of early-recovery and peace keeping operations, individual donor countries face difficulties in working individually, without a holistic framework. Therefore, the UN could

take a lead in such circumstance. In summary, the comparative advantage of the UN in a changing aid environment must be understood in terms of those intergovernmental actions in which the characteristics of multilateralism are most in demand. The international community needs to reactivate the value of multilateralism that has been stressed and firmly anchored in the Monterrey Consensus, but somehow lost afterwards. This should be debated at the Follow-up International Conference on Financing for Development to be held in Doha.

3. DISCUSSION

Following the presentations by the panelists, an interactive discussion took place between the delegates and panelists. First, the lead discussant, Mr. **Charles Riemenschneider** (FAO) introduced the view of his organization.

He called on donors to scale up aid volume and effectiveness in the agriculture and rural development (ARD) sectors. He noted that regardless of the Monterrey Consensus on Financing for Development and the Paris Declaration on Aid Effectiveness, aid to the ARD sectors had declined in real terms by 58 per cent between 1980 and 2005, while its share of ODA had dropped from 17 per cent to 3 per cent in 2006. The decades-long decrease in public investment in the global agricultural sector is a significant factor in the structural problems that underpin current soaring costs and dwindling availability of food commodities. In light of the global food crises, re-investing in agricultural productivity now makes more sense for future economic stability.

Furthermore, increasing the aid volume and improving the quality of aid is only justifiable if it increases the impact of aid in achieving sustainable economic and social development, poverty reduction, food security and gender equality. Empirical evidence shows that investments in agricultural growth are at least 2.5 times more effective in increasing the income of the poorest population than those in the rest of the economy. Among the poor that depend on agriculture for livelihoods, the majority are women. The UN's role and comparative advantage in this regard is to ensure that the fruit of development reaches the poorest of the poor, including the rural poor, women and others. He pointed out that the weakness of the Paris Declaration is the lack of inclusiveness. The Paris Declaration does not articulate the inclusion of target beneficiaries in the participatory decision-making process. Thus, measures need to be implemented to hold donors and governments accountable to the most vulnerable population.

Partnerships are the cornerstone of development and aid effectiveness. With regard to the ARD sectors, partnerships must involve a wide range of stakeholders, including the private sector and NGOs, as the food crisis is not only related to agricultural productivity, but also marketing, agricultural research and capacity development. Partnerships between donors and development actors must also pay attention to the unique characteristics of agriculture in a specific country, sub-region and region.

3. A. 1 Challenges related to ODA

Some delegations expressed their concern about the insufficient volume of aid. Many programme countries highlighted that social sectors are receiving most of aid, while aid to productive sectors such as agriculture is facing a decline. Regarding aid allocation, investments in infrastructure and productive sectors as well as in rural development are essential to achieve the MDGs. The UN system needs to address this issue in the current context of food and energy crises. However, there should not be a mere shift of aid from social sectors to agriculture, but rather this should be accompanied by an increase in the overall ODA flows.

Within the context of globalization and the global supply chain, simply increasing the productivity of agricultural sector can not have a decisive impact on reducing poverty. Initiatives should be holistic and comprehensive, addressing all aspects of this problem including the supply chain and marketing strategies, capacity development of farmers (e.g. food processing skills, etc.), taxation issues, agricultural subsidies by developed countries, etc., with the goal of ensuring that local products have access to the market at fair prices.

More broadly, the UN system needs to focus on aid allocation and identify proper targets to respond to national priorities in a timely and effective manner. Direct budget support has been used to strengthen national ownership in aid delivery. While direct budget support may promote national ownership and reduce transaction costs, some donors may find it rather difficult to monitor and evaluate the effective utilization of the funds. Good governance and accountability of the recipient country are important. The traditional project-based modality may have its own advantage too for effective M& E of the immediate outputs and outcome of a project.

The targeted beneficiaries of ODA should include the most vulnerable groups such as women, rural poor and the marginalized population. In this connection, the effort towards inclusive development shall involve mainstreaming of cross-cutting issues such as gender equality and capacity development. It was noted that the Paris Declaration lacks the legitimacy for universal application. This needs to be taken into account the debate of the forthcoming Accra High-Level Forum Aid Effectiveness and the Follow-up International Conference on Financing for Development to be held later this year in Doha.

3. A. 2 Achievements in the new ODA environment

The achievement in the new ODA environment is related to the strengthening of international monitoring frameworks and aid effectiveness. Although the Paris Declaration made an important step forward, there is much more to be done at the follow-up meeting to be held in Accra. The follow-up frameworks to TICAD 4, namely “the conclusive Peer-review by African Ministers” of the donor pledges and the holding of an annual follow-up conference on this issue --- provides a unique opportunity for African countries to self-monitor the behavior of donors, towards greater progress. The inclusion of ODA issues in the agenda of G8 Summit recently held in Hokkaido Japan, with a focus on food crisis, climate change and soaring energy prices, was also a welcomed action.

An important achievement in the new ODA environment has been the emergence of innovative aid channels (e.g. global funds and philanthropists’ contributions, NGOs and private sector) and expanded partnerships. South-South and triangular cooperation in particular is becoming increasingly important. There is a growing recognition by the global community of the importance and effectiveness of South-South and triangular development cooperation. Developed countries, middle-income countries, as well as multilateral agencies, are also emerging as key players in fostering and sustaining triangular cooperation. However, South-South and triangular cooperation should be regarded as complementary to North-South cooperation instead of a substitute for it. Furthermore, despite the advantages of these new modalities, special attention should be given to avoiding fragmentation, which could reduce the effectiveness of development programme and ownership by local authorities. Therefore measures are needed to ensure consistency, coordination and coherence among various development actors.

3. B. 1 Challenges of the UN system in operational activities

Some UN agencies have recently experienced a decline in funding. In addition, financial contributions to the UN development system as a whole has been stagnant vis-à-vis those to other aid organizations. This means that the overall aid flow is becoming less multilateral. This lack of funding has been seen as a major risk for multilateralism.

Furthermore, the non-resident agencies (NRAs), including regional commissions, have repeatedly expressed their concern about their marginalized role in the operational activities at the country level.

Efforts should also focus on further strengthening the analytical capacity of the UN system to ensure that information reaches the end-users. Some mentioned that analytical capacity of the United Nations system may already exist in some sectors, but enhancing its impact remains a future challenge for the UN system. The issue of effective knowledge management, including harmonization of IT standard is of growing importance.

3. B. 2 Strength of the UN system

The UN system has a unique comparative advantage derived from its multi-sectoral expertise, its analytical capacity (for example, producing information and statistical data), supported by diverse human resources. Each UN organization has a unique role to play in countries' development processes. These strengths had been repeatedly stressed by the Member States during the TCP/R negotiation process, and at the AMR and DCF. And this advantage was proved on the ground, particularly in many post-conflict situations.

3. C. Steps for the UN system to follow in the future

The UN needs to play its key role as a neutral trusted partner with strong legitimacy. It should utilize its comparative advantage in helping to pool aid resources and manage globalization to help programme countries in building national capacity to achieve the IADGs, including the MDGs. In this regard, UN must avail itself of its wide range of technical expertise and multi-sectoral human resources to meet the dynamic demands of programme countries through further strengthening its human resources and standardizing its business practices. Meanwhile, the UN also needs to develop its strength in the emerging areas demanded by the programme countries and align its resources and programme to meet national priorities. In recognition of UN system's diverse expertise and skills, it was felt by some participants that the system should provide some flexibility in meeting country-specific demands, building on its norm-setting and coordination role and agency specific service delivery. There is also scope in the future for active participation of the United Nations system in SWAs when appropriate.

The UN should further improve coherence and coordination at the country level. The effort towards this should go hand in hand with the harmonization of business practices within the system (**Ms. Obaid**) and the support for "Delivering as One" initiatives. In addition, the role of the NRAs, including regional commissions, should be revitalized as a full fledged member of UNCTs at the country level so that vertical alignment (national, regional international linkage) and coordination at the country level can be improved.

Building on previous achievements, the UN system should take the lead in promoting “inclusive development”, involving multi-stakeholders, such as civil society, local government, and parliamentarians, to ensure active participation of all.

There was a feeling that a greater synergy among different fora is also needed in this regard. The Operational Activities Segment of ECOSOC should make a consolidated effort to strengthen its linkage with other UN fora, such as the Development Cooperation Forum (DCF), the Annual Ministerial Review (AMR) and the upcoming Doha Follow-up International Conference on Financing for Development.

4. CONCLUDING REMARKS

At the end of the session, the moderator of the panel, **Mr. Janneh** shared with the delegates the following observations:

- The aid environment is continuously changing and now there is a stronger focus on national ownership and alignment with national priorities;
- The UN system needs to reposition and reform itself in the changing aid environment in order to support programme countries more efficiently and effectively to achieve IADGs, including the MDGs;
- The Paris Declaration formulated a set of guidelines on the aid effectiveness agenda, but more could be expected from the Accra High-Level Forum on Aid Effectiveness;
- In order to achieve the IADGs, the volume of aid flow must be scaled-up and, timeliness and predictability should be ensured.