

**Informal summary of the Dialogue on  
“UN System Funding”  
ECOSOC Operational Activities Segment**

**3:00 p.m. – 4:30 p.m. 15 July 2009**

**Geneva**

**Chairperson and Moderator:**

H.E. Mrs. Carmen Maria Gallardo Hernández, Vice-President of ECOSOC

**Panel Members:**

- Mr. Michel Goffin, Head UN and Bretton Woods Institutions, Belgium Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation
- Mr. Ramadhani M. Khijjah, Permanent Secretary, Ministry of Finance and Economic Affairs of Tanzania & Chair of the Joint UN/Government Steering Committee

In her introduction, the Vice-President highlighted the special importance of the issue of funding of the UN system’s operational activities, made more pressing by the current economic crisis, and the continuing informal consultations by the General Assembly on strengthening system-wide funding architecture in the context of system-wide coherence. Particular aspects for the panel discussion are the issues of core versus non-core funding, and experiences with innovative funding modalities. Key questions include:

- How the growing imbalance between core and non-core resources in UN system funding impacts on the implementation of UN country programmes, especially the principle of national ownership and leadership;
- The pros and cons of earmarked/non-core resources at country level;
- Effectiveness of different UN funding modalities based on programme country experiences; and
- Contribution of common country funds/One UN Fund on sufficiency and predictability of UN funding at country level, and impact on core funding of UN agencies.

**Issues and discussions:**  
**Interventions by panelists:**

The first speaker, **Mr. Michel Goffin** (Head, UN and Bretton Woods Institutions, Belgium Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation), on behalf of the H.E. Mr. Charles Michel, Minister of Development Cooperation, spoke on “*The new multilateral funding policy of the Belgian Development Cooperation*”. The Belgian Government’s new funding policy, since the beginning of the year, includes shifting of all its thematically earmarked contributions to “core” funding. This decision was made against the backdrop of the multiple crises and the importance of effective multilateralism in supporting global responses that facilitate assistance to developing countries, reducing the many conditionalities linked to numerous projects. With the growing imbalance between core and non-core funding of the UN system, the situation can be likened to a company which owned only 30% of its funding, and therefore, cannot manage its activities effectively.

Belgium’s bilateral cooperation is also being strengthened, while giving the multilateral institutions, including the UN more opportunities for execution, if so requested by the recipient government, and if the recipient government’s preference is to use a multilateral funding channel.

Through the new policy, Belgium is addressing quality of funding. As noted in the Secretary-General’s report on the effects of non-core funding on the delivery of UN mandates, earmarked resources have less flexibility vis-à-vis country-level needs, distance the priorities of operational activities from the core mandates of these organizations, and involve higher transactions cost with additional work required for separate reporting, additional documentation, more field visits, etc.. Another core policy principle, is aid predictability. Belgium now supports a multi-year system of contribution engaged until 2011 and paid upfront in the first year.

With some 242 organizations involved in development cooperation, the situation has become unwieldy for programme countries. Earmarked contributions complicate harmonization efforts as agencies compete for resources. Moreover, less flexibility in earmarked funds also discourage joint efforts. Belgium also follows the on-going reform process in specialized agencies aimed at creating financing mechanisms similar to voluntary resources, in addition to regular budgets.

Belgium will be monitoring reforms in funding closely as it converts to non-earmarked contributions. Recipient agencies need to demonstrate effectiveness and results. At the same time, Belgium will provide encouragement (incentives) to agencies that perform well. Public opinion wants to see results associated with expenditures.

Belgium also highlights the principle of national ownership, and in this regard the need for UNDAFs to respond and be aligned with national development frameworks. Where national capacities are lacking in the area of governance, Belgium sees an important challenge for the UN system in supporting national capacity development.

In conclusion, Mr. Goffin stressed Belgium's concern for both quality and quantity of aid and the importance of multilateralism. With its new policy, Belgium reaffirms its trust in the UN system, and sees it as a better way to respond to the crises, with a shared responsibility to succeed.

The next speaker, **Mr. Ramadhani Khija, Permanent Secretary, Ministry of Finance and Economic Affairs of Tanzania** (also Chair of the Joint UN/Government Steering Committee for the UNDAF), spoke on "*Experiences with innovative funding mechanisms and new aid modalities at country level*". Putting Tanzania's experience with UN system funding into context, the speaker highlighted the relevance of TCPR resolution 62/208, the Accra Agenda for Action on aid effectiveness, the Doha follow-up Conference on Financing for Development, and GA resolution 62/227 on system-wide coherence. The Tanzanian government sees the UN's role as a convener, a capacity builder, and advocate of the UN's normative roles being constrained by the increasing share of non-core funding. Innovative funding approaches (e.g., voluntary indicative scale of assessment, multi-donor trust funds, and others), are mainly responses to predictability of aid.

In this regard, Tanzania's effort to address issues with aid management goes back to 1995, when it developed a Technical Assistance Strategy (TAS) in response to strained relations between the government and funding partners. Underpinning TAS were the principles of partnership, national ownership and leadership, capacity building and aid effectiveness. Tanzania later developed a "Tanzania Declaration on Aid Effectiveness", and subsequently, elevated the TAS second generation to a Joint Assistance Strategy, representing a medium-term framework for partnership with external funding partners building on principles of aid effectiveness and partnership.

Tanzania has engaged some 14 donors in general budget support (GBS), who have signed a GBS agreement with the government (this being its preferred modality due to its untied nature, the common dialogue process, the upfront contributions, integration into the budget process, and accountability to parliament). Aside from GBS, Tanzania uses programme approaches (SWAPs, basket funds), with some UN agencies (UNFPA, UNICEF, UNDP, IFAD) participating in basket funds.

In general, Tanzania's experience with new aid modalities has facilitated management for results (for both donor and government). In the country's aid environment, UN reform has provided opportunity for UN system coherence.

As a pilot country for Delivering as One (DaO), the One Fund has raised \$36 million in 2008 (compared with a budget requirement during that period of \$34 million). It has some 6 joint programmes. DaO has: improved UN system's compliance with the Paris Declaration principles; coordinated resource mobilization; developed performance-based criteria for resource allocation; improved focus linked to results-based management; strengthened government leadership in management of UNDAF; and allowed greater

transparency in funding status. However, there is still wide variations within the UN system's business processes.

In conclusion, Tanzania's experience demonstrates that the UN can improve effectiveness and efficiency, and have greater focus on substantive work. Highlighted is need for the UN system to adjust its rules to enable the UN agencies to participate in policy-based approaches. There is also recognition of the need for the government to address its own constraints.

## **Discussions**

Some delegations from donor countries echoed Belgium's remarks on the importance of the UN system demonstrating effectiveness, as well as efficiency. The importance of linking non-core funding to results-framework was also stressed. The evidence of the link between effectiveness in DaO and increased funding was welcomed. The need to communicate results, as well as improve accountability and transparency were highlighted.

While supporting increases in core funding, some delegations noted that non-core funding have different modalities and there is need to analyze their pros and cons and their relative efficiency. There was a view that although there may be less flexibility with pooled/thematic funds, they can, in certain instances, also provide relevant and useful support and help discipline joint efforts both by the government and the UN.

Representatives of programme countries stressed the importance of the operational activities segment of the ECOSOC in providing guidance, and reaffirmed the fundamental characteristics of UN system funding, and the importance of coordination by the national government.

In response to a question on savings on transactions costs, Mr. Khija informed that savings from transactions costs was not so much in financial terms as much as transactions processes, and if there were any savings on operational cost, these are not readily transferable to programme budgets as UN financial regulations do not allow this. Saving in transactions efforts, were achieved through the resident coordinator (RC) serving as "One Leader" which simplified the inter-face between government and the UN system (17 in Tanzania). Another benefit is the greater transparency and clarity of what the UN system, in its totality, was doing (instead of dealing with the 17 different UN agencies). Transactions cost was also reduced between and among UN agencies. Tanzania advises that other countries pursue the DaO approach so that governments deal with only one process.

In response to questions, Mr. Goffin pointed out that with regard to the One Fund, a crucial element for donors is visible impact. On evaluating operational activities for development with certain performance indicators, he agreed that indicators used by donors should be the same. On corruption, Belgium supports full transparency including

access to internal audits. He cited 50% as a possible target for core funding (vs. current 30%) for the UN development system.

Following the conclusion of the panel discussion, the Vice-Chair invited the representative of the Joint Inspection Unit to present the JIU report on national execution of UN technical cooperation for development, for consideration in the debate of the operational activities segment.