

**Statement by Mr. José Antonio Ocampo,  
Under-Secretary-General for Economic & Social Affairs**

**Panel on “Funding of the United Nations development cooperation for the pursuit of the Internationally Agreed Development Goals, including those contained in the Millennium Declaration: alternative options and modalities for financing operational activities for development of the United Nations System”**

**Operational Activities Segment  
2005 Substantive Session of ECOSOC  
New York, 11 July 2005**

Mr. Chairman,  
Distinguished delegates:

I have the honour to open this panel discussion on funding United Nations development cooperation, aimed to help Member States achieve internationally agreed development goals.

The timing for this panel is excellent. It follows closely after the General Assembly’s High-Level Dialogue on Financing for Development. And it anticipates the special attention that funding questions will receive at the 2005 World Summit, this September.

Funding for UN development cooperation is *not* a new theme in ECOSOC debates. Yet this *is* the first time that the Assembly has asked that the UN explore “alternative options and modalities”—not only to increase that funding, but also to ensure predictability, long-term stability, and reliability. Increasing the volume of financial contributions and improving the ways in which those contributions are secured: both are essential to the system’s capacity to help Member States achieve the goals and objectives—including the Millennium Development Goals—that constitute the UN Development Agenda.

To tackle this question, we must bear in mind recent trends affecting how the activities of multilateral development organizations are financed. These trends have created both new opportunities and new challenges for the funding of UN development cooperation.

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The past decade has witnessed a radical transformation in international development assistance. Member States have reached an unprecedented consensus on a comprehensive and ambitious UN Development Agenda. Increasing awareness exists that, to achieve the internationally agreed development goals that make up the Agenda, new resources should be mobilized: at the domestic and the international levels; and from private and public sources. At the same time, everybody agrees on the need to ensure the efficient use of resources, in order to implement the Agenda to optimal effect.

Already, after years of stagnation and instability in the flows of official development assistance, we are now seeing an upward increase in ODA. This has raised expectations of higher levels of ODA, as a percentage of GDP, in several donor countries.

We are also seeing changes in the way ODA is provided. Much of the new resources for development assistance is being placed through novel mechanisms. Higher levels of bilateral cooperation are increasingly channeled directly to developing countries: through budget support and so-called “SWAPs.” Having said that, thematic global funds, and recent additions to the IDA window, have attracted a significant amount of new contributions from several donors, as preferred vehicles for expanding their own development cooperation programmes.

We have had the good news of agreements announced on debt cancellation, *without* a reduction in overall funds available to developing countries. We even have encouraging signs in the overall resources being made available for UN development cooperation.

Funding needs for the UN development system, and their corresponding funding modalities, should be considered in light of these trends.

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We all know that the UN’s development role focuses *not* on financial aid, but on building national capacities. In fact, through a combination of factors, the UN system has forged for itself a unique capacity to provide multilateral, neutral, and flexible support to developing countries. Three essential ingredients are needed to maintain this rare, and I believe, indispensable capacity:

- strong un-earmarked or “core” funding;
- good management practices; and
- corresponding reforms within the UN system.

Today, this capacity is being challenged—and, in a way, jeopardized—by some of the very same new aid modalities that are helping to attract more aid and bringing new opportunities. For example, the increasing use of budget support or SWAPs demands, of the recipient countries, higher managerial and programming capacities. For the UN system, this requires a re-orientation of its own contribution at the country level, in order to help countries make the fullest use of the new aid opportunities. This means UN organizations need not merely to sustain but, in fact, to expand their core technical capacity. And that, in turn, is simply impossible without sufficient core resources.

The role of the global funds—overall, positive, in terms of raising additional finances—also poses challenges for the UN system. These global funds clearly complement UN development cooperation. And UN organizations should continue to seek to serve as instruments for implementing the programmes that they fund. But that implementation role requires, likewise, technical capacities of the UN system, which can only be guaranteed by adequate core funding. And the growth of the global funds has itself factored significantly in the problematic shift over the past decade away from core contributions to earmarked supplementary—or “non-core”—contributions.

Let's bring into the discussion the other two essential ingredients for maintaining the UN system's capacity to help Member States deliver on the Development Agenda: good management and operational reform. UN operational reform has been driven in great part by a concern for efficiency. Increasing efficiency in the use of development aid is as crucial as increasing aid levels. The UN system fully supports the 2005 Paris Declaration on Aid Effectiveness, in its call for harmonization of donor policies, alignment with national priorities, and national ownership. The reforms undertaken so far demonstrate the system's continuing commitment to achieving greater programme relevance and effectiveness. Nonetheless, we have yet to reach a workable equilibrium between the results expected from reforms of the UN development system and the resources required to enact and sustain those reforms. By this I mean, again, the core resources.

Mr. Chairman,

In this context, and taking into account the report of the Secretary-General that we have before us on this theme, I would like to invite the distinguished members of this panel to share their views on these challenges and consider the ways in which the increasing demands for funds—especially core funding—can be met in current circumstances, ensuring the credibility and effectiveness of the system's efforts to advance the UN Development Agenda.