PANEL DISCUSSION ON FUNDING OF UN DEVELOPMENT COOPERATION IN PURSUIT OF INTERNATIONALLY-AGREED DEVELOPMENT GOALS, INCLUDING THE MDGs:

ALTERNATIVE OPTIONS AND MODALITIES FOR FINANCING OPERATIONAL ACTIVITIES FOR DEVELOPMENT OF THE UN SYSTEM

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STATEMENT BY

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Mr. Chairman, Distinguished Panellists, Ladies and Gentlemen:

It is my singular privilege to be part of this significant gathering called to discuss what is, undoubtedly, one of the key issues of our time. Indeed, the subject of financing the operational activities of the UN System strikes at the very core of its existence and its ability to meet the global development agenda. The timing for this panel discussion could therefore not be more opportune. Before I proceed, please allow me to commend the Secretary-General for the excellent background report on the key issues.

The topic for discussion – "***Funding Options and Modalities for Financing the Operational Activities of the United Nations System***" – cannot be adequately dealt with without situating it within the wider context of the Monterrey Consensus on financing for development and the challenge of our time: the Millennium Development Goals (MDGs). I am therefore happy to note that the background paper laid before us makes clear that funding the UN's development activities should be addressed as part of the effort to maximise support to developing countries, in order for them to achieve the global development goals, including the MDGs.

For us in Ghana, the UN System is a key partner in our efforts to attain the targets set under the MDGs; thus the System's continued operational viability is very much in our interest. Indeed, I daresay that it is in the interest of both developing and middle-income countries, as well as of the developed nations, to ensure the continued existence of a strong multilateral institution like the UN. I say this because in my opinion the UN System, by virtue of its political, legal, social and economic role as enshrined in the UN Charter, is best positioned to deliver on the targets set for achievement of the global development agenda.

I believe that in discussing the subject under consideration, three key questions should be addressed. Firstly, how should we define the real funding requirements of the UN? Secondly, what funding modality could result in increased total resource flows while meeting the key principles of predictability, long-term stability, efficiency (*i.e.* low transaction costs), reliability and accountability? Do we need to merely strengthen the existing modalities or is there a real need for a radical rethink? Thirdly, what are the short- and long-term alternatives? While there are obviously no easy answers to these questions, it is my hope that in the course of this discussion, our collective efforts will lead us to hazard a few answers and draw some positive and realistic proposals that **can** actually be implemented. Let me however share my views on what I think ought to be considered in answering these questions.

In defining the funding requirements of the United Nations (UN), I would strongly advocate an approach that is both holistic and flexible. Lessons learnt from our own development financing efforts in Ghana and from our interactions with the Country Offices of the various UN agencies inform this opinion. We have learnt that in defining expenditure requirements, it is important to attain a match between administrative costs and programmatic costs. A separate budget for each category is not the best way to go.

With regard to funding modalities, it seems several approaches have been taken by the UN towards closing the gap between development requirements and available resources for their execution. However the results appear, at best, to be mixed. The traditional Pledging Conference held annually in November has, with each succeeding year, been yielding even more and more modest results – either because fewer and fewer pledges are made; or because many of those pledges, if made at all, fail to be honoured. I am informed, also, that most of the major development partners are either unable to make pledges at the Conference because of the timing of their budget cycles; or unwilling to do so because they prefer some other funding modality. Clearly, therefore, the Pledging Conference modality will have to be critically reviewed in the light of these developments.

The decades-old system of raising funds through the institution of a method of assessed contributions for all member states also appears not to be yielding the desired results. Of course, one drawback with this method – as with the Pledging Conference -- is the fact that, as a yearly exercise, coupled with the inability of some member states to effect the required payment, effective planning can be severely hampered. It therefore seems to me that a more trusted or reliable way needs to be found.

Consequently, I believe that on the basis of the test of feasibility criteria proposed – *viz.* adequacy of the resource flows, reliability, predictability and assuredness; and acceptable burden sharing – a modality like the multi-year

funding framework (MYFF) can, if properly implemented and effectively supported, be one of the most feasible options for a sustainable funding strategy.

The MYFF, as defined, has some note-worthy strengths. By establishing a clear link between resource requirements and results, it enhances effective planning and promotes accountability. I recognise however that, while the MYFF may pass the test of predictability and reliability, it does not necessarily guarantee an adequate flow of resources. What is therefore required is for member states not only to indicate what they **can** give, but to actually deliver the promised resources -- and in a timely manner.

We in Ghana **do** recognise the potential of the MYFF as a strategic resource mobilisation and allocation tool, having committed ourselves since 1999 to the application of a Medium Term Expenditure Framework (MTEF) -- which is similar in orientation to the MYFF -- in formulating our annual budget. In spite of the early teething problems, we are on course to reaping its full benefits – which is a link between policies, plans and budgets. I would therefore like to urge member-countries to keep faith with this modality and allow its full potential to be realised. Indeed I daresay that given the strategic nature of MYFF, it can become the central plank around which other financing arrangements can be built.

While the advantages of existing funding modalities such as the MYFF call for their preservation, we should also give thought to other innovative country-based approaches -- at least in the short term. By this, I am referring to some tried and tested methods such as cost-sharing arrangements between recipient country Governments and the UN agencies; and public-private-UN System partnerships, among others. For instance, we in Ghana have resorted to cost-sharing to mobilise additional resources to push our programmes forward. It is also my belief that in the short term, resorting to supplementary resources may become a necessity for most agencies. The challenge, though, is to find ways of removing the down-side risks associated with this type of funding. For instance, it should be possible for our donors to agree on a common framework and modality for providing such funding to the UN in a way that does not hold the Organisation captive to donor priorities and preferences.

In conclusion, I am inclined to believe that the key problem does not lie with the current modalities *per se*; rather, it has to with the way they have been implemented by member-states. Certainly, while there should be room for bilateral cooperation and other non-traditional modalities within the UN System, this should not compromise its basic identity and attributes such as multilateralism, neutrality, flexibility, national ownership and transparency. The UN System continues to be a relevant body in international relations and for delivering the requirements of the global development agenda. It should therefore, at all costs, be fully supported to deliver its mandate in a cost-effective manner. The current on-going reforms being carried out by the Secretary-

General provide, indeed, an opportunity to strengthen the core financing arrangements such as the MYFF, while at the same time introducing key reforms especially within the context of the global partnership for development as stipulated in the MDGs.

Let me end with a plea to us all: the financing proposals that we are discussing today can only work if both developed and developing countries deliver on the actions required of them. Developing countries **must** continue to pursue the implementation of responsible economic and social agendas, as agreed with Development Partners; and developed countries **must** complement these efforts by contributing both morally and financially to the growth and poverty reduction agendas of developing countries. Our joint action on these mutually reinforcing obligations is a *sine qua non* if we are to make progress towards achieving the results envisioned in the international development agenda.

Thank you for your attention.