Informal Dialogue with Member States on SG’s QCPR Recommendations
5 October 2012, Indonesia Mission
New York

SUMMARY

Introduction
UN Member States held an informal dialogue on the Secretary-General’s 2012 QCPR recommendations. Discussions were organized around the three main themes under which the SG presented his QCPR recommendations to the General Assembly:

1. Funding for UN operational activities for development
2. Functioning of the UN development system
   (UN Resident Coordinator System, UNDAF, simplification and harmonization of business practices, transition from relief to development)
3. Progress in enhancing development effectiveness
   (Capacity development, gender equality and women’s empowerment, South-South cooperation, regional coordination, results-based management and planning and evaluation)

The informal dialogue began with opening remarks by H.E. Yusra Khan, Deputy Permanent Representative of Indonesia, H.E. Paul Seger, Permanent Representative of Switzerland and Ms. Helen Clark in her capacity as Chair of the UN Development Group. Ambassador Khan emphasized that the evolving development challenges and capacities of governments in programme countries call for a strong QCPR resolution, one that puts the UN development system on a path of reform and renewal. Ambassador Seger reiterated the call for positive, frank, informed and focused negotiations in order to forge a resolution that is not subject to misinterpretation and that can provide a suitable legal framework for a UN system that is responsive and agile in adapting to countries’ needs and realities.

Ms. Helen Clark welcomed the commitment to reinvigorate the mandate of the UN development system, recognizing that the QCPR analytical preparations conducted by UNDESA and the extensive consultations held with all UNDG actors throughout the preparatory process underpin a strong body of evidence and lessons learned upon which the Secretary-General puts forth his vision through the QCPR recommendations. Ms. Clark encouraged Member States to take into account the SG’s QCPR recommendations, which if implemented, “would help enormously to strategically position the UN system to evolve to fast changing needs, having an even stronger focus on results and accountability and reducing duplication and transaction costs.” Lastly, Mr. Navid Hanif, Director of the Office for ECOSOC Support and Coordination at UNDESA, provided an overview presentation of the SG’s QCPR recommendations to initiate the dialogue among Member States.

The dialogue for each of the three topics listed above began with two country discussants, followed by general discussion from participating delegates. Members States were able to share their initial perspectives on the SG’s recommendations and reflect on whether they addressed or left gaps in critical dimensions to enhance the coherence, effectiveness and efficiency of UN operational activities for development. The summary of discussion under each of the three main topics follows below.
Section 1: Funding of UN operational activities for development

Brazil and Sweden, as the two country discussants under this topic, recognized the importance of bringing together Member States to discuss the SG’s recommendations in advance of the QCPR negotiations. Both countries also thanked DESA, particularly Mr. Navid Hanif and his team, for providing excellent analytical background documents and tabling useful QCPR recommendations. In their view, the QCPR analytical preparations permit Member States to be better prepared for the QCPR process and to take decisions that can lead to a strengthened UN development system.

Brazil recognized that funding issues within the QCPR will be a difficult task and one that is at the core of the day-to-day operations of the UN system. The immediate problem is that the area that accounts for 70% of all UN activities (i.e., development operations) are funded by non-core resources, which in turn injects unpredictability and fragmentation into the core structure of the UN system. Additionally, non-core funded activities are not subject to any formal intergovernmental structures even though they benefit from the legitimacy of the UN umbrella.

Brazil noted that the current urgency for change is necessary and justified in light of the global financial crisis, progress to achieve the MDGs, rising levels of inequality worldwide, and the Rio+20 outcome to establish sustainable development goals. Forward direction on all these objectives, as well as all the challenges that revolve around enhancing the coherence, effectiveness and efficiency of UN operational activities for development, all have to do with funding, including country-level modalities such as DaO and the Resident Coordinator System. In Brazil’s view, the urgency of issues and their dependence on funding is reason enough for the proposed 2014 high-level forum on funding which should take place sooner than later.

Brazil divided the funding challenges we face into two parts:

1. how to increase overall funding, especially within a world context that calls for more UN operational activities, not less, and one that can cater to the diverse needs and expectations of Member States, and

2. how to improve the quality of funding

On the first challenge, Brazil proposed that the key step is to broaden the donor base. Also, new ideas have to be considered to bring back core funding as the main source of funding of UN operational activities for development. The QCPR is an opportunity to move forward on this priority. An important action in this direction would be to call for strengthened UN system capacity to be able to communicate more effectively with the general public on development results and on the importance of UN development mandates. Greater public awareness on these aspects is critical, especially to make it easier for politicians to convince domestic constituencies that core contributions to UN operational activities for development are not only important but also effective and efficient.

Other important actions involve increasing efforts to improve the outreach to non-state actors, such as foundations, private sector and civil society to contribute to core resources. The same effort must be made with developing countries according to their
capacities to contribute to core resources. **Brazil** pointed out that its suggested actions are not entirely novel and indeed are already happening, such as with UN-Women where more than 100 countries make contributions to its budget, which in turn improves predictability and lessens the dependence on a small number of core contributors.

**Brazil** recognized that Member States can often be blamed for lack of precision and for lack of capacity to reach clear mandates for the UN system to implement. But when such is not the case, the UN system has to be able to deliver on the mandates that it has been entrusted with. The GA resolution on system-wide coherence is a case in point. It established clear and explicit mandates that have not been implemented to date, such as defining “critical mass.” Other decisions where implementation has fallen short of expectations include the provision of information on current trust funds managed by UN system and actions that could make core contributions more predictable, more flexible, more aligned and less earmarked.

With respect to the second challenge, on the quality of funding, **Brazil** noted that we must move beyond the rhetoric that core resources are more important than other funding sources. The time has come to establish an incentives system that makes core contributions to UN operational activities for development the best option of choice for Member States.

On non-core, **Brazil** noted that we often treat the various sources of this mass of funds as indistinguishable from each other when in fact there are important differentiations among local resources, trust funds, thematic trust funds, humanitarian contributions and south-south cooperation, all of which can be well aligned with national strategic plans and have varying degrees of flexibility. Therefore, such funds cannot be compared with the more typical non-core resource that is country-specific and project-specific. The UN system treats all these various sources equally, applying the same cost recovery rate and thus incentivizing the most earmarked contribution which pays the least amount of overhead compared to regular core resources. Currently, the UN system provides a clear incentive to donor capitals to allocate non-core resources, as typically 93% of such allocations go directly to programme activities. The QCPR can and should address this incentive system. **Brazil** welcomed the SG recommendation to design and apply a harmonized and differentiated cost recovery fee structure that not only can help achieve full cost recovery and end the subsidization of non-core by core resources, but also incentivize decision makers in capitals to increase their core-resource contributions.

As a final point, **Brazil** noted that an issue that is not well reflected in the SG’s report on QCPR recommendations is the underlying assumption that the changing landscape should result in increased financial contributions. **Brazil** argued for greater participation by developing countries in the formal intergovernmental institutions that govern the UN system’s operational activities for development, including financial contributions to help manage the system.

**Sweden**, as the second discussant, expressed concern that total contributions are once again in decline since 2008 and that burden sharing continues to be a major problem. Sweden is the second largest core contributor to UNDP and UNICEF and the largest core contributor to UNFPA. **Sweden** expressed being troubled by such a distinction
which was not the case in past decades. In the 1990s, Sweden ranked among the 6th to 8th largest contributor to UN operational activities for development. Now, the fact that a relatively small country, with a population of 9 million, is at the top funding position, is a major concern to Swedish politicians and to the country’s ability to maintain its high levels of voluntary contributions to UN funds and programmes.

**Sweden** appealed for greater participation and funding by traditional and non-traditional donors, such as emerging market economies. There was agreement with Brazil that probably the policy expression that rings most hollow in the TCPR is the assertion that core resources are the bedrock of funding of UN operational activities for development. As of 2011, 72% of funding of UN operational activities for development is non-core and there is very little improvement in sight that the imbalance can be corrected. Another hollow assertion in the TCPR cited by Sweden is the one stating that core contributions should not be subsidizing non-core resources, though Sweden felt that this issue holds more promise for resolution and positive change.

According to **Sweden**, donors need to take a closer look at how overall contributions can be designed to be more conducive and supportive of UN agencies’ strategic priorities and sustainable development results. Sweden noted that there is a clear nexus between how we fund organizations and the results we can expect. Non-core contributions, for example, though very effective in their own context, do tend to fragment and distort overall programme and organizational priorities that flow from established mandates, as determined and legislated by Member States. With 90% of non-core funding being country-specific and project-specific, the quality of non-core today within the UN development system is not very predictable and not very flexible.

Recognizing that predictability and flexibility are key drivers of better quality non-core contributions, **Sweden** described important steps it has taken to make these objectives a practical reality. The SIDA and UN-Women Strategic Partnership is a US$23 million agreement signed last year, directly linked to the UN-Women 2011-2013 strategic plan and its results framework. SIDA’s contribution is non-core funding, but it is directed to support the achievement of two of the six goals outlined in the UN-Women 2011-2013 strategic plan. Reporting under the agreement is fully aligned with UN-Women’s reporting requirements on its strategic plan to the Executive Board. Even the mid-term review of the UN-Women strategic plan to the Executive Board fulfils the mid-term review requirement for the SIDA agreement. Equally important, the governance of the agreement revolves around Sweden’s participation in the Executive Board of UN-Women, complemented by an annual review meeting between SIDA and UN-Women. The UNICEF country programme for Zimbabwe was mentioned as another example with similar features but was not discussed due to time constraints.

In summary, **Sweden** concluded that there are three key issues before the QCPR on funding: how to increase total contributions, how to increase core resources and how to incentivize more flexible and predictable non-core funding while at the same time ensuring full-cost recovery. Sweden recognized that cost recovery structures are a technically complex issue, involving difficult risk analysis, such as whether to favour negative incentives (i.e., raising the cost recovery rates for bad quality non-core) or positive incentives (i.e., lowering rates for good quality non-core contributions).
Other difficult considerations involve determining whether it makes more sense to harmonize recovery rates among agencies, funds and programmes or whether to push for more realistic costing of non-core funded programmes and projects (i.e. that budgets have to reflect actual overhead costs). The QCPR is a starting point for Member States to provide clear guidance on how to resolve and make forward progress on all these funding issues, bearing in mind that clear focus must be maintained on what are the likely implications for total funding of any measures considered or adopted.

In the general discussion, Algeria announced that the G-77 would sign off on the QCPR resolution only if it provides a very clear mandate to deliver results. The G-77 was keen to secure this aspect. Algeria also mentioned that it would be very hard for G-77 to adhere to any proposal that calls for a repositioning of the UN development system which involved radical change rather than seeking to adapt it to current changes in the world’s context. Another important focus for the G-77 would be to reaffirm the principles and guidance already in practice and governing UN operational activities for development.

Algeria also wanted to understand the rationale underlying the selection of the year 2014 for a high-level forum on funding. Algeria also mentioned that it was time to find a more efficient system for coordination at the field level, as a means to secure neutrality and achieve real coherence among UNCT. This will be a very important issue for G-77 in the QCPR negotiations process.

The European Union representative, speaking on his personal behalf, reminded delegates that it is very difficult to break the political dynamic that accounts for the success and growth of non-core resources, as best exemplified by big vertical funds such as the Global Fund, because it is much easier for donors to directly link their financial contributions to development results. It is important for the QCPR to bear this fact in mind in order to find ways to move forward with the funding architecture of the UN development system.

Chile reflected on the fact that the total business of the UN development system is a financial portfolio of US$23 million per year, which in the view of Chile is a modest amount relative to much larger global transactions. Furthermore, if one looks into the breakdown of total funding of UN operational activities for development, it is clear that the significant part of UN development operations is its non-core “business”, not the core-funded part. These facts should be taken into account as one considers the funding architecture of UN operational activities for development.

Australia described its national context to point out the realities and limitations that some donors face with respect to the ODA funding envelope. Australia is a rapidly growing aid programme, projected to double in size over the next couple of years. Core funding is equally projected to double in size over the same period. However, as part of the country’s political process, ODA funding is earmarked and fragmented at the stage of the budget process. Australia’s aid allocation gets divided into global funding and into thematic funding at the global and country level, which means that AusAID is restricted in how it can allocate funds. Unlike Sweden, AusAID does not have the ability to make non-core contributions to support a recipient at a high level of strategic objectives. Nevertheless, Australia agreed that the task ahead is to find a
way to make non-core contributions as flexible and as un-earmarked as possible, including measures that look at incentives, cost-recovery rates and communication strategies that profile the results from both core and softly earmarked non-core. In conclusion, Australia recognized that the only realistic way to achieve a larger allocation of current donor funding as core resources will be if there is political will at the national level to fundamentally change budget allocation processes.

Canada agreed that parliamentary limitations in many donor countries with respect to the allocation of ODA funding becomes a constraint to how Member States can discuss and address the funding issue of UN operational activities for development. The reality is that we are unlikely to see a change in how the allocation system is governed by national parliaments. Therefore, Member States must rely on those elements that are under their control through the QCPR process. Those elements include a better differentiation of non-core resources, incentivizing donors to provide more flexible and more predictable non-core resources, requiring UN entities to simplify transactions relating to non-core funding, communicating better the importance of donor contributions to the UN development system and improving the messaging around development results that resonate with taxpayers in donor capitals. Canada emphasized that if we are to have a high-level forum on funding in the near future, its success will depend on the degree to which the discussion on funding goes hand-in-hand with the discussion on results.

Indonesia voiced its support for the Secretary-General recommendation that calls for the adoption of an alternative funding model to core resources, including consideration of increasing contributions to multi-partner trust funds and creating One Funds at the global and country level. Indonesia attaches great importance to such measures and emphasized the need for Member States to further encourage these actions. With respect to the UNDESA presentation on the SG’s QCPR recommendations, Indonesia inquired what was meant by “voluntary indicative scale of contributions.” Mexico also inquired how the QCPR could be used to reinforce the follow-up process to the Rio+20 outcome and the post-2015 development agenda.

Section 2: Functioning of UN development system

Kenya pointed out that the RC system must be strengthened through a practical consideration of the essential authorities that an RC must possess to be able to bring together a UNCT and the operations of its various members. It is critical that an RC be given the needed authority to consolidate the assistance of agencies on the ground. The effective functioning of the UN development system also requires that coordination processes, UNDAF and common administrative services work together and in the interest of a country’s development strategies, thus further championing the principle of country leadership and ownership of its development process.

Canada noted that the QCPR should equip the UN with the ability to adapt to change. The world has changed and is still changing. If the pace continues, significant changes will take place in the next QCPR. Flexibility to change remains very important.

Furthermore, the RC is seen in certain countries as a facilitator instead of a leader. The RC should be a team builder. The RC position should attract the best talent. This can be done by setting up an incentive regime, recognizing and supporting the RC
role and giving RCs growth opportunities. There needs to be a fair assessment of the various agencies’ contribution to the RC system.

In addition, the survey of programme countries made it clear that governments recognized improvements made to UNDAF processes, but more improvements are required. Improvements however have to be translated into programming process. Due attention should be given to burden/transaction cost incurred by overlaps in programming processes. UNDAFs ultimately should be tailored to country context. It is important to marry UNDAF to results using crisp results frameworks.

Turning to the issue of business practices, **Canada** emphasized the equal importance of simplification and harmonization. There are cases where agencies save at country level, but have to send savings back to headquarters. Therefore, incentives must be provided to enable change at country level. It is also important to consult host country governments on harmonization.

Talking about transition from relief to development, Canada saw great scope to share assessment between the UN and regional institutions.

On DaO, Canada was of the view that DaO innovations should be learned, although it should remain voluntary. The UN system should be requested to respond to the needs of countries if they wish to adopt the DaO approach. Donors can determine their support on the basis of performance of DaO.

Regarding monitoring, results indicators in line with results-framework should be used. Those indicators should be built around country realities, which will help communicate results of UN to political leaders.

**Lao PDR** stressed the importance of improving the coordination of UN operational activities for development, including reliance on DaO lessons to move forward in this area. As potential actions, Lao PDR suggested that Headquarters and UN Country Teams should be better coordinated, that UN agencies should avoid implementing overlapping projects and that UN assistance should be better aligned to national programmes, which together would help to boost and accelerate the implementation of national development programmes and the achievement of national development objectives.

**Section 3: Development effectiveness**

(Sub-topics: capacity development, gender equality and women’s empowerment, South-South cooperation, regional coordination, results-based management and planning and evaluation)

The Russian Federation and Ireland, as the two discussants under this third topic, outlined initial positions on the various sub-topics covered by the SG’s recommendations to enhance development effectiveness.

**Russian Federation**

(a) Capacity-building and development

- All development activities should be nationally owned and led.
• Recipient countries’ national administrative systems should be used more.
• Evaluation of the impact of national capacity development is an extremely difficult task as capacity development usually is a long-term effort. The Russian Federation looks forward to seeing a results framework for capacity development.
• SG Recommendation 2 under this sub-topic: Russia fully supports strengthening accountability and transparency, but the recommendation should be made clearer.
• SG Recommendation 3: Russia agrees with the recommendation that countries should have full access to the mandates and resources of the UN development system.
• SG Recommendation 5: Russia agrees that it is relevant to strengthen the links between individual UN entities and national partners.
• SG Recommendation 8: Russia considers it too premature to use a standardized national capacity assessment process as well as propose a timeline for its design and implementation. The use of national systems has not been consistent even among the DaO countries, and country contexts are very diverse.

(b) Gender equality and women’s empowerment
• Russia is pleased to see that the key role played by UN-Women is recognized in the SG report.
• SG Recommendation 3 under this sub-topic: it is important that gender empowerment is contributing to, rather than competing with, other parts of operational activities for development. Also care must be taken not to introduce too many gender-related indicators in UNDAFs and related programming frameworks.

(c) South-South cooperation
• South-South cooperation (SSC) and triangular cooperation supplement, but does not replace, traditional development cooperation. SSC could become a vehicle for national development.
• SG Recommendation 1 under this sub-topic: expansion of cooperation between the UN and big developing countries is important. For the UN to become more attractive as a partner in SSC, it should make use of developing countries’ frameworks and become more flexible.
• SG Recommendation 3: it is good that the recommendation refers to drawing upon the knowledge networks of the UNDG Regional Teams. It is an interesting proposal to include SSC as one of the regular programming modalities of the UN system.

(d) Regional coordination
• Regional organizations are important. Russia believes that regional commissions should lead the strengthening of regional cooperation.
• SG Recommendation 2 under this sub-topic: Russia agrees on closer coordination between regional commissions and the Resident Coordinator system. A clear division of labour between the two support structures (the RCMs and the UNDG Regional Teams) is required.
SG Recommendation 3: Russia considers that further discussion is necessary on the request to substantially enhance the support provided by UNDG Regional Teams to resident coordinators and UNCTs.

SG Recommendation 6: Russia wants to see regional commissions taking a leading role in providing regional support to UNCTs.

(e) Results-based management and planning

• Russia believes that RBM contributes to the improvement of the quality of development cooperation.
• It is relevant to mention that sometimes donors and recipients emphasize different aspects of a results framework. It is important to clarify the objectives and results among the parties involved. We should discourage the system to develop a development indicator that is not clear or overburdens the work of UNCTs.
• With respect to the harmonization of reporting approaches, first, a high-quality results framework should be developed. The quality of results framework is currently poor. It is too early to harmonize the frameworks when they are not well developed.
• A middle-ground should be applied in balancing between quantifying results and addressing the lack of clarity on the results.
• SG Recommendation 5 under this sub-topic: with respect to an independent evaluation of RBM in the UN system, it will be appropriate to specify the possible institution to be able to conduct such evaluation, as well as the modalities to be used.

(f) Evaluation

• SG Recommendation 1 under this sub-topic: Russia appreciates the recommendation to enhance the capacity of programme countries to conduct their own national evaluations. The role of programme countries in evaluating country-level activities should be the priority.
• SG Recommendations 2 and 3: Russia welcomes the role of the Joint Inspection Unit for actions under these two recommendations.
• SG Recommendation 8: Russia considers it necessary to first improve the quality of UNDAF evaluations before their use in lieu of agency-specific evaluations of operational activities for development.

Ireland

Generally, Ireland agreed with all the comments made by the Russian Federation which it supplemented with other specific observations, as noted below.

(a) Capacity-building and development

• Use of national systems – Using national systems draws increasing risks and raises the issue of accountability, but it is worth doing. Increasing capacity would reduce the risks.
• Local management is very important in terms of technical assistance and technical support.
• UN headquarters is beginning to put together a knowledge tool-box, and there is a much bigger job to do with IT and knowledge sharing with programme countries. There is a lot more to do for the UNDG in advisory work.
• We concentrate on planning, implementation and monitoring of development programmes. The QCPR global survey highlighted that programme countries are not sufficiently involved in the design programmes. This should be emphasized more in the report, including that much more investment is necessary in the planning state to involve programme countries.

(b) Gender equality and women’s empowerment
• Ireland’s view is that work in this area is only just beginning.

(e) Results-based management
• Effectiveness is about the quality of the results. Capacity development, RBM and evaluation are all parts of the same agenda. Ireland requested that a separate informal dialogue be organized to focus exclusively on RBM and evaluation.
• What is not well represented in the report is the possibility to pull-out particular programmes, namely whether to stop implementing a programme if it is not producing results? There is too much focus on inputs and outputs, and we need to place greater focus on outcomes and change. If activities are not achieving intended results, we should be able to stop them.
• Accountability is extremely important. UN-Women has done an extraordinary job in this area with its System-Wide Action Plan. This system should be adopted more widely as a way to link resources with results.
• It is important to lighten and simplify reporting processes (current processes serve as a disincentive to do better reporting).

(f) Evaluation
• Serious professionalization is required at headquarters level. Prioritizing and putting more resources in evaluation at the headquarters level is important.

Australia
• Gender equality and women’s empowerment must be a major priority for the QCPR.
• The other priority that is not covered by the QCPR is the inclusion of persons with disabilities in development. The UN should be better positioned to meet this need. Australia wants the QCPR to recognize that the UN system has a role in mainstreaming the disability issue in operational activities for development.

China
• The SG’s recommendations are ambitious and extensive. There is a lot to consider as we start the negotiations.
• Many countries face great development challenges and poverty remains a serious issue. As we negotiate the QCPR, we should be mindful that what we are proposing will be enabling the UN system to respond better to the need to reduce poverty. So in terms of business practices, the focus must remain on coordination and coherence and not so much on harmonization. The objective
is to ensure that UN development entities are given the means to excel at what they do best and not to simply harmonize for the sake of harmonization. Effectiveness must be a demand-driven process and led by the needs of programme countries, as revealed by the QCPR global survey. As a programme country, China appealed for realistic but ambitious action as to what the UN system can do and deliver better, rather than reaching out into too many areas where progress will take years to achieve.