



ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the 2030 Agenda

UNDG key messages for Workshop 5, 13 April 2016

UNDG Perspective on Functions¹

- **The 2030 Agenda must determine the future functions of the UN development system (UNDS).** Current and potential functions of the UNDS will need to be prioritized as the range of functions provided by the UNDS is growing in response to the changing development environment and differentiated demands of countries, thereby requiring considerable capacity, flexibility and expertise.
- **Functions must be based on the comparative advantages of the UNDS,** which are generally agreed to be its universal mandate, both its normative and operational roles and the ability to effectively link the two, values of impartiality and neutrality, its intergovernmental role and convening power, its global reach, and experience drawn from diverse agency mandates and expertise, and its focus on the most vulnerable.
- **Functions must be driven by “purpose”, which is primarily to deliver results at country level and promote national ownership.** The overall strategic positioning and relevance of the UNDS to support the new development agenda must be pre-eminent in determining its future functions. Efficiency and effectiveness, though very important, must serve strategic positioning and relevance, and not the other way around.
- **The Standard Operating Procedures** for the Delivering as One approach enable the UNDS to optimize and blend capacities, extend reach and expertise to respond to the complexities of the Sustainable Development Goals (SDGs). The UN is more effective and efficient when it works in a coherent manner and across sectors, and much less so when it works in silos.
- **Functions must be adequately resourced,** while it is recognized that funding must follow function.
- **The support the UNDS provides can be universal** – offered to, and be relevant for, all countries; **differentiated** – according to their needs; **and integrated** – across the three pillars of the UN and the three components of sustainable development.
- **The following core integrated functions of the UNDS** will be needed to effectively support implementation of the 2030 Agenda:
 - **Integrated policy advice** including providing “thought leadership” and analysis on critical policy issues, working across governments and societies to address and respond to cross-cutting challenges, and providing support to generating data and evidence required to better support policy making, implementation and monitoring of national development priorities and the SDGs. Such policy advice will draw on the diversity and expertise available across the UN system, and the tools and analysis utilized by the different pillars of the UN – human rights, humanitarian action, peace and security, political economy and climate change.
 - **Normative support** to countries to establish, implement, monitor and report on norms, normative standards and agreements, including on international human rights commitments. This includes much greater focus on all forms of inequality and discrimination, including gender inequality, based on the principle of “leaving no-one behind.”
 - **Capacity development, brokering innovation and learning, and cross-country South-South and triangular cooperation as a complement to much needed Official Development Assistance (ODA).** Capacity development, operational support and service delivery to support countries to implement the SDGs will continue to be a critical function of the UNDS going forward, as will ensuring innovation and continuous learning at all levels, including through South-South and triangular cooperation and knowledge and technology transfer.

¹ See also “UNDG Perspectives on Functions” (http://www.un.org/en/ecosoc/qcpr/pdf/undg_paper_functions.pdf)

- **Maximizing the UN system’s convening role** – bringing together stakeholders across sectors- and across societies including civil society, private sector, social partners, Parliaments, academia, etc.- - to implement, monitor and report on the new development agenda, ensuring inclusiveness, participation and continuous engagement of, and consultation with, stakeholders, and convening issues-based multi-sector partnerships using lessons learned from good practice in the System.
- **Leveraging partnerships and resources** – in support of implementation of the SDGs, to maximize development impact. It will be important to build on the experience of the Millennium Development Goals (MDGs), including the MDG Acceleration Framework, in order to leverage support to help countries accelerate the removal of bottlenecks to achieving sustainable development. Diversified and innovative funding sources and modalities will be key, in addition to the continued importance of traditional ODA.
- **Delivering integrated development and humanitarian support** – through maximizing the integration of planning cycles, joint funding and joint programming underpinned by joined analysis where effective, as well as common investments in building the resilience of people and institutions in situations of fragility.
- **Effective service delivery and operational support** is often provided together with policy and institutional capacity support. Even when separate, it will continue to be vital in humanitarian crises and conflict-affected contexts; in Least Developed Countries and Lower Income Countries it would align and serve as a complement to the above functions.

UNDG Response to the Functions Paper by the Independent Team of Advisers

- While the paper recognizes a broad spectrum of global and upstream functions of the UNDS, including norm and standard setting, thought leadership, policy advocacy and addressing “global challenges requiring collective action,” **much greater emphasis should be given to the diverse set of functions performed by the UNDS through Resident Coordinators and UN Country Teams (UNCTs) at the country level.** In this context, it is important to note that the UNDS also plays a key role at country level in promoting and operationalizing universally agreed UN norms and that the UNDS’ “operational work” at country level is an integrated mix of delivering on normative, integrated policy support, capacity development, advocacy, service delivery, and support to national implementation based on a broad normative-operational feedback loop.
- At the regional level, the recently signed **Statement of Collaboration between the heads of the Regional Commissions and the UNDG Chair on Supporting Member States in Implementation of the 2030 Agenda for Sustainable Development charts the way for further collaboration** in coordinating and leveraging UNDS efforts and expertise in support of country development work. The different physical locations of UN regional offices would also need to be considered – where possible and cost-effective – to improve prospects for better coordination at the regional level.
- **Functional groupings of UN entities at the global level around cross-cutting outcomes can be further deepened,** taking into account existing initiatives and the different governance and business models, country presence, programming arrangements, and funding structures. **UN entities should also promote integration at the country level, mobilizing the broad range of expertise available within the UN system,** and aligned to national development plans around UNDAF outcomes by strengthening UN Development Assistance Frameworks (UNDAF) results groups (introduced by the Standard Operating Procedures) in all UNCTs. Results groups are convened in an inclusive fashion by lead agencies based on comparative advantage and mandates, which may differ from country to country, supported by clear joint planning and matrix management within UNCTs on cross-cutting issues. There are also instructive examples of collaborative arrangements within the UNDS to address cross-disciplinary issues with multi-sectoral and multi-stakeholder approaches (e.g. UNAIDS, nutrition, gender etc.) that could serve as models.
- At the global level, the **Quadrennial Comprehensive Policy Review (QCPR) itself should provide the strategic vision and framework for how the UN system should work together to support SDG implementation.** A strategic QCPR with a clear focus on operational outcomes could be underpinned by a system-wide plan of action and monitoring framework. Ensuring that UNDS interventions are cross-sectoral and multi-dimensional will need

to be based on country context and is best operationalized at country level through the UNDAF and results groups.

- The diversity of the UNDS is one of its greatest assets, offering Member States specialized and tailored support in a vast array of areas. While the **call for greater integration is welcome, it is unclear why the paper suggests that integrated approaches to programming will continue to have limitations, but that fully integrated approaches to policy advice, policy advocacy and national data capacities are considered necessary in all cases.** It will also need to be ensured that UN entities maintain their ability to respond to humanitarian crises without delay, as and when needed, in pursuit of their mandates. In addition, there needs to be acknowledgement that while greater integration is very much needed, UN entities will also need to ensure that they implement their specific agency mandates, which contribute to the attainment of the 2030 Agenda
- **The Resident Coordinator (RC) system is the cornerstone of a coherent United Nations development system,** able to deliver integrated support across the UN Charter for achievement of national development priorities. Effectiveness of the RC system is dependent on: a) sufficient and predictable funding for carrying out the coordination function; b) empowered leadership – including through decentralization of decision-making authority to agency representatives – at the country level; c) collective ownership and mutual accountability of the system by all participating agencies; and d) a firm management anchor in operational experience at the country level.
- **Further reference in the paper to recent reform developments within the UNDS (both within individual entities and system-wide) would very much enrich the discussion** (e.g. Standard Operating Procedures (SOPs); Plan of Action for Headquarters; Theory of Change etc.) as these measures have helped further the common sense of purpose and strategic coherence of the UNDG. In that context, existing coordination mechanisms at global, regional and country level should also be acknowledged. The UNDG would very much welcome an opportunity to engage with ITA members, and Member States, on the proposals set out in this paper.

UNDG perspective on Funding²

- **Funding must support agreed priority functions of the UNDS, particularly of delivering results at the country level.** For the UNDS to fulfill the key functions it will need to play in support of the 2030 Agenda for Sustainable Development, strong and more predictable support to core funding is essential. This includes support to the UN's operational role – which encompasses normative and policy work, capacity development and, where needed, service delivery – per country context and operational reality.
- **Funding approaches at the country level will need to be differentiated** according to country contexts as well as potentially to different functions. This could include:
 1. Agency core and/or assessed funding or negotiated pledges (depending on the agency) to support the work of the UNDS at the country level, including its core functions such as both its normative and operational role, support to the RC system, policy support and capacity development, and the UN's knowledge, leveraging and convening role.
 2. Nuanced emphasis on joint and/or pooled funding, where efficient and effective and where it provides “as if” core financing for integral parts of One Programmes and/or joint programmes in support of the SDGs. Specific additional windows could be opened for humanitarian-development nexus funding, for innovation, emerging issues that require a rapid response, South-South cooperation, and for coordination through Delivering as One.
 3. Openness to different types of funding and the ability to use these resources effectively and in a streamlined manner will be key, including both core, and non-core funding, as well as considering other financing options

² See also “UNDG Perspectives on Funding” (http://www.un.org/en/ecosoc/qcpr/pdf/undg_paper_funding.pdf) and UNDG Paper on “The Role of UN Pooled Financing Mechanisms to deliver the 2030 Agenda”

such as blended grant and non-grant funding modalities.³

4. The UN's role and contributions in high middle-income and high-income countries would be more reliant on host country contributions, unilateral trust funds, fees for service, and so on, notwithstanding the UN system's universal advocacy role.
- **Pooled funding mechanisms can be further encouraged and used** at the global, regional, country and thematic level, where appropriate. Pooled funding can act as a vehicle for host-country, private sector and individual giving, help manage risks, ensure a better joined-up results focus for the UNDS, drive UN synergies and policy coherence and convene partners around shared results.
 - **Funding must incentivize and support greater integration of the development and humanitarian dimensions.** Investments in both humanitarian response and long-term development must be multi-dimensional and focus on enhancing the resilience of the most vulnerable. Innovative models that are risk informed have potential for growth. Donor funding behavior that is organized this way must be encouraged. "One Funds" or development pooled funds at country level can open "humanitarian windows", and vice versa, thereby creating efficiencies and reducing transaction costs.
 - **Greater priority needs to be given to innovative funding approaches** that can leverage further resources and support the transformations called for by the new global development agenda. For example, institutional or city twinning arrangements or the international solidarity levy on airline tickets have potential and could be adapted to other sectors.
 - **Financing South-South and triangular cooperation** in support of identified priority functions and the expectations of Member States. A case could be made to better ring fence financing for South-South cooperation to more clearly demonstrate the role the UNDS plays and the impact of its support. This growing interest is demonstrated in some of the new UNDAFs that articulate this as a key outcome area, financed by the host government.
 - **Diversifying the funding base through mobilizing private funding for the sustainable development agenda will be critical**, including leveraging issue based partnerships for mobilizing funds in support of national results. Innovative financing strategies in support of UN interventions in upper-middle-income and high-income countries will also be key in this regard.
 - **Alternative financing models and instruments will be needed to support the UN's normative and operational roles**, potentially including fees for services and knowledge products. Diversified sources and innovative funding must be a hallmark of UNDS financing going forward, and the UNDS must be enabled to have the agility and flexibility to receive and use such financing.
 - **The sustainability, flexibility and predictability of funding is critical** for the UNDS to successfully perform its key functions, deliver results and ensure greater impact. **Traditional ODA will remain essential**, in particular for the least developed countries, and fragile and conflict affected countries.
 - **Donor funding approaches must be more consistent and coherent** across the system, with use of common principles and a range of standardized funding agreements and streamlined reporting requirements.
 - **Investments in institutional strengthening should be an integral part of ensuring the UNDS remains fit for purpose.** The UN system should diversify its delivery models investing in its capacity to design and manage a consolidated portfolio of pooled funds at the global, regional and country levels in order to maximize their comparative benefits and minimize their potential drawbacks. This will include enhancing the capacity of UN staff to identify, access, combine and sequence the right type of financing instruments to meet global and national priorities. Core funding for organizational activities must be upheld.

³ Currently, only UNCDF and IFAD provide non-grant funding at the country level.

UNDG response to the Funding Paper prepared by the Independent Team of Advisers

- **The UNDG fully aligns itself with the consensus reached in the first phase of the ECOSOC Dialogue on the principle that “form should follow function.”** Functions and results to be achieved should determine governance arrangements, not the other way around (figure II, p.3). Recommendations on funding should be closely linked to the analysis and recommendations on functions (currently there is a disconnect between the two papers).
- **Analysis and recommendations on the future funding architecture should take into account the Addis Ababa Action Agenda and closely consider the various business models used by UNDS entities** (e.g. working capital funds such as those utilized by WFP; IDA models for multi-year commitments; possibility of using flexible resources to issue bonds and raise capital, or use guarantees for new concessional lending to certain countries) **as well as innovative financing methods** (e.g. Islamic financing, micro-levies and insurance based mechanisms). The financial data is aggregated to such an extent that it becomes misleading and unclear (Annex 1).
- **Humanitarian and development financing should not be placed in competition with each other.** The assumption that humanitarian assistance is diverting resources away from development is not grounded in data. A “levy” on humanitarian financing risks being counterproductive and bringing back a ‘silo’ approach. The priority should be to advance the integration of the humanitarian and development pillars, including through more joined-up planning processes and by focusing on funding streams that transcend silos by addressing root causes and drivers of disaster and crises, as well as exit strategies. UN entities should look at more integrated financing mechanisms that address vulnerability and support longer-term solutions and systems while still meeting donor requirements related to financial reporting and accountability.
- **Inter-agency pooled funding mechanisms can play an important role** as part of a broader portfolio of financing instruments as an incentive for working together and for achieving collectively shared results. At the country level, governments and national agendas must be at the forefront of multi-stakeholder planning processes underpinned by a transparent participatory process on fund allocation. A ‘minimum target’ share of future global non-core should be allocated to inter-agency pooled financing instruments over the next QCPR cycle (in reference to p. 4).
- While the proposed target of doubling pooled funding builds on discussions held in the UNDG, it is ambitious in the current funding environment and will depend on **donors’ willingness to change their behavior including budgeting processes and demand for individual results.** Donor assessments, evaluations and reporting requirements should be streamlined to improve efficiencies and open up space for more collaborative approaches. Cost recovery methodologies (or the definition of direct/indirect costs) and fiduciary requirements should be applied consistently by donors across the board
- **Earmarking non-core resources at outcome level could be an effective means to induce transformative change and increase the impact of the UNDS.** It will require leadership by Member States. On first inspection, the proposed levies on non-core to fund core functions appear counterproductive and would encourage agencies to pursue more procurement/contractor functions (and would increase the perceived “bilateralization of the UNDS). They would need to be thoroughly stress-tested for feasibility, incentives, and pros and cons.
- **The UNDS is already in a position to provide a comprehensive picture of both income and expenditure at global and in-country level (in line with the paper’s recommendation that the UNDS develop a “consolidated balance sheet for its operations”).** A consolidated review of results is also largely possible as many UN entities have signed up to the International Aid Transparency Initiative (IATI). Greater efforts will need to be made, however, to make IATI’s principles universal standard practice.
- **Further reflection on the outcome of the first phase of the ECOSOC Dialogue and recent reform developments within the UNDS (both within individual entities and system-wide) would very much enrich the funding discussions** (e.g. UNDG Theory of Change; UNDG paper on the role of pooled financing mechanisms etc.) as these processes have considerably advanced the common sense of purpose and strategic coherence of the UNDS. The UNDG would welcome an opportunity to engage with ITA members and Member States on furthering such proposals on funding of the UNDS.