

Statement by Nikhil Seth, Director, Office for ECOSOC Support and Coordination, UNDESA, at an informal meeting of the General Assembly on strengthening the system-wide funding architecture of UN operational activities for development

Friday, 4 June 2009

Distinguished Co-Chairs,
Distinguished Delegates,
Ladies and Gentlemen,

Once again, thank you for inviting DESA and our partners from the UN system to respond to the questions raised by Member States in the 19 May consultation on funding. We feel that these interactive sessions are contributing greatly to moving this important consultative process forward.

I would also like to use my remarks this morning to provide further details on the recommendations in the funding paper. My UN colleagues on the podium will elaborate on those issues on which they have greater institutional expertise and experience.

At the outset of this interactive session, I would like to briefly discuss the link between the governance and funding papers – an issue raised by several delegations in the 19 May consultation.

Governance at both intergovernmental and UN system level includes oversight of funding volume, modalities and mechanisms. Thus the recommendation to improve governance will ipso facto include oversight of funding modalities and mechanisms. This will be true at the level of the GA, ECOSOC, the Executive Boards and other governance structures. Moreover, agreements reached by the GA on funding will be assessed and reviewed in the GA/ECOSOC context.

This interface between governance and funding of UN operational activities for development is best explained through concrete examples.

The proposals in the funding paper to raise the ratio of core funding from its present level of 30 per cent to 50 per cent over a period of four years and channel a minimum of 50 per cent of non-core resources to thematic funds linked to strategic plans of UN entities will not only improve coherence and lower transaction cost, but also strengthen the role of governing bodies in determining how resources are allocated, as well as give the GA and ECOSOC a clear role in monitoring implementation.

Other recommendations in the funding paper such as those relating to the reform of strategic planning frameworks, the establishment of a common standard to assess organizational and operational efficiency and the publication of biennial aid effectiveness report would have similar impact in terms of strengthening the role of governing bodies at the central-level.

The funding paper also makes several other recommendations which are more aimed at strengthening administrative governance of the UN system, or how UN entities collaborate at the country-level. The most significant of those is probably the proposal to establish common country funds.

The governance paper similarly makes recommendations that impact the funding system such as the proposed central repository of information, the establishment of the system-wide performance evaluation unit and the promotion of voluntary, nationally-owned common country programming at the country-level.

These examples demonstrate the importance of adopting an integrated and strategic approach to the strengthening of the governance and funding architecture of UN development cooperation. While the governance system provides the overall framework within which UN entities operate, the funding is the lifeblood of UN development cooperation.

Due to this symbiotic relationship between governance and funding, the governance paper advocates further strengthening of the capacity of ECOSOC to provide strategic overview and monitoring of system-wide effectiveness of UN development cooperation, including the overall objectives and priorities of the UN system, funding trends, sources of funding and breakdown of expenditures.

In response to a question by the distinguished delegate of Malaysia, it should be recalled that ECOSOC is tasked to provide coordination and guidance, notably in the implementation of the comprehensive reviews of operational activities. The Council therefore has the mandate to address the fragmentation of funding - an issue regularly addressed in GA resolutions on the comprehensive policy review.

The ten recommendations presented in the funding paper focus on measures to enhance the effectiveness of the existing funding architecture rather than suggesting major structural reform. A compact is proposed where donors would renew their commitment to improve the quantity and quality of resources flows, while the UN system would undertake commensurate action to enhance the effectiveness and efficiency of UN development cooperation at the country-level, and to make it more responsive to the needs of beneficiaries, a long-standing priority of programme countries.

With respect to the first recommendation, “*renewing commitment to funding volume*”, it is proposed that the Secretary-General, with the support of senior colleagues from the UN system, undertake high-level policy dialogue with Member States on how the UN

development system can contribute to socio-economic recovery in developing countries during this time of global economic and financial crisis.

Improving the volume, flexibility and predictability of funding flows is critical for enhanced effectiveness of UN development cooperation. The proposed high-level policy dialogue could help focus the attention of the international community on how a better resourced and more effective UN development system could help programme countries address the complex consequences of the global economic and financial crisis. This recommendation, as well as the whole analysis in the funding paper, reiterates the importance of increasing the quantity of funding for UN system's operational activities.

In response to a question raised by the distinguished representative of the Group of 77 and China during the 19 May consultation regarding the nine joint initiatives currently being undertaken under the auspices of the CEB to assist countries and the global community to address the effects of the global economic and financial crisis, I would like to mention that further details on these initiatives will be provided including at the forthcoming substantive session of ECOSOC.

The second recommendation on “*providing minimum of 50 per cent of system-wide contributions as core/regular funding*”, aims to enhance the coherence, effectiveness and efficiency of management and programme implementation of UN development cooperation. This recommendation also aims to contribute to improved intergovernmental governance of the UN development system, as highlighted earlier. The paper argues that raising this ratio from the present 30 per cent to 50 per cent over a period of four years would require shifting annually approximately \$1 billion from non-core to core funding or about \$4 billion over the four year period (based on 2007 price level).

In response to a question raised by the distinguished delegate of Mexico at the 19 May consultation, I can say that the 50 per cent target was selected as it was felt feasible to achieve this goal over the four-year period. Raising this ratio from 30 per cent to 50 per cent would also be a significant step in the right direction in terms of improving the current imbalance between core and non-core contributions, an issue raised by the distinguished representative of the Group of 77 and China during the 19 May consultation. This could be an intermediate target. Some donors, such as Belgium are committed to making 100 per cent contributions as core funding.

With respect to the third recommendation on “*revising budgetary laws and practices to allow for multi-year core funding commitments*”, the distinguished representative of Malaysia requested further information on the difficulties encountered by donors in making such commitments. Here it is important to note that all DAC donors work with annual budgets. The budget is generally approved by parliament 1-3 months before the beginning of the financial year. Most UN agencies, on the other hand, work with biennial budgets.

While the budgets of donors are annual, the budgetary planning is multi-year. In at least half the OECD/DAC countries, the budget proposal includes a forward-looking 3-4 year indicative spending plan presented to parliament for information. While the parliament in

some countries endorses a multi-year budget framework, the endorsement doesn't guarantee the availability of funds in later years.

Another issue affecting the predictability of funding flows is the unsynchronized budget cycles of governments in donor countries. In the United States, for example, the fiscal year starts in October, while in Japan, it begins in April, and other countries use different timeframes.

These and other related factors therefore make multi-year funding commitments to UN development cooperation more difficult.

The fourth recommendation on “*channeling minimum of 50 per cent of system-wide non-core resources to thematic funds linked to strategic plans adopted by governing bodies*” is aimed at reducing the current high degree of fragmentation of the funding architecture of UN development cooperation. In response to a question raised by the distinguished representative of the Republic of Korea, one can say that an important objective of this recommendation is to promote enhanced coherence and lowering of administrative costs of UN development cooperation, while simultaneously contributing to more effective intergovernmental governance, as mentioned earlier.

In response to a question from the distinguished representative of Mexico, I would like to say that the proposed 50 per cent target, in our view, would constitute a sufficiently bold step to transform the funding architecture of UN development cooperation. Once again, this could be an intermediate target subject to evaluation of its impact.

The distinguished representative of the United States also asked why non-core funding has increased at faster rate than core resources in recent years. There are undoubtedly many reasons that can explain the current imbalance between core and non-core resources, but I would just like to mention three, first, the growing demands of donors for enhanced accountability for results, particularly in areas considered of high priority. Accountability for results is easier to attain if the scope of activities is small and well-defined, rather than at the level of much larger programmes, despite recent progress in the introduction of results based management in UN entities. A second reason is the rapid expansion of the work of the UN system in post conflict and post disaster recovery and transition. Thirdly, the shift to national execution in the mid-to-late 1990s meant that specialized agencies could no longer rely on UNDP to provide funds for operational activities, but had to mobilize resources directly from donors.

In response to a question by the distinguished representative of the CANZ Group on how much of the growth in non-core contributions is attributable to country-level project funding, which is channeled through the UN system as opposed to thematic, joint programming or multi-donor funding, the limited data available suggests that country-level project funding has grown faster in recent years than other non-core resources such as thematic funds, multi-donor trust funds and private giving.

A major factor in explaining this growth in non-core country-level project funding has been significant increase in self-supporting contributions by programme countries – an issue raised by the distinguished representative of Japan in the 19 May consultation.

The 2009 statistical report of the Secretary-General estimates that self-supporting contributions of programme countries in 2007 amounted to \$2.15 billion, of which \$1.55 billion was contributed through UNDP and \$400 million through specialized agencies. Of the \$2.15 billion in 2007, the Latin America region accounted for \$1.63 billion, or approximately 75 per cent.

Such self-supporting contributions of programme countries have grown annually by almost 29 per cent between 2005 and 2007 (current US dollars), while non-core contributions overall have experienced an annual growth rate of 4.4 per cent. For UNDP, self-supporting contributions from programme countries accounted for 43.5 per cent of overall non-core funding in 2007, compared to 33 per cent in 2005.

In addition to such self-supporting contributions, developing countries contributed \$360 million in 2007 to other development-related activities of the UN system, according to the 2009 statistical report of the Secretary-General, which responds to a question raised by the distinguished representative of Japan.

These examples also highlight, in my view, the growing complexity of the funding architecture of UN development cooperation and the need to further build the capacity of intergovernmental bodies such as ECOSOC to exercise effective strategic overview at the central-level, as proposed in the governance paper.

The objective of the fifth recommendation on “*supporting the establishment of common country funds to fill funding gaps in common country programmes*”, is to further strengthen national ownership of UN development cooperation at the country-level and to facilitate joint resources mobilization by the UN system. Each common country fund would be a multi-donor trust fund using UNDG standard documents and procedures. The common country fund would support coordinated resources mobilization, allocation and disbursement of donor contributions for the unfunded elements of the common country programme. Through the establishment of a Steering Committee, co-chaired by the national government and the UN Resident Coordinator, the establishment of the common country fund would help ensure alignment of the common country programme with national development priorities. The establishment of the common country fund would also decrease transaction cost to all stakeholders and improve the efficiency of UN operations by ensuring great degree of flexibility in the allocation of resources within the common country programme. It would, most importantly, help fund the gaps in the implementation of the common country programme.

In response to a question from the distinguished representative of Ireland at the 19 May consultation, one can say that an important end objective of the common country funds would be to align the agendas of different UN agencies behind nationally-owned common country programmes so that the coherence process is truly country-driven. The funding

paper envisages that all programme country governments that so decide, would have the option to establish a common country fund.

In response to another question from the distinguished representative of Ireland, I would also like to mention that UNDG is currently developing a paper on how savings in harmonization of business practices at the country-level can be ploughed back into operational activities. This paper is expected to be ready in the next few months.

The increase in programmable resources through the common country funds provides a strong incentive to the UN system to speed up the process and is of crucial importance to the programme countries.

With respect to recommendation seven on “*establishing common standard to assess organizational and operational efficiency*”, it is important to note that the primary objective is to promote greater efficiency in the work of UN agencies at the country-level. This has been a long-standing priority of programme countries as reflected in many TCPR resolutions. There is an expectation that more efficient operations at the country-level will help maximize the impact of the UN system’s support and attract additional funding to UN development cooperation. The establishment of such a standard would also demonstrate the commitment of UN entities to enhance organizational and operational efficiency at the country-level. Although it is envisaged that these assessments be conducted by the respective governing bodies, Member States might also decide to use the standard to conduct such evaluations in an independent manner.

It might be recalled that thus far, methodologies to assess organizational efficiency of multilateral agencies have been mainly developed by donors. This recommendation would enable to put in place a more universally accepted standard, while of course respecting the right of any Member State to conduct its own evaluations.

In response to a question from the distinguished representative of Malaysia, one could foresee that the standard for organizational and operational efficiency, including the definitions of performance and accountability, be developed in partnership between the UN development system, programme countries and donors. In that sense, the process of developing the standard could contribute to improved governance of UN development cooperation.

With respect to recommendation nine on “*standardizing funding terminology and procedures*”, it should be noted that the UN development system classifies contributions and expenditures in a different manner than OECD/DAC. For example, many activities classified in UN statistical reporting as development-related, are not in sync with the OECD/DAC definition. Some extra-budgetary contributions to the UN development system are also classified by DAC as bilateral, while the same contributions are included in UN statistical reporting of operational activities for development.

It has been pointed out that these differences in funding terminology between the UN and OECD/DAC may affect resources mobilization of some UN agencies, as donors may be

reluctant to provide additional funds to some UN entities if such contributions cannot be reported as ODA. In addition, the widely different definitions of funding sources among UN entities are also making the reporting on UN operational activities, more challenging.

There are also several other methodological differences in the measurement of ODA among major actors in international development cooperation, for example, when it comes to definition of concessionality, which may qualify certain kinds of loans/credits as ODA, but not others. This highlights the need for further efforts at harmonization.

Recommendation ten “*publishing biennial aid effectiveness report*” is first-and-foremost aimed at addressing the longstanding concern of Member States of lack of efficiency in country-level operations of the UN system. In response to demands from governments in programme countries, the UN system has also made commitments at the international-level in recent years to further enhance aid effectiveness at the country-level. The biennial aid effectiveness report would provide an opportunity to examine progress in realizing such commitments, as well as the implementation of relevant policy guidance established by the GA through the comprehensive policy review. An important objective of the biennial aid effectiveness report would be to facilitate informed deliberations and decision-making on these important issues at both country and global levels.

Distinguished co-chairs,

Through this presentation, I have attempted to answer many of the questions raised by Member States in the 19 May consultation. DESA stands ready to support you in this important work in every possible manner. We would be happy to revert back on these issues in more detail.

Thank you.