



**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

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**ROOM DOCUMENT 6
TOWARDS A REDESIGN OF THE UN DEVELOPMENT ARCHITECTURE**

(Contributed by the Delegation of Belgium)

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On the request of the Delegation of Belgium, this paper is distributed as background information for the SLM dinner discussion.

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DISCUSSION PAPER (New Draft 19/10/05)

Towards a Redesign of the UN Development Architecture

Context

1. The UN Development System has become increasingly complex and fragmented over the last decennia. That complexity can be attributed partly to the multidimensional character of development, but partly also to the ad hoc decision - making that has shaped the present UN operational architecture. There is growing concern over numerous cases of overlapping mandates, duplication of efforts, fragmentation and resulting high transaction costs.

2. The present discussion paper tries to provide some analytical background and to propose a way forward. It does so within the context of the follow-up of the recent Millennium plus 5 Summit in New York, where the proposal of examining further UN Reform was accepted¹.

PART ONE: BACKGROUND

The starting point

3. The basic philosophy of the development architecture of the UN as it was conceived in the late 60-ies was the following: one central UN Development Fund, operating on the basis of voluntary core contributions, would be responsible for the programming and monitoring of the operational activities of the UN. It would do so on the basis of a country programme elaborated by, or at least in close consultation with, the recipient government. The implementation of project activities would be entrusted to the Specialized Agencies on the basis of their technical know-how. The Funding Agency, UNDP, would arbitrate between competing claims on resources by the Specialised Agencies. It would restrict its financing to technical cooperation, but it was clear at the time that the technical assistance activities were to be complemented by investment activities. In the then prevailing division of labour, the financing for investment was the mandate the international financing institutions (IFI's) on the basis of (soft) loans².

Evolution

4. Different evolutions have taken place since then and have eroded this original UN system design.

- By the mid seventies the relations between UNDP and the Specialized Agencies became strained by the move towards national execution. That choice has alienated somehow the Specialized Agencies from the mainstream UN Funding for operational activities and has certainly encouraged the Specialized Agencies to seek an increase of their financial base (a) by using part of the assessed budget for operational activities and (b) by soliciting extra-budgetary contributions from donors.

¹ The Outcome Document invites "the Secretary General to launch work to further strengthen the management and coordination of United Nations operational activities ... including proposals for consideration of Member States for more tightly managed entities in the field of development, humanitarian assistance and environment".

² And also of bilateral donors of course.

- The development architecture has further been complicated by the creation of a whole series of new Funds and Programs. Most of them have been established in the aftermath of international conferences (population, women, environment, habitat etc). It appears indeed as if the international community needed new institutional structures as the concrete manifestation of the political determination to take on the new development challenges. Most, if not all, of these new "sectoral" funds competed with or duplicated the original mandate of UNDP³. Some of these newly created funds became more or less autonomous⁴, some stayed associated with UNDP, others moved to the backstage^{5,6}.
- A third evolution pertains to the humanitarian sector which has been characterized by a strong growth over the last 15 years. Humanitarian organisations have entered the activity field of development organizations and vice versa. The division of labour between organizations of both sectors has become blurred and they now often compete for the same ODA resources.
- A fourth evolution has to do with the political domain. Peace-keeping operations, demobilization activities and post-conflict interventions have been booming in the UN since the end of the Cold War. This is not only laying claims on the resources of the traditional funds and programmes. It also brought a number of new actors on the development scene (DPKO, DPA, OHCHR...)⁷

Present situation

5. One can say that the operational activities for development have been broadened now to include humanitarian and political or security considerations. This brings a number of advantages (integrated approach) but on the other hand it dramatically increases challenges regarding coordination and efficiency. The growing "multisectoral" dimension of operational activities with blurry lines between security, human rights and governance, humanitarian assistance, environmental considerations and more traditional development programmes, make it necessary to review the appropriateness of the existing structures, division of labour and working methods. Such a review must also consider the growing proportion of grant financing (currently 30% in IDA) in the international financing institutions.

PART TWO: FINANCING UN DEVELOPMENT ACTIVITIES

6. If funding were a valid indicator for the relevance of the development institutions it would be fair to say that the UN development agencies had some problems in the 90's, when contributions stagnated or declined in real terms. But the same happened with ODA in general. However, that situation has changed quite significantly over the last years, as can be seen at the bottom line in the following table 1 and in graph 1:

³ That growing fragmentation has to be put in its context. The creation of these funds was very often the price that had to be paid in order to obtain the consent of developing countries for the more policy-oriented achievements of these conferences.

⁴ IFAD, UNIDO...

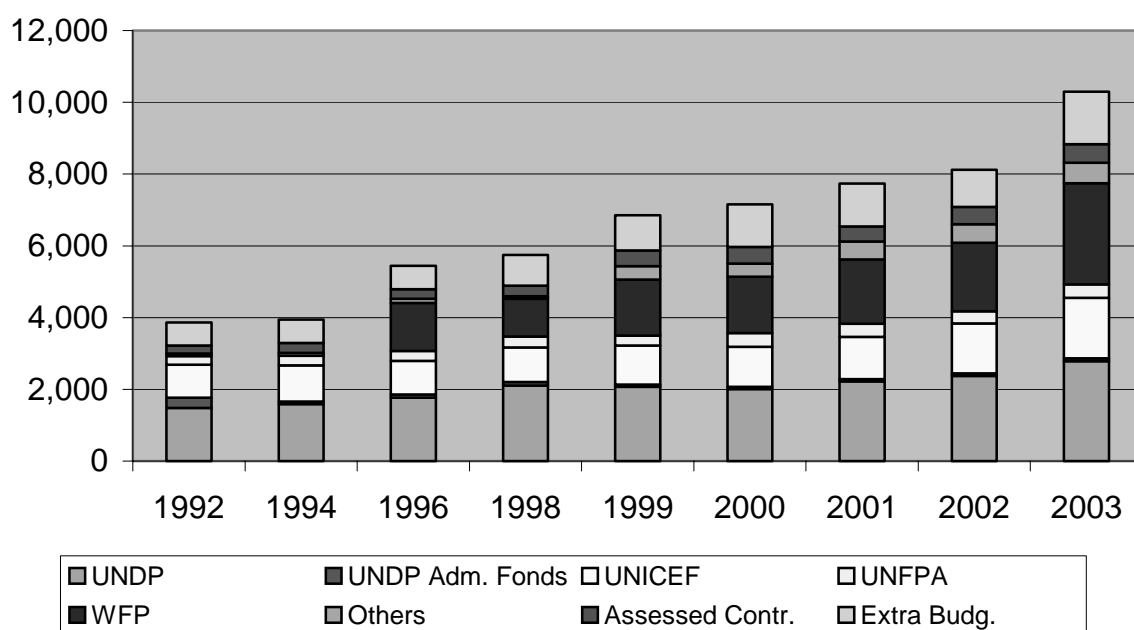
⁵ Energy Account, Interim Fund for Science and Technology...

⁶ It remains rather doubtful whether the "additionality of resources", which formed the political motivation for the creation of these new Funds, did in fact take place.

⁷ DPKO: Department for Peace Keeping Operations; DPA: Department for Political Affairs; OHCHR: Office of the High Commissioner for Human Rights

Table1: Evolution of Contributions for UN operational activities (1992-2004 in million of US dollars)

	1992	1994	1996	1998	1999	2000	2001	2002	2003	2004
Funds & Programs										
UNDP	1,482	1,589	1,771	2,106	2,074	2,010	2,221	2,370	2,785	3,634
UNDP Adm. Funds	284	74	84	96	59	59	65	71	77	
UNICEF	920	1,006	941	966	1,086	1,112	1,180	1,399	1,688	1,978
UNFPA	238	265	275	305	274	387	364	339	374	450
WFP			1,333	1,047	1,567	1,571	1,794	1,906	2,820	
Others	74	78	121	73	370	364	496	521	569	
Subtotal Funds & Programs	2,998	3,012	4,525	4,593	5,430	5,503	6,120	6,606	8,313	
Assessed Contrib.	219	280	270	297	444	470	424	479	518	
Extra Budgetary	650	651	646	853	976	1,178	1,189	1,032	1,467	
Subtotal Spec. Ag.	869	931	916	1,150	1,520	1,648	1,613	1,511	1,985	
TOTAL	5,619	5,489	5,480	5,742	6,850	7,152	7,734	8,118	10,299	

Graph 1: Evolution of Voluntary Contributions to the UN Development System (in mio \$)

Note: Figures for WFP are only included from 1996 onwards.

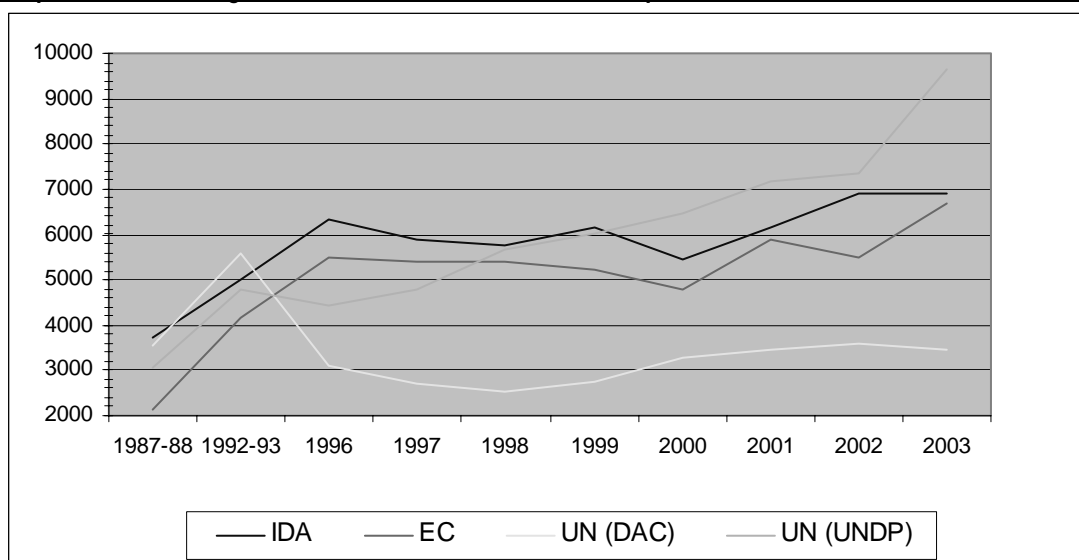
Source: Comprehensive statistical data on operational activities for development, Report of the Secretary-General, different editions. Latest: A/60/74 of 6 May 2005 and DP/2005/16/Add.2

Comparison between operational expenditures (ODA) of UN, IDA (Worldbank) and EC (million \$)

7. The widespread idea that the UN funding is being squeezed out between the more obligatory funding requirements of the IFI's and the European Union does not seem to be confirmed by the relevant statistical data. It is rather to the contrary. Some analysts use the DAC-data, but do not sufficiently take into account that multilateral aid for the DAC-statistics is limited to core contributions and expenditures. It is much more relevant to use the common definition of multilateral aid: aid that is channelled to and through multilateral agencies. It is that latter definition that is used in the statistical tables of the UN Secretariat and UNDP. Graph 2 illustrates the enormous difference between the two sources of statistical data.

7bis. Expenditures by the UN-system exceed those of IDA since the beginning of this millennium. The World Bank Group channels of course vast resources outside IDA, but for the average developing country IDA transfers represent the bulk of de Word Bank activities. WB managed trust funds add another 1,5 billion to its portfolio. See Annex.

Graph 2: Evolution of gross disbursements for IDA, EC and expenditures for UN (1987-2003 in million US dollar)



Contributions and expenditures differ slightly over time, but follow similar tendencies

Source: OECD/DAC Annual Reports and Information on United Nations system regular and extra-budgetary technical cooperation expenditures, 2003, DP/2004/37/Add1.

Important Remark: UN expenditures are defined commonly as resources channelled through the UN. This differs from OECD/DAC data where most non-core expenditures are registered as bilateral.

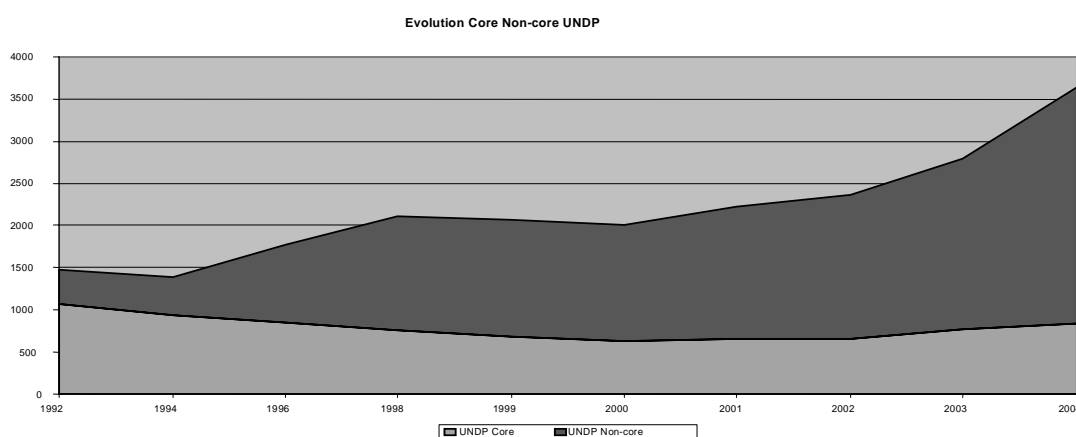
Core versus non core

8. If contributions to the UN development system are up since a number of years, there is still a problem with the relationship between core and non-core resources. The pendulum has switched much too far towards non-core contributions. This observation is true for the Funds and Programmes as well as for the Specialized Agencies. See Table 2 for the major UN categories and Graph 2 for UNDP.

Table 2: Evolution of Core and Non-core contributions to UNDP, UNICEF, UNFPA and Specialized Agencies (1992-2004) in mio \$

	1992	1994	1996	1998	1999	2000	2001	2002	2003	2004
UNDP Core	1.074	943	855	758	681	634	652	663	770	842
UNDP Non-core	408	447	916	1.348	1.393	1.376	1.569	1.707	2.015	2.792
UNICEF Core	707	679	516	578	586	597	541	697	721	791
UNICEF Non-core	213	327	425	388	500	516	639	702	967	1.187
UNFPA Core	233	255	232	269	244	257	260	247	289	322
UNFPA Non-core	5	11	43	36	30	130	104	92	86	128
Agenc. Assessed	219	280	270	297	444	470	424	479	518	
Agenc. Extra budg.	650	651	647	853	976	1.178	1.189	1.032	1.467	

Graph 3 : Evolution of Core and Non-core Contributions to UNDP (1992-2004) in million US dollar



It is clear that a rebalancing between core and non-core contributions is necessary, as is pleaded for regularly in the General Assembly, ECOSOC and by the Senior management of the Funds and Programs⁸.

The creation of new funds and their claims on resources

9. New Funds and Programs are basically receiving contributions from the same sources in OECD-DAC countries, although some funds have succeeded in diversifying their donor base more broadly⁹. In general the volume of the 'competing' funds has remained rather modest¹⁰. There are two areas, however, where the creation of new funds did not only have a significant impact on the institutional architecture but also on financial flows: these are the environment (with GEF) and AIDS and other diseases (with the Global Fund, GFATM).

⁸ See also the first part of the Report of the Secretary General: 'Comprehensive statistical data on operational activities for development 2003' – A/60/74

⁹ IFAD is an example (the substantial decrease of OPEC financing has partially been replaced by an increase of contributions from other developing countries).

¹⁰ IFAD on average somewhat above 100 million dollars in new contributions per year.

10. The level of contributions to these "sectoral" funds amounts to 500 million US\$ for the GEF and currently 1,5 billion US\$ per year for the Global Fund to Fight AIDS, Malaria and Tuberculosis. It can be said that both funds have probably succeeded (at least to a certain extent) in mobilizing additional resources for development. But at the same time they also further complicate the existing structure of the multilateral development architecture. GEF still works with and through UN organisations. The Global Fund however has deliberately been set up outside the UN system. In practical terms there is quite some interaction with the UN development organisations but the mere existence of an independent Global Fund does hamper the influence and growth potential of the UN development system and complicates the mandate of WHO and UNAIDS.

PART THREE: THE NEED FOR A REDESIGN

Why is a multitude of development actors a problem?

10. The fragmentation of the development system is problematic for several reasons:

- The first one is that the multitude of structures, procedures and decision-making processes weakens the efficiency and impact of development activities. Donors as well as programme countries have to multiply their interactions with several partners who are dealing with very similar issues related to development. This operational complexity is cause of much inefficiency. It is on the basis of that conclusion that the Harmonization and Alignment-agenda has taken on such importance in recent years.
- The second one is that we witness an inflation of administrative costs, linked to the maturing and consolidation of new bureaucracies. Agencies, Funds and Programmes often start with a modest administrative budget, but end up with fully fledged headquarters accompanied by regional and local structures, with representatives, secretarial staff, accounting and logistic services etc. While it is important that development agencies are "close" to the field, few people seem to realize that these administrative expenditures decrease to an important degree the availability of resources for direct operational activities. Field structures are by nature expensive and are very sensitive to economies of scale. A fragmented UN is an expensive UN. There is unfortunately little systematic information available on the costs involved with administering the aid in such a fragmented way.
- The third reason is that there is a considerable overlap and duplication of mandates and activities. This is hampering the system in developing an efficient command structure¹¹ and in mobilizing the best expertise and know-how.

11. In a number of cases, the overlap is clear. In Rome three agencies are concerned with food security (and agricultural production and distribution): FAO, WFP and IFAD. Seen from the outside, there is no apparent reason why they should not be merged. UNFPA & UNICEF are doing similar work in health services for youngsters and young women. UNDP has three service lines related to AIDS, basically doing similar things as UNAIDS. It is working in the environment sector where UNIDO and UNEP also have core mandates¹².

12. There are several other domains where duplication or lack of a clear division of labour is apparent: nutrition, water, capacity building, poverty, internally displaced persons, natural resource management...

¹¹ Comparable to what the Worldbank has.

¹² See IDS "Perceptions and Perspectives on Overlap and Duplication in the United Nations Development System Specialised Agencies, Bezanson and Sagasti, June 2002.

13. Confronted with this multitude of actors the "System" has set up a number of coordination mechanisms or coordinating units. This was, and is, a natural answer to an evident need for coordination. The cost of coordination however is becoming higher and higher. OCHA, the Office for the Coordination of Humanitarian Affairs is counting more than 400 international professional staff-members, just to coordinate humanitarian activities, mainly within the UN system. Its annual budget passed the 100 million dollar mark last year. UNAIDS was set up in order to tackle the interdisciplinary aspects related to the AIDS pandemic, within the UN system. In 2006 its budget will amount to 160 millions \$, of which an estimated 25 million will be dedicated to coordination activities.

14. There is growing concern¹³ that the inefficiency linked to the fragmentation of the system has become so important that corrective action needs to be taken by all the stakeholders concerned: donors and beneficiary countries alike. It must be clear that "inefficiency" here does not intend to judge the performance of individual agencies. It is the inefficiency of the global architecture that is at stake, a system inefficiency for which the responsibility lies with history¹⁴, not with agency management or agency staff¹⁵. If the above analysis is correct, it challenges member states to examine what can be done to remedy the situation.

Drastic reform or incremental changes?

15. There have been several efforts over the last decennia to reform the UN development system and to make it more efficient. Some of these have tried to go for drastic reforms. The Nordic countries have been especially active in this regard, but their initiatives have not been followed through. It must be said in this context that good progress has also been made through internal reform measures, especially Kofi Annan's Reform of 1997 and the activities by the UN Development Group. All along the General Assembly has also been pushing for better coordination and more coherence, especially at the field level. The last step in that process was the Triennial Comprehensive Policy Review - Resolution of December 2004. But these Resolutions on operational activities have also become a ritual that is hiding the lack of real structural progress in the reform efforts. In fact the General Assembly does not even try to seriously revisit the appropriateness of the existing structures and vested interests that go with it. Our feeling is that the limits of internal reform are being approached and that further progress now depends on member states taking action with regard to the global aid architecture.

16. The September Summit has not really seized the opportunity it offered the member states to take action in this respect. In his report "In larger freedom", the SG had invited member states to examine the possibilities to regroup the UN development system, possibly along three clusters. The member states have not been in a position yet to providing good guidance with respect to the way forward. Our central thesis is that the issue is not so much whether we should proceed immediately with a big bang reform, or with incremental steps. We might consider doing both things at the same time: define univocally where we should end in the longer term (e.g. by 2015) and then take incremental steps to get there over time.

¹³ Among the recent publications that testify to this concern we can mention:

- the Swedish Study on Mobilising Support and Resources for the UN Funds and Programmes (2000)
- the IDS-Study (again financed by Sweden): The Future of Developing Financing: Challenges, Scenario's and Strategic Choices, by Sagasti, Bezanson and Prada (2005)
- the Occasional Paper n° 18 of the Friedrich Ebert Stiftung: "Governance Reform of the Bretton Woods Institutions and the UN Development System" by Messner, Maxwell, Nuscheler and Siegle (May 2005)
- the recent Lindores Discussion Paper (requested by DFID): United Nations Reform: The three tightly managed entities' longer term model (June 2005)

¹⁴ And/or with the lack of long term vision from the member states, when decisions about institutions and mandates were taken.

¹⁵ In the private sector, inefficiency is dealt with through competition, what very often translates in either bankruptcy or mergers. For the public sector similar options are available: liquidation or mergers. Since the market for development cooperation is still vibrant, only mergers should be envisaged.

PART FOUR: WHAT KIND OF UN DEVELOPMENT SYSTEM DO WE WANT?

Defining the characteristics of an well performing UN Development System

17. The crucial question is: where do we want to go to? If we were to start from zero, how would we construct or design the UN development system?

18. The ideal structure would be characterized by several elements:

- It would have one consolidated local representation for the whole system. This unique Representative would coordinate a technical team, covering the diverse technical ("sectoral") and developmental (thematic) competences and know-how available in the UN system.
- It would provide critical development resources on a grant basis for the benefit of all countries in need.
- It would be financed on the basis of multi-year commitments from all UN Member states according to their financial possibilities (fair burden sharing).
- It would link country needs and national strategies with international objectives and priorities, especially the Millennium Development Goals, through one consolidated programming process.
- It would be geared towards piloting new approaches and experiments and aim at capacity building.
- It would thus mobilize specialized technical advice for policy development and promotion of best international practices.
- Through the system, the Specialized Agencies, supposed to be the 'Centres of Excellence' in their respective fields, would be offered the opportunity for translating their normative and substantive policies and practices into operational programs. But the interventions would be conceived and developed with national authorities on the basis of their own national and sustainable development and poverty reduction strategies.
- It would cover the continuum of humanitarian and development interventions and take care of special situations of post conflict and fragile states.
- It would act as an efficient, credible and representative emanation of the 'international community' in situations where local governance structures are unable or unwilling to take care of the development interests of (parts of) the population.

The Ideal Model

19. If the UN development system should be constructed today, would we still create IFAD? UNIDO? UNFPA? WFP? All of these organisations are doing relevant work and dispose of qualified motivated staff, but is there still need for them as independent institutions, with a specific mandate and their own governing bodies? Can we have the ambition to think beyond the present institutional set-up and make some real fundamental choices for a better future in the longer term?¹⁶ Can we imagine by 2015 to have one Millennium Fund replacing basically all existing general and

¹⁶ Institutions are not unlike human beings. Before conception it is relatively easy to take a decision either pro or contra. But once the embryo organisation starts developing, it becomes extremely difficult to put a halt to its growth. And after birth, once we have a fully fledged organisation, one cannot easily enter into discussion about its *raison d'être* without taking the risk of having murderous intentions. However, while organisations, like human beings, can be very jealous, unlike human beings, they can

sector funds? One single fund providing the resources for all MDG related activities whether it be education, primary health care, water, aids, refugee needs or environmental issues? Would it not be appropriate at least to consider such a possibility when we move further into the 21st century?

20. Our ideal model would indeed be one single consolidated “UN Development Agency” that would basically take over the mandate and activities of the present fragmented UN-Funds and Programs, including the humanitarian agencies (UNDP, UNFPA, UNICEF, WFP, UNAIDS, OCHA, HCR, UNRWA ...). Such a UN Development Agency would have a well resourced field structure that would command the resources and field staff of the present UN Funds and Programs.

21. In our ideal model, the field staff of the Specialized Agencies would also be integrated in the Field Offices of the UN Development Agency. The Specialized Agencies would no longer have Representatives, but Country Directors and technical staff. At the field level, they would be under the functional leadership of the (unique) representative of the UN-system.

22. By 2015 IFAD, UNCTAD, UNIDO would be merged with other relevant bodies¹⁷ and cease to exist as independent entities. The activities of the Regional Commissions would over time also be re-assigned to the relevant parts of the new UN development architecture. We also feel that the GEF could also be merged with the new UN Development Agency¹⁸.

23. It should be made very clear that merging Funds would not mean that the activities or mandates are abolished or that staff and competences would be dismissed. The existing mandates would simply be included in a broader and more encompassing one for the UN system at large. One can very well conceive a continuation of the present operations of the GEF for example, not as an independent body, but as a specialized division of the new UN Development Agency.

24. The new architecture would be much simpler and more or less be structured along the following lines:

- A central UN Development Agency, with strong field presence and Headquarters based in New York
- A new Specialized Agency dealing with Environment and Sustainable Development (which would also absorb the major part of Habitat's mandate) in Nairobi
- A stronger Food and Agriculture Agency in Rome absorbing over time elements of IFAD and WFP
- Two Specialized Agencies (IFAD and UNIDO) would be integrated in the broader system by 2015.

25. The functioning of the other Specialized Agencies would not change dramatically. But the extra-budgetary resources for these Specialized Agencies would be made available to them through the Development Agency in order to guarantee coherence with the broader UN Development assistance strategies.

survive by joining their sister-organisations. Merging is a very realistic option that has already led to successful outcomes in the past. Nobody has ever regretted the merger of the Special Fund and the Expanded Programme for Technical Assistance into the present UNDP.

¹⁷ According to the main function of the different parts of these organisations they might merge with units of FAO, UN Millennium Development Fund, UN Secretariat or the new UNEO.

¹⁸ While Integrating the Global Fund in the UN Development Agency might be very difficult to accept for some major contributors under present circumstances, it should not be excluded either.

PART FIVE: FOLLOWING UP ON THE SEPTEMBER SUMMIT - MEETING IN SETTING IN MOTION A PROCESS TO DEFINE THE PARAMETERS OF A UN DEVELOPMENT AGENCY

26. The Summit was not in a position to give guidance to the Secretary General. But it should be possible for the Member States to decide on a process to continue the discussions and feed into the proceedings of the General Assembly.

27. The basic idea then would be to go towards that ideal situation of one "UN Development Agency" by patiently building towards that ideal situation over the years that follow. The pace of the progress would not be as important as the clarity of the final goal.

28. Four factors will determine the feasibility of such an endeavour:

- Political will and consensus among the membership and stakeholders, basically composed of:
- Developing countries being convinced that such an initiative would benefit them and
- Donor countries being willing to change their funding policies.
- Development Agencies and staff seeing the advantage of a major reform of their administrative and functional set-up.

29. In what follows we present some elements that can be used to advance towards such a major reform.

PART SIX: THINKING THROUGH: HOW DO WE GET THERE?

Start simplifying the aid architecture by consolidating the programming mechanisms at the field level. Work towards a unified programming device consisting of four layers.

30. The Rome Declaration on Harmonization and Alignment (March 2005) and the consistent messages coming from Planning and Finance Ministries in partner countries point to the need for a more client oriented programming mechanism of UN development assistance. We can envisage the programming device of our ideal model as being composed of four layers.

31. The first layer would consist of two parts. Part A would directly reflect the priorities and preferences of the developing countries. These resources would represent a minimum entitlement and correspond to the present "base contributions" of the UN Funds and Programs¹⁹. These "minimal" contributions would be made available on the basis of needs (Objective criteria such as GNI, HDI or other existing allocation criteria).

32. Part B would rather reflect the priorities set by the international community at large and will be made available on the basis of performance based funding. They would not correspond to an entitlement, but allocated on a merit base, within the framework of the existing country programs²⁰.

¹⁹ Cfr. Track 1 of UNDP

²⁰ There will always be a tension between a needs approach (giving 'entitlements' to developing countries) and results based approaches that use competition and performance indicators to allocate resources. Both systems have merits and disadvantages, and it seems wise for development agencies to adopt a programming methodology that combines both approaches. Some important agencies have done so. The European Commission now uses a similar system (envelope A and B) to allocate its resources. UNDP has a track I and II system of programming. The core and non-core resources of Funds and Programs and the Regular Budget and Extra-budgetary Resources of Specialized Agencies can equally be considered as a twin approach towards programming.

33. The traditional development funds and programs that are presently working with a country-programme approach should thus continue doing so. The core resources they receive from member states (donors) are to be used as the first layer of funding provided by the international community to support the MDG based poverty strategies of developing countries. They clearly use a programmatic approach.

34. A second layer of the national programming²¹ would consist of non-core resources of the Funds and Programs. The UN system, but even more so the donor community should now make efforts to better link the increasing amounts of non-core resources to nationally defined development strategies. The level of certainty surrounding the ultimate availability of non-core resources is not as high as with core-funding. Nevertheless, a system of indicative programming (as is often practised today) can provide developing countries with a "credible" and growing second layer of international funding. It has to be admitted that non-core resources are basically project-based ways of operating. A special effort is needed to put them in a broader programmatic perspective.

35. A third layer of funding would consist of resources available from Specialized Agencies. Some of them such as WHO have traditionally used a major part of their regular budget to finance development related activities. Other Agencies have not that much resources available in their regular budgets for operational activities. But nearly all Specialized Agencies have witnessed a growth in extra budgetary resources made available to them by donor countries. The challenge here is also to better link these extra budgetary resources with country needs and priorities. The only credible way to do so appears to be the integration of the programming of these activities into the new generation of UN Development Assistance Frameworks.

36. To ensure a better integration, Specialized Agencies as well as donors providing the extra budgetary resources should make it explicit policy to obtain a kind of "UNDAF"-clearing for the activities that are financed through this channel.

37. A growing number of Agencies have adopted a new approach towards extra-budgetary resources and are now working with integrated biannual budget proposals that consist of assessed as well as extra budgetary resources. This integrated approach will make it easier for them to make the link with the UNDAF's in beneficiary countries.

38. The abovementioned three layers will form the backbone of the UN system's support to national strategies and plans. A certain amount of political will in the Executive Management of Agencies and their Boards can make it possible to lay the third layer smoothly over the first two ones within existing structures.

39. The real challenge is coming from the fourth layer of multilateral funding. In the past a number of sector Funds (such as IFAD, GEF, Global Fund ...) have been set up by the international community. While the purpose of their creation has been the intention to mobilize additional resources, their mere existence brings supplementary challenges for aid coordination and aid efficiency.

40. The sector Funds usually do not work on the basis of country programs that could tie in with national strategy formulation or planning (as UNDAF's do). Some of them are taking a very tough 'result based management'- approach with competitive project approval processes. Others will attach more importance to a balanced spread of their activities. But all of them work with individual project approval processes that are not easily amenable to country programming or integration in national planning instruments.

41. While sector Fund interventions cannot be easily linked to national development planning, they can be very powerful in advancing towards the Millennium Development Goals, just because of the strong performance related nature of their programming processes. But in the meantime it has equally become clear that 'vertical' (sector)

²¹ Similar principles can be applied for regional and global programming.

approaches towards development quickly hit against barriers that lower their impact and efficiency.²² It is being confirmed again that development needs a multidisciplinary and multidimensional approach, where investment, capacity building and know-how are brought together. An efficient aid architecture will take that requirement into consideration.

42. A fourth layer of a consolidated country programming process would ideally come from the sector funds such as IFAD, GEF and the Global Fund.

Combine normative and operational activities and build capacities

43. A well performing UN-development system should not only provide resources. It should be able to combine three fundamental functions: (1) norm setting and policy formulation²³; (2) mobilisation of resources to support development in developing countries with focus on the MDG's and (3) capacity building. The three functions should reinforce each other: operational activities should inform normative work and policy development; technical assistance should help build capacities and resources should be used to implement internationally agreed policies and best practices.

Use the European weight (55% of ODA)

44. The European Union (Commission and Member States) represents 55% of official ODA and finances quite often even more of the UN operational activities. Being a major partner, the European Union seems ready for a thorough review of the appropriateness of the UN development system in the framework of the Major Event in September, as was stated in New York (Ref?).²⁴

Build on existing strengths and initiatives

45. Any serious reform effort should start from the premise that, in principle, UN-development agencies are doing good and relevant work. There are weaknesses, but the idea is to strengthen the system, not to weed it out. The issue is thus in essence how to preserve and further improve the development efforts now being made within the UN-system. Strengthening the system and combating marginalization means working towards synergies, by avoiding duplication of mandates and activities and by joining efforts in rendering better services to the developing countries needs. That must be the central message.

46. There are two major initiatives going on that need further support. The first one is represented by the efforts already being made by the senior management of the UN Development system itself. The Chief Executive Board (CEB) headed by the Secretary General and the United Nations Development Group have taken sustained actions in recent years to help the system evolve from a fragmented set of individual institutions to a more coherent family of collaborative agencies. Common premises, common houses, common country assessments, UN Development Assistance Frameworks and joint programming are illustrations of this bottom-up approach toward "One United Nations, speaking with one voice". We need to encourage and further build on this ongoing dynamic.

²² The interventions of the Global Fund for example are more and more confronted with problems of absorptive capacity in the formulation and design phase as well as in the implementation phase. And lack of well functioning health facilities and human resource limitation are putting a brake on the dynamic of the substantial investments being made.

²³ Despite all criticism, it must be recognized that the UN had provided intellectual leadership in the development field (Sustainable development, Human Development Reports, Adjustment with a Human Face, Child Rights, reproductive Health and Rights, Food Security, Social Dimension of Globalization, Primary Health Care ...)

²⁴ "The EU pleads for the restructuring of the multilateral development architecture. Reorganisation and streamlining of UN Fund and Programmes in order to promote coordination and avoid duplication and overlap will serve our shared objectives".

47. The second initiative is coming from the Utstein Group. The Development Ministers of this group have proposed concrete actions to change and strengthen the United Nations Development System²⁵. These also basically encourage a continuation and deepening of ongoing efforts.

Take into account the harmonisation agenda

48. Sector wide approaches (SWAP's) are increasingly being used as a way of supporting national development in developing countries. The UN-system has already tried to define how it relates to this new development²⁶. It seems clear that the task of the UN will rather be one of policy support and technical assistance than of resource transfers to such programs. The harmonisation agenda and the growing importance of SWAP's should be used as an excellent opportunity to foster reform.

Integrate humanitarian and development activities

49. A lot has been written recently on the need to cover the continuum between humanitarian and development aid. In his Report "In Larger Freedom", the Secretary General has proposed to set up three clusters of which the humanitarian cluster would be one. In reality most development agencies are already working both on the humanitarian and the development side. In stead of favouring a separation of the two, we would rather plead for a complete integration. There is no reason why providing food, water, shelter or education to vulnerable groups or victims of disasters or conflicts should be different from providing similar services to the regular population. On the contrary, in order to cover the difficult transition periods, integrated management would appear to be a clear advantage.

Environment and sustainable development

50. We would also hesitate to formally differentiate between environment and development matters. Environment and sustainability are aspects of development, not something else. The ongoing transformation of UNEP towards UNEDP seems to indicate that there is growing agreement among member states that the environment needs a stronger normative international institution that can bring together research, policy and advocacy for this area. When it comes to operational activities however, building capacity in country, assisting countries with strategy development or making PRSP environment sensitive, there would seem to be no reason to separate environmental interventions from development interventions. While there is certainly a need for a strong environmental Agency, its mandate should be basically geared towards policy and norm setting at Headquarters. With respect to operational activities, it would have the same role as the Specialized Agencies: it would provide technical know-how and policy guidance, but not become another actor in the already overcrowded local field structures of the UN Development System.

PART 7: DEALING WITH THE RISKS

A grand redesign of the UN development system carries risks

51. The creation of a UN Development Agency along the lines described above is no free exercise. It touches on a considerable number of interests. Neither is the implementation of such a grand (re-)design of the UN aid-architecture for tomorrow. We have to be careful not to hamper the ongoing dynamic of greater coherence by aiming for changes that could trigger insurmountable resistance of vested interests. But we still might try to agree on the ideal model for the longer term and then take little steps that work smoothly towards that grand design.

²⁵ See: "The United Nations Development System: Issues for Strengthening and Change", 21 May 2004.

²⁶ See UNDG Position Paper of February 2005

52. A first element would be to provide clear messages with regard to timing. This is a long term undertaking that will probably require ten years to become reality. Bold decision making is easier to accept when the immediate implications are less threatening for careers, jobs and other interests.

53. Along the same lines we should give the staff members guarantees with respect to their future employment. The intention is clearly to keep and nurture the existing competences, not to get rid of them.

54. In the years that follow steps should be taken to facilitate the final outcome. We can see several practical measures to proceed along that road.

- Nurturing, confirming and building on what has already been achieved in terms of streamlining UN operational activities is an evident starting point. A lot has already been accomplished. This should be recognized, encouraged and consolidated. We should therefore support the ongoing efforts for greater coherence and collaboration (Activities of the Chief Executive Board, UNDG²⁷, Implementation of the recent TCPR-Resolution...)
- Increase coherence of policy formulation at the different Board – meetings of the Funds and Programs (Joint Boards, Utstein Initiative ...)
- Link policy directives given to/by the General Assembly, ECOSOC and the Boards of Funds and Programs with those given to/by the Conferences and Boards of the Specialized Agencies
- Provide incentives for inter-agency collaboration and rotation of staff between the different organisations
- Promote joint programming and collaborative efforts
- Create peer pressure on donors to make sure that funds allocated to the UN-system work towards the grand redesign
- Involve the country teams in programming and screening or approval of non-core and extra-budgetary contributions.

Proceed in manageable steps

55. Moving from the present fragmented situation will require time and political determination. If we take ten years to arrive at final destination we can proceed in manageable steps. In a first phase the changes would be only 'notional': organizations would continue to function as usual, but the Development Agency logo would gradually become part of their working documents and publications. In a second phase, there would be a change in programming instruments and methods. UNDAF's would become UN Development Agency Frameworks; the individual country programs would become UN Development Agency Programs. UNDP, UNICEF etc... projects would gradually be replaced by Development Agency projects with UNDP or UNICEF financing ... Fund and Program Staff members would gradually become UN Development Agency Staff members etc... In a third phase the field structure of Funds and Programs would become a UN Development Agency field structure ...

56. At headquarter level a similar movement would be put in place. Fund and Program Board sessions would gradually and later fully become part of central UN Development Agency governing structure. Secretariats would work more and more together and eventually unify.

57. After dealing with the Funds and Programs a similar undertaking would cover the field activities of the Specialized Agencies.

²⁷ There is broad agreement that UNDG has made great strides in moving towards a more coherent approach of the activities of UN Funds and Programs. The challenge is now to fully integrate the programs and activities of the Specialised Agencies into this dynamic. The incentive to do so should come from the intergovernmental level.

A role for ECOSOC

58. Steering a process like this requires appropriate guidance. We see here a role for ECOSOC.

Conclusion

59. It would be very easy to dismiss the above mentioned approach by pointing to the difficulties it entails and the lack of guarantees for a successful outcome. But at the same time, we know that nothing moves unless somebody feeds energy into the processes and unless some people dare to take the risks that go with new initiatives. We feel that the time is ripe again to have some imaginative thinking to further support the role and place of the UN in world development.

60. What is proposed here is indeed not new. The Nordic UN Reform Project of 1996 that contributed crucially to set in motion the internal Reform dynamic in the UN had already a clear perspective for the longer term evolution:

“At the operational level, the ultimate goal should be a unified governing body for a consolidated UN development system, in response to the long-term option of a single UN development agency” (Executive Summary p. 12)

61. Some months ago DFID had taken the initiative to think through the implications of the suggestion made by the Secretary general. The result is the Lindores paper that offers a lot of ideas for further action. Some of our Ministers have also demonstrated interest for more radical reform efforts. Let us take on these challenges and examine to what extent the proposals can be translated into reality.

Kris Panneels
19 October 2005

Annex

Evolution of Trust Funds in the World Bank

Trust Funds in the World Bank have witnessed a strong growth over the last couple of years as can be seen in the following tables.

Table 1: Evolution of the contributions to the different Trust Funds managed by the World Bank: Contributions in million US dollar.

Year	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Global Fund	-	-	-	335	965	1.191
HIPC	96	483	771	666	865	594
GEF	251	247	330	386	514	1.003
Others	989	1.056	1.082	1.345	1.555	2.152
Total	1.336	1.786	2.183	2.732	3.899	4.940

While contributions grow strongly, expenditures follow at a slower pace as can be seen in table 2.

Table 2: Evolution of WB Trust Funds: Expenditures (million US dollar)

Year	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Global Fund	-	-	-	5	64	429
HIPC	144	470	523	758	751	941
GEF	270	217	359	225	409	398
Others	912	920	966	943	1.337	1.509
Total	1.326	1.607	1.848	1.931	2.561	3.277

The difference between contributions and expenditures lead to growing stocks. A substantial part of these can be attributed to the Global Fund.

Table 3: Evolution of WB Trust Funds: Stock (in million US-dollar at end fiscal year)

Year	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Total	3.546	3.809	4.344	5.331	6.889	8.595

These data do have relevance for the discussion on the future of operational activities for development. What happens in the World Bank has implication for the United Nations and vice versa. At the end of the day these resources are basically coming from the same donors and there are issues of distribution of labour, efficiency and coherence between the different structures, organisations and channels.