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**THE ROLE OF THE UN SYSTEM
IN A CHANGING AID
ENVIRONMENT:**

Sector Support and Sector Programmes



POSITION PAPER
UN Development Group
www.undg.org

1: BACKGROUND

This document spells out a United Nations Development Group (UNDG) position on sector support and sector programmes, based on country-level experiences. Its purpose is to demonstrate a common understanding of the potential benefits of sector programmes and approaches; to highlight the nature of the UN system's contribution to sector programmes; and to signal a strong commitment among the field-based UN agencies, funds and programmes to new ways of working in a changing environment for development.

2: CONTEXT

The context in which field-based UN agencies, funds and programmes are working has changed. The Millennium Declaration and the Millennium Development Goals provide a framework of outcomes agreed by governments worldwide. Increasingly, national development and poverty reduction strategies (including PRSPs) are geared to the achievement of the MDGs. This greater degree of alignment between goals and strategies is further reflected in budget support as a growing share of donor funding for development. Moreover, the priorities for increased spending are dominated by recurrent costs, spent at local level via geographically scattered cost centres and difficult to support via projects without incurring very high costs. Whilst there remains a place for projects, the trend towards sector and budget support has been accelerated by the international effort to harmonize and align development assistance and technical collaboration around national policies and strategies as set out in the Rome Declaration¹. This includes a renewed emphasis on capacity development for partner countries to manage their own development processes.

3: THE UN RESPONSE

UN field-based agencies, funds and programmes recognize, and welcome, the need for a pro-active response to this changing environment. While work is currently in hand which looks at the role of the UN system in relation to direct budget support, this note focuses on support to sector programmes, including Sector-Wide Approaches (SWAps). Indeed, there is an acknowledgement that even with the move towards general budget support and poverty reduction strategies, engagement in sector wide approaches by UN country teams (UNCTs) is vital, and that they have the potential to make a positive contribution to development effectiveness - thereby fulfilling key objectives of UN reform. Whilst sector programmes must be fully embedded within overall development plans and budgets, their importance lies in providing an opportunity for identifying pro-poor strategies for improving sector performance; negotiating key policy issues; and harmonizing procedures with a growing number of stakeholders active in each sector.

¹ www1.worldbank.org/harmonization/romehlf/Documents/RomeDeclaration.pdf

4: THE ROLE OF THE UN SYSTEM IN SECTOR PROGRAMMES

The UNDG takes as its starting point - in line with the OECD/DAC working party on aid effectiveness - that a sector-wide approach is defined and bounded by clear and agreed sector policies and strategies. A SWAp will thus include activities that are financed from pooled resources, but also some that are not. Of concern in all cases is to increase the degree of alignment of all activities (regardless of how they are financed) within an overall sector strategy and resource plan, with the underlying purpose of improving sector performance.

Members of the UN Country Team have four key functions in relation to the development and implementation of a SWAp:

Conceptual/Coherence: This includes all aspects of the policy dialogue with government and other partners, including advocacy and evidence-based policy options, drawing on normative work and best practice, which helps to shape the purpose, boundaries and scope of the SWAp. This role is particularly important at the initial planning stages, but given the dynamic nature of sector programmes, policy dialogue needs to be seen as a continuous process. Capitalizing on a wide range of technical expertise, UNCTs can also help address cross-sectoral issues, such as HIV/AIDS and the environment, through SWAps.

Convening: Government should always take the lead in sectoral development processes. Nevertheless, there is often an important role - particularly early on in the process - of convening and managing critical meetings and processes. Therefore, UNCTs can play a pivotal role in supporting national leadership and in helping national partners to ensure and verify that sector-based programmes are effectively accessible to the poorest people and marginalized families. In countries where members of the UNCT are centrally involved in sector programmes, it is often because individuals or organizations have been particularly effective in this role. The UN system also has a long track record in bringing together various actors from civil society with government and other decision-makers, in not just policy development, but also the implementation, monitoring and evaluation of sector programmes. This broadens the ownership and enhances implementation of sector-wide initiatives.

Capacity development: is a quintessential role for the UN system in the development of SWAps. Demands are often country specific and may arise in the context of SWAps at different levels, including among local government and civil society actors. However, there are commonalities, such as strengthening financial and programme management systems - the key that can unlock the use of national systems by other donors - which may not be within the repertoire of agencies with a specific sectoral focus.

Contribution: Financial contribution is not considered to be the factor that defines UN engagement in a SWAp. Nevertheless there are circumstances - dictated by an analysis of national circumstances and the role of other donors - where a financial contribution through some form of common channel will be appropriate.

Overall, the role of the UN system in relation to SWAps is not that of a traditional donor. Neither, however, will the UNCT always be wholly aligned with all parts of government. The effectiveness of the UNCT will ultimately depend on the extent to which it can act as a neutral broker and arbitrator, helping to manage negotiations and providing solid, evidence-based policy advice with a legitimacy based on the UN's international experience, normative and human rights-based work and access to best practice.

5: A SET OF GUIDING PRINCIPLES

In line with the above considerations, UNDG agencies commit themselves to promote more active engagement in sector programmes through policies and guidance to Country Teams and individual agency representatives. This commitment includes action on the following key elements by the end of 2005²:

- To develop more detailed operational guidance for UN country teams, informed by practical experiences, and to incorporate a coherent approach for engagement with sector programmes into the CCA/UNDAF Guidelines.
- Where necessary, to amend legislation, rules and procedures so as to allow all UNDG agencies to contribute, in principle, resources to pooled sector-funding arrangements, including budget and basket support.
- To commit to increasing UNCT support for the development of national capacities for the management of various aid modalities, including SWAp³.
- To reduce transaction costs on national partners through greater use of national systems for sector reporting, monitoring and evaluation, annual performance reviews, progress reports and procurement procedures.
- Through reducing the number of agency-specific missions in favour of joint missions with other UN agencies and development partners, and through the selection of lead agencies for particular elements of sector programmes.
- To review the implications for staffing and skill mix at country level of a shift from project-based to sector-level working - particularly the need to develop capacity for providing high quality "upstream" policy advice in key sectors, as well as across sectors.
- To monitor the UN system's own performance against these commitments.

6: A DEEPER DIALOGUE WITH DONORS

The shift towards direct budget and sector support has also meant changes in the *modus operandi* of bilateral donors. As the demands from projects decrease, many agencies are withdrawing technical staff from country missions. From the perspective of the UN system this provides an opportunity and a challenge. The opportunity to take on a greater role in supporting policy dialogue is clear. But there are also costs involved in building and strengthening capacity, and these costs have to be born at a time when core funding and financing for technical cooperation through the UN is seen to be under threat. A key part of the UNDG strategy of engagement in budget and sector support will be to engage bilateral partners in examining the implications for financing the role of the UNCT in this new environment.

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² Subject to approval by respective governing bodies.

³ See paragraph 30, Triennial Comprehensive Policy Review, UN General Assembly resolution 59/250