Chapter II

Operational activities for development

In 2004, the UN system continued to provide development assistance to developing countries and countries with economies in transition through the United Nations Development Programme (UNDP), the central UN funding body for technical assistance. UNDP income in 2004 amounted to $4.2 billion, a 24 per cent increase over 2003. Total expenditure for all programme activities and support costs in 2004 was $3.6 billion, compared with $3.1 billion the previous year. Technical cooperation funded through other sources included $48.9 million provided through the programme executed by the Department of Economic and Social Affairs, $76.8 million through the United Nations Fund for International Partnerships, and $27.6 million through the United Nations Capital Development Fund.

The United Nations completed a triennial comprehensive policy review of UN system operational activities for development, which assessed the capacity of the UN development system to assist developing countries in pursuing poverty eradication, economic growth and sustainable development in the context of the follow-up to the 2000 United Nations Millennium Summit and major UN conferences and summits. Following the review, the Secretary-General called for actions to enhance the effectiveness of UN system development cooperation. In December, the General Assembly adopted a broad outline for future UN system development activities.

UNDP activities were organized under five practice areas: poverty reduction, fostering democratic governance, crisis prevention and recovery, energy and the environment, and responding to HIV/AIDS. UNDP made progress in gender mainstreaming and implemented a joint plan of action with the United Nations Population Fund for Women to achieve gender equality.

The United Nations Volunteer programme, administered by UNDP, expanded for the eighth consecutive year, with 7,300 volunteers carrying out 7,772 assignments in 139 countries.

In September, the UNDP/UNFPA Executive Board considered options for a future strategic niche and business model for the United Nations Capital Development Fund.

System-wide activities

Operational activities segment of Economic and Social Council

The Economic and Social Council, at its 2004 substantive session [A/99/5], considered the question of operational activities of the United Nations for international development cooperation at meetings from 7 to 9 July, as decided by the Council on 4 February (decision 2004/205), and on 12 July. As also decided by the Council on 4 February (decision 2004/206), the theme for the operational activities segment was “Triennial comprehensive policy review of the operational activities for development of the United Nations system and the implementation of General Assembly resolution 56/201 and Council resolution 2003/3”. The Council held discussions on the follow-up to the policy recommendations of the Assembly and the Council, including a high-level panel discussion on the international development agenda and the improvements of the operational activities of the UN system at the country level: effectiveness and challenges; and the reports of the Executive Boards of the United Nations Development Programme (UNDP)/United Nations Population Fund (UNFPA), the United Nations Children’s Fund (UNICEF) and the World Food Programme (WFP).

Among the documents before the Council were the Secretary-General’s reports on comprehensive statistical data on operational activities for development for 2002 [A/99/84-E/2004/33], the triennial comprehensive policy review of operational activities for development of the UN system [A/99/85-E/2004/68], and assessment of the value added of the joint meetings of the
UNDP/UNFPA, UNICEF and WFP Executive Boards [E/2004/60] (see sections below).

On 8 July, the Council held a panel discussion on the role of the common country assessment (CCA) and the United Nations Development Assistance Framework (UNDAF) and a dialogue with the heads of UN funds and programmes on key policy issues for the triennial comprehensive policy review.

Triennial policy review

A May report of the Secretary-General [A/59/85-E/2004/68] reviewed the implementation of General Assembly resolution 56/201 [YUN 2002, p. 784] on the triennial policy review of operational activities for development of the UN system, focusing on the assessment of the capacity of the UN development system to assist developing countries to pursue their national priorities and needs in relation to poverty eradication, economic growth and sustainable development within the framework of the follow-up to major UN conferences and summits. To assist in the review, the Secretary-General would submit policy recommendations to the Assembly, following consideration of the report by the Economic and Social Council (see p. 867), drawing on the Council’s deliberations.

The report stated that the 2004 triennial comprehensive policy review should take into account the reform measures undertaken by the Secretary-General in 1997 [YUN 1997, p. 1390] and 2002 [YUN 2002, p. 1352] to increase the coherence and effectiveness of UN development cooperation by enhancing coordination and improving management practices, take stock of the shifting global trends and overall development dynamics affecting UN development cooperation, and provide guidance to the system to enable it to adjust to changes. The principal focus of the analysis contained in the report was on assessing the performance and effectiveness of UN development cooperation. The report discussed the effectiveness of and current challenges to UN development cooperation; challenges and new perspectives in funding UN development cooperation; UN reforms and field-level coordination; country-level capacity of the UN development system and development of national capacities; UN system operational activities for development in countries in transition from crisis to development; and partnership between the UN system and national development stakeholders and partners.

The report indicated that substantial progress had been made in bringing cohesion to the system at the country level and in aligning its operations with the development agenda emerging from major UN conferences and summits and, in particular, with the Millennium Development Goals (MDGs) [YUN 2000, p. 41]. The system increasingly served as a catalyst for national dialogue among all stakeholders for implementing the MDGs, including within the framework of the UNDP poverty reduction strategy papers (PRSPs). The United Nations helped to build partnerships for action and devised accountability and monitoring instruments, including the MDG country reports. The evaluation of diagnostic and programming tools, including CCA and UNDAF, showed their potential, especially in terms of increased coherence, and highlighted the importance of a more integrated approach to national poverty reduction strategy frameworks. The UN reform processes created strong imperatives to work together, especially among the members of the United Nations Development Group (UNDG) and its Executive Committee. In many countries, the resident coordinator system increasingly functioned as a vibrant instrument with a common set of goals. Clear guidelines were issued on joint programming, and actual joint programmes were developed in such areas as HIV/AIDS, the protection of children and the advancement of women, while the adoption of results-based programming and management by a majority of organizations was helping to create a new culture of efficiency, effectiveness and accountability. Significant progress was also made in integrating reconstruction, rehabilitation and long-term development within a single strategic framework for peace-building and development.

Efforts to simplify and harmonize processes between organizations had yielded limited efficiencies, however, forcing UNG to formulate a new work programme to accelerate those efforts, the implementation of which depended on further institutional changes and funding. The critical capacity of the system to make available relevant technical resources at the country and regional levels was constrained by the lack of real incentives and institutional reward systems to encourage the various entities to make their knowledge and expertise available to the resident coordinator system. A stronger commitment by all UN system organizations involved in operational activities for development to system-wide collaboration and the effective participation of all, including entities with no country offices, were key requirements for progress. In addition, stable, predictable funding commensurate with the programme priorities identified in CCA/UNDAF was needed. Efforts to improve internal coherence, simplification and efficiency within the UN system would not succeed without Member States reforming their funding practices to limit fragmentation, inconsistency and unnecessary
competition for scarce resources. As long as funding arrangements for UN development activities remained inadequate, unstable and unpredictable, the UN development system would not be able to fully play its role in advancing comprehensive, durable development. The mismatch among funding levels, mechanisms and sustained efforts required to support countries in their implementation of the MDGs needed to be addressed.

The Secretary-General, in an April report (A/59/44-E/2004/33), issued to complement his report on progress in implementing resolution 56/201, provided detailed statistical data on resources channelled through the UN system organizations for 2002, which the Council noted on 12 July (decision 2004/232).

ECONOMIC AND SOCIAL COUNCIL ACTION

On 12 July (meeting 33), the Economic and Social Council adopted resolution 2004/5 [draft: E/2004/L.15] without vote (agenda item 3 (a)).

Triennial comprehensive policy review of operational activities for development of the United Nations system

The Economic and Social Council,
Recalling the United Nations Millennium Declaration, which set out priorities and goals to be reached by the international community by 2015,
Recalling further General Assembly resolution 58/291 of 6 May 2004 entitled “Follow-up to the outcome of the Millennium Summit and integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields”.

Invites the Secretary-General, in accordance with the coordination, guidance and oversight roles of the Council in the implementation by the United Nations system of the triennial policy review of operational activities, to make recommendations, when finalizing his report on the triennial comprehensive policy review, on the possible themes that could be discussed at the operational activities segment of the substantive sessions of the Council in 2005 and 2006, taking into account the necessary preparatory work for the following triennial policy review;

3. Invites the General Assembly to consider a concise and action-oriented resolution on the triennial comprehensive policy review, focusing on priority areas as determined by Member States.

Report of Secretary-General. In a September report (A/59/367), the Secretary-General provided a synopsis of the detailed analysis of the implementation of resolution 56/201 contained in his May report on the triennial comprehensive policy review (see p. 866). It took into account the views and comments of Member States at the operational activities segment of the Council’s substantive session of 2004, as well as additional information provided by UN system organizations. The report was complemented by the reports of the Secretary-General on the comprehensive statistical data on operational activities for development for 2002 (see p. 865) and the preliminary statistical data for the year 2003 (A/59/386) (see p. 875). It also took into account the report of the Secretary-General on assessment of the value added of the joint meetings of the Executive Boards of UNDP/UNFPA, UNICEF, and WFP (E/2004/60) (see p. 878) and provided an overall analysis of progress on the 1997 and 2002 reform measures undertaken by the Secretary-General regarding UN development cooperation.

The report called for actions to enhance the effectiveness of the UN system development cooperation, strengthen coherence within a unified, nationally-owned development framework, ensure adequate use of all relevant capacities available, place greater emphasis on results and their evaluation, and translate internationally agreed development goals into national terms. It called for adequate funding and further reflection on funding arrangements, and for organizational and structural changes, including strengthening of the resident coordinator system. The system’s country-level presence should be responsive to national priorities and needs, ensuring comprehensive support to dimensions that were key to a sustained and sustainable de-
development effort. Intensified field-level coordination and participation of all relevant parts of the system, including those entities without country-level representation, were essential. Greater consideration should be given to the regional dimensions of development cooperation and to developing national capacities, as one of its key functions. Added emphasis should be placed on gender mainstreaming.

By decision 59/539 of 22 December, the General Assembly took note of the report of the Second (Economic and Financial) Committee on operational activities for development [A/59/488].

**GENERAL ASSEMBLY ACTION**

On 22 December [meeting 75], the General Assembly, on the recommendation of the Second Committee [A/59/488/Add.1], adopted resolution 59/250 without vote [agenda item 90 (b)].

**Triennial comprehensive policy review of operational activities for development of the United Nations system**

The General Assembly,


Reaffirming the importance of the triennial comprehensive policy review of operational activities, through which the General Assembly establishes key system-wide policy orientations for the development cooperation and country-level modalities of the United Nations system,

Recalling the role of the Economic and Social Council in providing coordination and guidance to the United Nations system to ensure that those policy orientations are implemented on a system-wide basis in accordance with Assembly resolutions 48/162 of 20 December 1993, 50/227 of 24 May 1996 and 57/270 B of 23 June 2003,

Recalling also the United Nations Millennium Declaration of 8 September 2000, including the development and poverty eradication goals contained therein, and recalling further the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002, and the World Summit on Sustainable Development, held in Johannesburg, South Africa, from 26 August to 4 September 2002 and other major United Nations conferences and summits in the economic, social and related fields, and their importance for international development cooperation, in particular for the operational activities for development of the United Nations system,

Noting, in this context, the activities of the United Nations funds and programmes aimed at providing technical assistance to recipient countries, in response to their national economic and social needs and priorities, including poverty eradication and the promotion of all human rights, including the right to develop-

ment, for achieving sustained economic growth and sustainable development in accordance with relevant General Assembly resolutions and recent United Nations conferences, and stressing the need for those activities to be undertaken at the request of interested recipient Governments strictly within the respective mandates of the United Nations funds and programmes, which should receive increased contributions from donor countries,

Recognizing that the transition from relief to development represents a complex challenge as regards the universal achievement of the MDGs,

Reiterating that developing countries are responsible for their own development processes, and in this context stressing the responsibility of the international community, in partnership, in assisting developing countries in their national development efforts,

Recognizing that the United Nations development system should take into account the specific needs and requirements of the countries with economies in transition and other recipient countries,

Recognizing also that new technologies, including information and communication technologies, present an opportunity to accelerate development, especially in developing countries, and noting that the access to those technologies is uneven and that a digital divide still prevails,

Reaffirming the need to ensure, in a coherent and timely manner, the full implementation of all the elements of its resolutions 44/211, 47/199, 50/120, 53/192 and 56/201 and the parts of its resolution 52/12 B relevant to operational activities for development, which should be considered an integral part of the present resolution,

Reiterating the importance of the development of national capacities to eradicate poverty and pursue sustained economic growth and sustainable development as a central goal of the development cooperation of the United Nations system,

Recognizing that new trends in development assistance, including sector-wide approaches and budget support, pose challenges to the United Nations, and stressing that the United Nations has a role to play in assisting developing countries to manage the new aid modalities,

Noting the advances that the United Nations development system is making in the area of coordination, including in the implementation of resolution 56/201,

Encouraging the governing bodies of United Nations agencies, funds and programmes to ensure that gender perspectives are integrated into all aspects of their monitoring functions in relation to policies and strategies, medium-term plans, multi-year funding frameworks and operational activities, including those relating to the implementation of the Millennium Declaration and the outcomes of major United Nations conferences and summits in the economic and social fields,

I

**Introduction**

1. **Takes note with appreciation** of the reports of the Secretary-General on the triennial comprehensive policy review of operational activities for development of the United Nations system;
2. Reaffirms that the fundamental characteristics of the operational activities for development of the United Nations system should be, inter alia, their universal, voluntary and grant nature, their neutrality and their multilateralism, as well as their ability to respond to the development needs of recipient countries in a flexible manner, and that the operational activities are carried out for the benefit of recipient countries, at the request of those countries and in accordance with their own policies and priorities for development;

3. Urges all Member States to pursue the full implementation of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration, and recognizes the positive contribution that these can make in providing direction to the operational activities for development of the United Nations system in accordance with national development efforts and priorities;

4. Recognizes that the strength of the United Nations development system lies in its legitimacy, at the country level, as a neutral, objective and trusted partner for both recipient countries and donor countries;

5. Stresses that national Governments have the primary responsibility for their countries’ development, and recognizes the importance of national ownership of development programmes;

6. Emphasizes that recipient Governments have the primary responsibility for coordinating, on the basis of national strategies and priorities, all types of external assistance, including that provided by multilateral organizations, in order to integrate effectively such assistance into their development process;

7. Emphasizes also that the operational activities for development of the United Nations system should be valued and assessed on the basis of their impact on the recipient countries as contributions to enhance their capacity to pursue poverty eradication, sustained economic growth and sustainable development;

8. Calls upon the United Nations development system to highlight best practices, where these can in form national efforts to implement policies that promote sustained economic growth and sustainable development, inter alia, through the rule of law and the strengthening of effective, efficient, transparent and accountable systems for mobilizing resources;

9. Decides that, with the agreement of the host country, the United Nations development system should assist national Governments in creating an enabling environment in which the links between national Governments, the United Nations development system, civil society, national non-governmental organizations and the private sector that are involved in the development process are strengthened, with a view to seeking new and innovative solutions to development problems in accordance with national policies and priorities;

10. Stresses that the purpose of reform is to make the United Nations development system more efficient and effective in its support to developing countries to achieve the internationally agreed development goals, on the basis of their national development strategies, and stresses also that reform efforts should enhance organizational efficiency and achieve concrete development results;

11. Requests the organizations of the United Nations system to continue their efforts to respond to national development plans, policies and priorities, which constitute the only viable frame of reference for programing their operational activities at the country level, and to pursue full integration of the operational activities for development at the country level with national planning and programming, under the leadership of national Governments, at all stages of the process, while ensuring the full involvement of all relevant stakeholders at the national level;

12. Welcomes the efforts of the Secretary-General, through the members of the United Nations Development Group and the United Nations System Chief Executives Board for Coordination, as appropriate, to enhance the coherence, effectiveness and efficiency of the United Nations development system at the country level;

13. Recognizes that strengthening the role and capacity of the United Nations development system to assist countries in achieving their development goals requires continuing improvement in its effectiveness, efficiency, coherence and impact, along with a significant increase in resources and an expansion of its resource base on a continuous, more predictable and assured basis;

II. Funding for operational activities for development of the United Nations system

14. Emphasizes that increasing financial contributions to the United Nations development system is key to achieving the MDGs, and in this regard recognizes the mutually reinforcing links between increased effectiveness, efficiency and coherence of the United Nations development system, achieving concrete results in assisting developing countries to eradicate poverty and achieve sustained economic growth and sustainable development through operational activities for development and the overall resourcing of the United Nations development system;

15. Emphasizes also that funding of operational activities for development of the United Nations system should focus on long-term development challenges based on national development strategies;

16. Notes with concern that the United Nations development system has not benefited commensurately from recent increases in official development assistance, despite the additional tasks entrusted to the United Nations system in the implementation of and follow-up to internationally agreed goals;

17. Stresses that core resources, because of their untied nature, continue to be the bedrock of the operational activities for development of the United Nations system, and in this regard notes with appreciation that core contributions to United Nations funds and programmes have begun to increase again over the last three years;

18. Calls upon donor countries and other countries in a position to do so to substantially increase their contributions to the core/regular budgets of the United Nations development system, in particular its funds and programmes, and wherever possible, to contribute on a multi-year basis;

19. Urges developed countries that have not yet done so to make concrete efforts to reach the targets of 0.7 per cent of their gross national product as official development assistance to developing countries and
0.15 to 0.20 per cent of their gross national product to least developed countries, as confirmed at the Third United Nations Conference on Least Developed Countries, held in Brussels from 14 to 20 May 2001, encourages developing countries to build on progress achieved in ensuring that official development assistance is used effectively to help to achieve development goals and targets, acknowledges the efforts of all donors, commends those donors whose official development assistance contributions exceed, reach or are increasing towards the targets, and underlines the importance of undertaking to examine the means and time frames for achieving the targets and goals;

20. Notes the increase in non-core resources as a mechanism to supplement the means of operational activities for development of the United Nations system, which contributes to an increase in total resources, while recognizing that non-core resources are not a substitute for core resources and that earmarked contributions are vital for the coherence and harmonization of the operational activities for development;

21. Invites the governing bodies of all organizations of the United Nations development system to address systematically the funding of their operational activities and to explore, within the context of their multi-year planning and related financial frameworks, where appropriate, additional sources of financial support and alternative funding modalities so as to secure, on a predictable, continuous and sustained basis, the critical mass of resources required to ensure adequate functioning and pursuit of long-term development objectives;

22. Requests the Secretary-General to improve his annual statistical compendium to the operational activities segment of the Economic and Social Council by adding a multi-year perspective, fully incorporating available information and statistics;

23. Requests the Economic and Social Council to undertake triennially, as of 2006, a comprehensive review of trends and perspectives in funding for development cooperation;

24. Requests the Secretary-General, in consultation with Member States, to explore various funding options for increasing financing for operational activities for development of the United Nations system and to examine ways to enhance the predictability, long-term stability, reliability and adequacy of funding for the operational activities for development, including through the identification of possible new funding sources, as a follow-up to his report, while preserving the advantages of the current funding modalities, and to submit a report to the General Assembly through the Economic and Social Council at its substantive session in 2005;

25. Recognizes the urgent and specific needs of low-income countries, in particular the least developed countries, and stresses the need to continue to assist those countries through the existing institutions and funding mechanisms of the United Nations development system;

III

Capacity-building

26. Recognizes that capacity development and ownership of national development strategies are essential for the achievement of the MDGs, and calls upon United Nations organizations to provide further support to the efforts of developing countries to establish and/or maintain effective national institutions and to support the implementation and, as necessary, the devising of national strategies for capacity-building;

27. Urges all organizations of the United Nations development system to intensify inter-agency sharing of information at the system-wide level on good practices and experiences gained, results achieved, benchmarks and indicators, monitoring and evaluation criteria concerning their capacity-building activities;

28. Encourages all organizations of the United Nations development system to include reporting on their capacity-building activities in their annual reports to their respective governing bodies;

29. Requests the United Nations System Chief Executives Board for Coordination to analyse the capacity development efforts of the United Nations development system and to make recommendations on measures necessary to enhance their effectiveness, including through the improvement of the assessment and measurement of results;

30. Calls upon United Nations organizations to further strengthen the capacity of developing countries to better utilize the various aid modalities, including system-wide approaches and budget support;

31. Also calls upon United Nations organizations to adopt measures that ensure sustainability in capacity-building activities, and reiterates that the United Nations development system should use, to the fullest extent possible, national execution and available national expertise and technologies as the norm in the implementation of operational activities;

32. Stresses that developing countries, in order to meet the internationally agreed development goals, including those contained in the Millennium Declaration, should have access to new and emerging technologies, including information and communication technologies, which requires technology transfer, technical cooperation and the building and nurturing of scientific and technological capacity to participate in the development and adaptation of these technologies to local conditions, and in this regard urges Member States and the United Nations system to ensure the promotion and transfer of new and emerging technologies to developing countries;

33. Encourages the United Nations development system to support the national development strategies and plans of countries with economies in transition that face continuing difficulties in economic and social development, specifically to assist them in addressing the challenges of achieving the internationally agreed development goals, including those contained in the Millennium Declaration;

IV

Transaction costs and efficiency

34. Invites the governing bodies of all organizations of the United Nations system actively involved in development cooperation activities and their respective management to adopt harmonization and simplification measures, with a view to achieving a significant reduction in the administrative and procedural burden on the organizations and their national partners that derive from the preparation and implementation of operational activities;
35. Notes the progress achieved in the area of simplification and harmonization as defined in section VI of resolution 56/201, with the assistance of the United Nations Development Group, and calls upon the funds, programmes and the specialized agencies of the United Nations system to continue to implement the simplification and harmonization agenda by taking further steps to enhance and ensure the sustainability of that process;

36. Requests the funds, programmes and specialized agencies of the United Nations system to examine ways to further simplify their rules and procedures and, in this context, to accord the issue of simplification and harmonization high priority and to take concrete steps in the following areas: rationalization of country presence through common premises and location of members of United Nations country teams; implementation of the joint office model; common shared support services, including security, information technology, telecommunications, travel, banking and administrative and financial procedures, including for procurement; harmonization of the principles of cost recovery policies, including that of full cost recovery; alignment of the regional technical support structures and regional bureaux at headquarters level, including their regional coverage; as well as further simplification and harmonization measures;

37. Requests the Secretary-General, in full consultation with all members of the United Nations Development Group, through the Executive Committee of the Development Group, to submit to the Economic and Social Council, at its substantive session of 2005, a programme of work for the full implementation of the above-mentioned actions, to be completed before the end of 2007, including benchmarks, responsibilities and provisions to phase out redundant rules and procedures, as well as a timetable to monitor the progress made towards meeting these targets;

38. Invites the executive boards and governing bodies of the funds, programmes and specialized agencies to assess regularly the progress achieved in the area of simplification and harmonization of rules and procedures;

39. Requests the funds and programmes to provide, in their annual reports to the Economic and Social Council, specific information on the progress achieved in implementing the above-mentioned agenda;

40. Requests the United Nations Development Group to consult regularly with the United Nations System Chief Executives Board for Coordination in collaboration with the United Nations Development Group, to take the necessary steps to secure a more participatory involvement of the United Nations development system in the country-level operations and their coordination mechanisms, including through promotion, decentralization, the delegation of authority and multi-year programming, which will facilitate their participation in country-level coordination mechanisms;

41. Requests the United Nations system to conduct the common country assessment and the United Nations Development Assistance Framework processes as efforts to improve the support for national development priorities and policies, and stresses that full governmental ownership, participation and leadership is required at all stages of those processes;

42. Welcomes the efforts made so far by the United Nations system in the context of the improved functioning of the resident coordinator system, including through the common country assessment and the Framework, in order to achieve greater country-level programmatic coherence within the system and to foster teamwork among the organizations of the system, in particular those represented at the country level;

43. Recognizes that, in spite of these efforts, participation of the funds, programmes and agencies of the United Nations development system in country-level operational activities for development and coordination mechanisms still differs in level, quality and intensity, and that for some organizations it is inadequate, and in this context calls upon the United Nations development system to improve its country-level coordination so as to optimize its support to national development efforts, at the request of national authorities;

44. Calls upon the United Nations system to draw from its accumulated experience in all pertinent economic, social and other domains and to facilitate the access of developing countries to the services available within the system on the basis of its comparative advantages and expertise;

45. Calls upon the United Nations development system to foster an inclusive approach in promoting inter-agency collaboration, both at the country and headquarters levels, and requests the United Nations System Chief Executives Board for Coordination, in collaboration with the United Nations Development Group, to take the necessary steps to involve the United Nations development system in the country-level operations and their coordination mechanisms, including through promotion, decentralization, the delegation of authority and multi-year programming, which will facilitate their participation in country-level coordination mechanisms;

46. Stresses the importance of the common country assessment as the common analytical tool of the United Nations system at the country level, including the specialized agencies, the regional commissions and other United Nations agencies with no country representation or limited country-level presence, which should contribute their accumulated analytical and normative experience so as to enable the use of all capacities available within the United Nations system;

47. Notes the progress made by the United Nations operational system in developing and using the common country assessment, and stresses that the formulation of the assessment is meant to be short, light and flexible;

48. Underlines the complementarity of the common country assessment to other analytical processes, and urges all funds, programmes and agencies to avoid duplication by utilizing, to the maximum extent possible, the common country assessment as their own country-level analytical tool;

49. Reiterates that the ownership and full participation of national authorities in the preparation and development of the Framework are key to guaranteeing that it responds to the national development plans and poverty reduction strategies of the countries concerned, and requests the Secretary-General to develop the Framework and its results matrix where applicable, as the common programming tool for country-level contributions of the funds and programmes towards
achieving the MDGs, to be fully endorsed and counter-signed by the national authorities;

50. Notes the potential of the Framework and its results matrix as the collective, coherent and integrated programming and monitoring framework for the operations of the United Nations development system at the country level, bringing increased opportunities for joint initiatives, including joint programming, and urges the United Nations development system to fully utilize such opportunities in the interest of enhancing aid efficiency and aid effectiveness;

51. Requests the Secretary-General, through the Executive Committee of the United Nations Development Group, in consultation with the United Nations System Chief Executives Board for Coordination, to ensure that United Nations Development Group agencies with multi-year programmes as well as the entities of the Secretariat that carry out operational activities in pursuit of the MDGs, fully align their respective programming and monitoring with the Framework, as well as take further steps to harmonize their programming cycles and to synchronize them as far as possible with the national programming instruments, in particular the national poverty reduction strategies, including poverty reduction strategy papers, where they exist;

52. Invites the United Nations system and the Bretton Woods institutions to explore further ways to enhance cooperation, collaboration and coordination, including through the greater harmonization of strategic frameworks, instruments, modalities and partnership arrangements, in full accordance with the priorities of the recipient Governments, and in this regard emphasizes the importance of ensuring, under the leadership of national authorities, greater consistency between the strategic frameworks developed by the United Nations funds and programmes, agencies and the Bretton Woods institutions, while maintaining the institutional integrity and organizational mandates of each organization and the national poverty reduction strategies, including poverty reduction strategy papers, where they exist;

B. Resident coordinator system and United Nations country teams

53. Reaffirms that the resident coordinator system, within the framework of national ownership, has a key role to play in the effective and efficient functioning of the United Nations system at the country level, including in the formulation of the common country assessment and the United Nations Development Assistance Framework, and is a key instrument for the efficient and effective coordination of the operational activities for development of the United Nations system, and requests the United Nations system, including the funds and programmes, the specialized agencies and the Secretariat, to enhance support to the resident coordinator system;

54. Urges the United Nations system to provide further financial, technical and organizational support for the resident coordinator system, and requests the Secretary-General, in consultation with the members of the United Nations Development Group to ensure that resident coordinators have the necessary resources to fulfil their role effectively;

55. Welcomes the improvements in the selection process and training of the resident coordinators, and urges the members of the Executive Committee of the United Nations Development Group, in full consultation with the members of the Development Group, to develop a procedure for the common country assessment of the performance of resident coordinators by all members of the United Nations country teams;

56. Notes that coordination activities, while beneficial, represent transaction costs that are borne by both recipient countries and the organizations of the United Nations system, and emphasizes the need for their continuous evaluation and for an analysis and assessment of costs compared with the total programme expenditures for operational activities for development in order to ensure maximum efficiency and feasibility;

57. Reaffirms that the utilization of advanced information and communication technologies by the United Nations system could contribute to enhanced information-sharing and knowledge management, resulting in more effective delivery of development cooperation by the United Nations system, and encourages United Nations organizations to intensify their efforts to expand the use of information and communication technologies and to further harmonize their information technology platforms;

58. Requests the Secretary-General, in full consultation with all agencies of the United Nations Development Group and the United Nations System Chief Executives Board for Coordination, as appropriate, to develop, by the end of 2005, a comprehensive accountability framework for resident coordinators to exercise oversight of the design and implementation of the Framework, in a fully participatory manner, in support and under the leadership of national Governments;

59. Underlines the fact that the resident coordinator system is owned by the United Nations development system as a whole and that its functioning should be participatory, collegial and accountable;

60. Also underlines the fact that the management of the resident coordinator system continues to be firmly anchored in the United Nations Development Programme, while recognizing that many resident coordinators, especially in countries with large country teams, complex coordination situations or in situations of complex emergencies, lack the capacity to address equally well all tasks inherent to their functions, and in this regard requests that in such cases the United Nations Development Programme appoint, within the existing programming arrangement, a country director to run its core activities, including fund-raising, so as to assure that resident coordinators are fully available for their tasks;

61. Requests that, when raising funds, resident coordinators concentrate on raising funds for the whole of the United Nations at the country level;

VI

Country-level capacity of the United Nations system

62. Reaffirms the principle, as contained in resolutions 44/211 and 47/199, that the country-level presence of the United Nations system should be tailored to meet the specific development needs of recipient countries, as required by their country programmes;
63. Emphasizes the need for the range and level of skills and expertise assembled by the United Nations system at the country level to be commensurate with that needed to deliver on the priorities specified in each country’s United Nations Development Assistance Framework and to update, in the context of the need for the range and level of skills and expertise assembled by the United Nations system at the country level, with the national development strategies and plans, including poverty reduction strategy papers, where they exist, and to correspond to the technical backstopping and capacity-building needs and requirements of the developing countries;

64. Stresses the principle that no core function of the Secretariat can be outsourced to operational bodies, in particular at the field level, without proper financial compensation;

65. Invites the governing bodies of the organizations of the United Nations development system to consider means to strengthen their country-level capacities, including through complementary measures at their headquarters;

VII

Evaluation of operational activities for development

66. Requests the Secretary-General to continue to assess the effectiveness of the operational activities for development of the United Nations system, including, in particular, by assessing the effective use of all capacities available to provide a comprehensive and flexible response to the demand of developing countries for development support, and to report on the results of this assessment in the context of the next triennial policy review at its sixty-second session;

67. Reaffirms that the effectiveness of operational activities should be assessed by their impact on the poverty eradication efforts, economic growth and sustainable development of recipient countries;

68. Underlines the fact that future assessments of the effectiveness of the operational activities for development of the United Nations system should make full use of the data and expertise available within the system and from national authorities in full collaboration with national stakeholders and United Nations entities;

69. Recognizes the need to optimize the linking of evaluation to performance in the achievement of development goals, and encourages the United Nations development system to strengthen its evaluation activities, with particular focus on development results, including through the effective use of the results matrix of the United Nations Development Assistance Framework, the systematic use of monitoring and evaluation approaches at the system-wide level and the promotion of collaborative approaches to the evaluation, including joint evaluations, and further encourages the United Nations Evaluation Group, under the aegis of the United Nations System Chief Executives Board for Coordination, to make further progress in system-wide collaboration on evaluation, in particular harmonization and simplification of methodologies, norms, standards and cycles of evaluation;

70. Strongly encourages country-level evaluations of the Framework at the end of the programming cycle, based on the results matrix of the Framework, with full participation and leadership of the recipient Government;

71. Recognizes that national Governments have primary responsibility for coordinating external assistance, including that from the United Nations system, and evaluating the impact of its contribution to national priorities;

72. Requests the United Nations Development system to conduct evaluations of its operations at the country level, in close consultation with national Governments, and in this context stresses the need to assist Governments in the development of national evaluation capacities through, inter alia, better use of lessons learned from past activities at the country level;

73. Also requests the United Nations development system to consider, where appropriate, applying lessons learned in the course of monitoring and evaluation to programming processes;

74. Stresses the need for all organizations of the United Nations development system to implement their global, regional and country-level activities in accordance with their mandates and the priorities of the recipient countries, urges their governing bodies to ensure that the activities, responsibilities and operational strategies of each fund and programme are consistent with their mandates and the overall policy guidance set forth by the General Assembly and the Economic and Social Council and to report on these issues within the context of the annual reports submitted to the Council, and requests the Secretary-General to include an assessment of these issues in the report on the triennial comprehensive policy review prepared for the sixty-second session of the General Assembly;

75. Requests that the United Nations Development Programme conduct full consultation with the Member States prior to issuing global and regional flagship reports, in accordance with, inter alia, the principles contained in General Assembly resolution 57/264 of 20 December 2002;

VIII

Regional dimensions

76. Calls upon the organizations of the United Nations development system, its regional commissions and other regional and subregional entities, as appropriate and consistent with their mandates, to intensify their cooperation and adopt more collaborative approaches to support country-level development initiatives at the request of recipient countries, in particular through closer collaboration within the resident coordinator system and by improving mechanisms for access to the technical capacities of the United Nations system at the regional and subregional levels;

77. Invites the governing bodies of the organizations of the United Nations development system to give greater and more systematic consideration to the regional and subregional dimensions of development cooperation and to promote measures for more intensive inter-agency collaboration at the regional and subregional levels, facilitating inter-country exchanges of experience and promoting both intraregional and interregional cooperation, as appropriate;

78. Encourages development agencies of the United Nations system to seek to maximize the opportunity to address development challenges on a regional or subregional basis, where appropriate, recognizing the important contribution of regional cooperation to national and regional development;
IX
South-South cooperation and development of national capacities

79. Welcomes the growing importance of South-South cooperation and its adoption as a driver of development effectiveness within the multi-year funding framework of the United Nations Development Programme;

80. Urges organizations and bodies of the United Nations system to mainstream, in their programmes and through their country-level activities and country offices, modalities to support South-South cooperation that would promote identification and dissemination of best practices, promote indigenous knowledge, know-how and technology in the South and facilitate networking among experts and institutions in developing countries;

81. Invites Member States and the organizations of the United Nations development system to celebrate the United Nations Day for South-South Cooperation in a befitting and comprehensive manner every year;

82. Emphasizes the need to mobilize additional resources for enhancing South-South cooperation, including from both the United Nations system and donors, and through triangular cooperation;

83. Urges all Member States and the organizations of the United Nations development system to actively participate in the High-Level Committee on the Review of South-South Cooperation with a view to formulating and reviewing the strategies as well as sharing information and their experience;

84. Encourages, in this regard, United Nations funds and programmes, the specialized agencies as well as centres of excellence in the South to contribute to the periodic updating of the Web of Information for Development, the electronic databank operated by the Special Unit for South-South Cooperation of the United Nations Development Programme in coordination with Governments, allowing for the wide diffusion of and access to the information contained therein, including experiences, best practices and potential partners in South-South cooperation;

85. Highlights the fact that, in spite of progress achieved in this area, further efforts are required to better understand the approaches and potential of South-South cooperation to enhance development effectiveness, including through national capacity development, and in this context calls upon all the organizations of the system to further enhance their support for national capacity development in the context of South-South cooperation;

X
Gender

86. Calls upon all organizations of the United Nations system, within their organizational mandates, to mainstream a gender perspective and to pursue gender equality in their country programmes, planning instruments and sector-wide programmes and to articulate specific country-level goals and targets in this field in accordance with the national development strategies;

87. Urges all organizations of the system to collaborate with the resident coordinator system to provide gender specialist resources in support of gender mainstreaming in country-level activities in all sectors where they operate, working closely with relevant national counterparts in generating the gender disaggregated, quantitative and qualitative information required to produce better analysis of gender-related issues of development;

88. Requests all entities of the United Nations system to enhance the effectiveness of gender specialist resources, gender focal points and gender theme groups by establishing clear mandates, by ensuring adequate training, access to information and to adequate and stable resources, and by increasing the support and participation of senior staff;

89. Calls upon the United Nations development system to avail itself of the technical experience of the United Nations Development Fund for Women on gender issues;

90. Encourages the continuing efforts to achieve gender balance in appointments within the United Nations system at the headquarters and country levels in positions that affect operational activities, including resident coordinator appointments, with due regard to representation of women from developing countries and keeping in mind the principle of equitable geographic representation;

91. Requests the Secretary-General to ensure that the annual report on resident coordinators includes adequate and concise information on progress on the above;

XI
Transition from relief to development

92. Takes note of the ongoing work within the United Nations on the complex issue of transition from relief to development;

93. Recognizes that the United Nations development system has a vital role to play in situations of transition from relief to development;

94. Requests the organizations of the system to strengthen interdepartmental and inter-agency coordination to ensure an integrated, coherent and coordinated approach to assistance at the country level, which takes account of the complexity of challenges that countries in those circumstances face and the country-specific character of those challenges;

95. Recognizes, in this regard, the important role that the effective resident coordinator/humanitarian coordinator system can play in situations of transition from relief to development;

96. Stresses, in this regard, the need for such transitional activities to be undertaken under national ownership through the development of national capacities at all levels to manage the transition process;

97. Recognizes the benefits of sharing experience and expertise, and encourages the development of South-South cooperation modalities, including triangular cooperation modalities, to assist the transition from relief to development through, inter alia, the use of information technologies and knowledge management systems, as well as exchange of expertise to enable countries in that situation to benefit from the experience of other developing countries;

98. Requests the donor countries and other countries in a position to do so to consider more coordinated and flexible approaches to funding operational activities for development in situations of transition from relief to development, making use of multiple resource mo-
bilateralization instruments, and stresses that contributions to humanitarian assistance should not be provided at the expense of development assistance and that sufficient resources for humanitarian assistance should be made available by the international community;

99. Urges United Nations agencies and the donor community, in coordination with the national authorities, to begin planning the transition to development and taking measures supportive of that transition, such as institutional and capacity-building, from the beginning of the relief phase;

XII

Follow-up

100. Reaffirms that the governing bodies of the funds, programmes and specialized agencies of the United Nations system should take appropriate actions for the full implementation of the present resolution, in line with paragraphs 91 and 92 of resolution 56/201;

101. Requests the Secretary-General, after consultation with the funds, programmes and specialized agencies of the United Nations system, to submit a report to the Economic and Social Council, at its substantive session of 2005, on an appropriate management process, containing clear guidelines, targets, benchmarks and time frames for the full implementation of the present resolution;

102. Invites the Economic and Social Council, during the operational activities segment of its substantive session of 2006, to examine the operational activities of the United Nations system in order to evaluate the implementation of the present resolution with a view to ensuring its full implementation;

103. Requests the Secretary-General to submit to the General Assembly at its sixty-second session, through the Economic and Social Council, a comprehensive analysis of the implementation of the present resolution in the context of the triennial policy review, inter alia, by making use of relevant documentation, and to make appropriate recommendations.

Financing of operational activities in 2003

Expenditures of the UN system on operational activities, excluding loans through the World Bank Group, totalled $9.7 billion in 2003 [A/59/386], the most recent year for which figures were available (compared with $7.3 billion in 2002). Of that amount, $2.411.5 million was distributed in development grants by UNDP and UNDP-administered funds, $1,992.1 million by specialized agencies and other organizations from extrabudgetary sources, $3,275.3 million by WFP, $1,208.1 million by UNICEF, $318.2 million by specialized agencies and other organizations from regular budgets, and $272.9 million from UNFPA.

The UNDP Administrator, in an August report on UN system technical cooperation expenditures in 2003 [DP/2004/37 & Add.1], said that the unprecedented $9.7 billion in technical cooperation to the developing world, a 31.7 per cent increase over 2002, was the highest level of expenditure in the last decade, attributable to, among other factors, the response to the humanitarian situation in Iraq in 2003 [YUN 2003, p. 956]. Expenditure increases were posted by WFP of 105.7 per cent (at $3.3 billion); UNICEF, 15.7 per cent (at $1.3 billion); and specialized agencies, funds and programmes, 11.5 per cent (at $2.5 billion). Only UNFPA registered a decline of 12.7 per cent (at $273 million).

By region, Africa was the largest recipient (28.2 per cent, or $2.7 billion), followed by the Arab States (27.5 per cent, or $2.6 billion), Asia and the Pacific (17.2 per cent, or $1.7 billion), Latin America and the Caribbean (15.6 per cent, or $1.5 billion), and Europe and the Commonwealth of Independent States (CIS) (4.6 per cent, or $446 million). Other global and interregional activities received 6.9 per cent, or $669 million. Four countries received one quarter of the total technical cooperation expenditure: Iraq ($1.5 billion), Afghanistan ($359 million), Ethiopia ($323 million) and Brazil ($258 million). The health and humanitarian assistance sectors together accounted for 48.1 per cent of total, or $4.6 billion. Humanitarian assistance alone increased 97.6 per cent, to $2.9 billion, from $1.5 billion in 2002.


At the 2004 United Nations Pledging Conference for Development Activities (New York, 11 November) [A/CONF.208/2004/3], Governments made pledges to UN programmes and funds concerned with development. The Conference noted that several Governments would communicate their pledges to the Secretary-General as soon as they were able to do so.

The Secretary-General provided a statement of contributions pledged or paid at the 2003 Pledging Conference, as at 30 June 2004, to 21 funds and programmes [A/CONF.208/2004/4/2]. The total amounted to some $1.5 billion.

World Solidarity Fund

On 8 July, during the operational activities segment of the Economic and Social Council’s substantive session for 2004 [meeting 29], the UNDP Administrator updated delegations on developments with regard to the World Solidarity Fund, established in 2003 [YUN 2003, p. 889] as a UNDP trust fund for the eradication of poverty and the promotion of social and human development in developing countries. He reported that Tunisia and UNDP had invited prospective members of the High-level Committee established for the Fund and had received seven acceptances. At the
The report of UNDP on its performance and results for 2004 in implementation of the multi-year funding framework (MYFF) for 2004-2007 [DP/2005/16] described the key messages and conclusions on performance that emerged from analysis of reports on country office results and other data on activities. It provided analysis against strategic performance indicators; qualitative analysis of results by practice; a summary of results in building organizational capacities, promoting efficiency and enhancing accountability; and aggregate information on the use of financial resources. The report also presented two aspects of UNDP contributions to development: the rates of achievement of annual targets set by country offices towards intended programme outcomes and the extent to which UNDP promoted the drivers of development effectiveness.

By four key performance measures, the report assessed the extent of UNDP strategic focus. It indicated that demand for UNDP support and concentration of activity, as measured by intended outcomes, centred on five practices: reducing human poverty; fostering democratic governance; energy and environment for sustainable development; crisis prevention and recovery; and responding to HIV/AIDS. More than 90 per cent of programme countries sought support for the first three practices, 71 per cent for the fourth and 59 per cent for the fifth. At the regional level, the largest areas of UNDP support across all regions continued to be in poverty reduction and democratic governance. Almost 90 per cent of countries in Asia and the Pacific benefited from support in crisis prevention and recovery, compared to 50 to 60 per cent for other regions, while support in HIV/AIDS response was highest in Africa, followed by Asia and the Pacific. As to strategic interventions, the number of intended outcomes being pursued per country varied from 12 to 17; country programmes concentrated on 11 service lines on average, indicating that, of 30 such lines provided to respond to country demands across five regions, country offices focused on just one third of possible thematic options available in the MYFF. The degree of convergence of programme outcomes with core results was found to be strong in 91 country offices, moderate in 12 and weak in 24. Total programme expenditure within thematic priorities as a proportion of all programme expenditures was just over $2.45 billion, of which about 92 per cent (or about $2.23 billion) was spent in pursuing results within the practices and service lines of the MYFF, 2004-2007—in marked contrast to the 79 per cent spent within the focus areas of the MYFF, 2000-2003. Less than 4 per cent fell within the practices not associated with specific service lines or core results.

An analysis of the rates of achievement of targets set by country offices in 2004 showed that, on average, 50 per cent of targets were fully achieved, 42 per cent partially achieved and 8 per cent were not. The targets that were fully achieved were highest in HIV/AIDS response (57 per cent) and lowest in support to energy and environment for sustainable development (45 per cent). As to achievement by service lines, six of the 10 top-performing lines fell under reducing poverty and fostering governance, the two practices at the core of the UNDP profile as a development partner; the other four fell under crisis prevention and recovery, and HIV/AIDS response. Three service lines in two practices (access to sustainable energy services and part of crisis prevention and recovery) failed to achieve 40 per cent or more of annual targets, due mainly to over-ambitious targets and to the need for realigning annual budget targets to government policy and for clarifying national policy.

Analysis of the promotion of the six elements or drivers identified by UNDP for effective development suggested that, in 2004, a UNDP that had become more outward-looking relied heavily on creating an enabling policy environment, thereby influencing country-level policies for effective development, and on forging partnerships for results, which was strong in all five regions. Developing national capacities proved more effective than policy advocacy in enabling national ownership over the development agenda. The promotion of gender equality and South-South solutions appeared not to have been sufficiently incorporated into the design of all programmes.

The UNDP Administrator stated in his annual report [E/2005/4-DP/2005/15] to the Economic and Social Council that, in December 2003, UNDP adopted a two-pronged strategy for its engagement in trade, following the Fifth (2003) Ministerial Conference of the World Trade Organization [YUN 2003 p. 135], to help developing countries prepare for the resumption of trade negotiations stalled at that Conference and to enhance developing-country competitiveness and capacity-building for trade through the removal of sup-
ply-side constraints. The strategy was to ensure the linkage of trade policies to human development concerns and outcomes, while strengthening developing-country capacity for integrating trade policies into national anti-poverty strategies.

UNDP implemented its 2003 decision to mainstream information and communication technologies (ICT) into other practice areas [YUN 2003, p. 891] by bridging dedicated ICT for development expertise into the poverty reduction and democratic governance practices. It focused on ICT for the poor and e-governance-related programmes, especially in Eastern Europe and the Arab States, and was working closely with the Department of Economic and Social Affairs (DESA) to support the implementation of country-level e-governance programmes.

UNDP streamlined its practice areas to five (see p. 879), with 30 clear-cut service lines that structured activities under each practice, with direct links to the MDGs and an integrated emphasis on gender mainstreaming. It strengthened the implementation of strategic, comprehensive initiatives in support of the empowerment of women and the promotion of gender equality (see p. 883).

The Millennium Project, an independent advisory body launched in 2002 [YUN 2002, p. 863], posted in September 2004 its draft Global Plan to Achieve the Millennium Development Goals, together with background research, on its website for public comment; it would present the final version to the Secretary-General in 2005. In 2004, the Project initiated country-level advisory work in Cambodia, the Dominican Republic, Ethiopia, Ghana, Kenya, Senegal, Tajikistan and Yemen. By the end of September, 84 MDG country reports had been produced. The Millennium Campaign continued to expand its assistance to national campaigns, focusing on advocacy of issues related to the MDG goal of developing a global partnership for development. It was working closely with the United Nations Communications Group on a joint strategy for 2005 to leverage the UN system’s communications infrastructure.

**UNDP/UNFPA Executive Board**

In 2004, the UNDP/UNFPA Executive Board held its first (25-30 January) and second (20-24 September) regular sessions and an annual session (14-23 June), all in New York [E/2004/35].

At the first regular session, the Board adopted 13 decisions, including one giving an overview of the Board’s actions taken at that session [E/2004/35 (dec. 2004/12)]. Other decisions dealt with reporting on the UNDP MYFF, 2004-2007 (see p. 887); assistance to Myanmar (see p. 878); the United Nations Office for Project Services (UNOPS) (see p. 894); the implementation of the recommendations of the Board of Auditors by UNDP and UNFPA (see p. 890); the follow-up to the fourteenth (2003) meeting of the Programme Coordinating Board of the Joint United Nations Programme on HIV/AIDS (UNAIDS) [YUN 2005, p. 1248] (see p. 1220); the reports of the UNDP Administrator and the UNFPA Executive Director to the Economic and Social Council (see p. 878); the UNFPA MYFF, 2004-2007 and its intercountry programme, 2004-2007 (see PART THREE, Chapter VIII); the Evaluation Office report Millennium Development Goal reports: an assessment (see p. 886); the United Nations Development Fund for Women (UNIFEM) MYFF, 2004-2007 (see p. 171); and the World Health Organization (WHO)/UNICEF/UNFPA Coordinating Committee on Health (see p. 1224).

At its annual session, the Executive Board adopted 13 decisions. In addition to an overview decision that summarized the action taken at that session [dec. 2004/25], it adopted decisions regarding the United Nations Capital Development Fund (UNCDF) (see p. 899); funding commitments to UNDP (see p. 888); UNOPS (see p. 895); the United Nations Volunteers (UNV) programme (see p. 897); internal audit and oversight for UNDP, UNFPA and UNOPS (see p. 890); joint UNDP/UNFPA/UNIFEM proposals for MYFF reporting (see p. 887); the management response to the UNDP assessment report “Transforming the Mainstream: Gender in UNDP” (see p. 883) and gender balance in UNDP (see p. 884); the report of the UNFPA Executive Director for 2003 and funding commitments to UNFPA (see PART THREE, Chapter VIII); and the report on the implementation of a 2001 Board decision [YUN 2001, p. 799] on the UNDP/UNFPA programming process and joint UNDP/UNFPA programming (see p. 884).

At its second regular session, the Board adopted 16 decisions, including an overview decision [dec. 2004/41]. The other decisions concerned the 2003 UNFPA annual financial review, additional security requirements to safeguard UNFPA personnel and premises globally, and the report on the midterm review of the Technical Advisory Programme (see PART THREE, Chapter VIII); the annual review of the UNDP financial situation (see p. 888); the UNDP strategic cost management and implications for cost recovery (see p. 890); the report of the Inter-Agency Procurement Services Office for the 2002-2003 biennium (see p. 891); the third cooperation framework for South-South cooperation (see p. 898); the UNDP Administrator’s annual report on evalu-
The Economic and Social Council, by decision 2004/232 of 12 July, took note of the reports of the UNDP/UNFPA Executive Board on its work in 2003 (YUN 2003, p. 891), the report on its 2004 first regular session and the decisions adopted by the Board at its 2004 annual session.

**UNDP/UNFPA reports**

In January (dec. 2004/6), the UNDP/UNFPA Executive Board took note of the reports of the UNDP Administrator [E/2004/4-DP/2004/12] and UNFPA Executive Director [E/2004/5-DP/FPK/2004/2] to the Economic and Social Council and requested the secretariat to transmit them to the Council, together with a summary of the discussion at the January session.


In accordance with Council resolution 2003/3 [YUN 2003, p. 883], the Secretary-General submitted a May report [E/2004/60], which assessed the value added of the joint meetings of the Executive Boards of UNDP/UNFPA, UNICEF and WFP and their impact on the Council’s operational activities segment, and made suggestions for further consideration by the Council. The annual joint meetings, organized in response to Assembly resolution 52/12 B [YUN 1997, p. 1392], were to take into account the respective mandates of the individual Boards. Members of the UNDG Executive Committee were of the view that the joint meetings provided a useful addition to the ongoing dialogue facilitating discussion of operational issues facing all four agencies, and addressed the gap between single agency discussions on operational and policy issues in individual Boards and the more general global policy dialogue in the Council and Assembly. However, several shortcomings remained. It had proved impractical for the entire WFP Board to be in New York, so it was being represented at the meetings by its Bureau, and many of the cross-cutting programme issues addressed also applied to one or more of the specialized agencies whose views could only be heard in the Council or Assembly, leading to duplication of discussions. Members of the Executive Committee believed it would be useful for member States and the concerned funds and programmes to discuss a more formal approach to the joint meetings, in particular one that would involve formal decision-making authority. The key consideration should be the contribution of current or alternative arrangements in advancing the basic policy objective of greater system-wide coherence in support of countries’ development priorities and agreed development goals that were guiding the Council’s work and the 2004 triennial policy review of operational activities (see p. 866).

**UNDP operational activities**

**Country and regional programmes**

The UNDP/UNFPA Executive Board, at its January session (dec. 2004/12), approved country programmes for Benin, the Central African Republic, the Congo, Croatia, Djibouti, Ecuador, Kenya, Lithuania, Niger, Pakistan, Poland, the Russian Federation, Sierra Leone and Thailand. It approved a two-year extension of the second country cooperation framework (CCF) for Guyana; took note of the one-year extensions of the second CCFs for the Democratic People’s Republic of Korea and the Republic of Korea, and of the first one-year extension of the first subregional cooperation framework (CCF) for Eastern Caribbean States and Barbados [DP/2004/9]; and approved a two-year extension of the second cooperation framework for technical cooperation among developing countries [DP/CF/TCDC/2/EXTENSION 1].

Also at the January session (dec. 2004/2), the Board took note of the UNDP Administrator’s note on assistance to Myanmar [DP/2004/8] and the report by the independent assessment mission to that country, in particular the strategic challenges and recommendations mentioned therein. The Board requested the Administrator to take account of the mission’s findings during phase IV of the Human Development Initiative.
At its annual session in June [dec. 2004/25], the Board took note of draft country programme documents and the comments made thereon for Angola, Argentina, Armenia, Azerbaijan, Burundi, Bosnia and Herzegovina, Iran, Kazakhstan, Kyrgyzstan, Lesotho, Madagascar, the Philippines, Romania, Serbia and Montenegro, Tajikistan, The former Yugoslav Republic of Macedonia, Turkmenistan, and Uzbekistan. It approved a second one-year extension of the second CCFs for Chile and Uruguay and a two-year extension of the second CCF for Zimbabwe. The Board also took note of the one-year extensions of the second CCFs for Belarus, Hungary, Latvia and Slovakia [DP/2004/21].

At its second regular session in September [dec. 2004/41], the Board took note of the draft country programme documents and the comments made thereon for the Democratic People’s Republic of Korea, Guatemala, Mauritius, and the Republic of Korea. It adopted extensions of the CCFs for the British Overseas Territory of Saint Helena, and for Senegal and Paraguay [DP/2004/44].

Also in September, the Board had before it the Administrator’s note on assistance to Somalia (2005-2006) [DP/2004/43 & Corr.1]. On 24 September [dec. 2004/55], the Board took note of the situation in Somalia and its implications for the delivery of humanitarian and development assistance to the Somali people; endorsed the UNDP strategic approach to promoting peace and security by concentrating on security and the rule of law, poverty reduction, and governance; public administration and civil society; encouraged UNDP to continue to mobilize resources and develop strategic partnerships, and to cooperate with the Intergovernmental Authority on Development’s Forum on international assistance and coordination arrangements in support of the future Somali transitional federal institutions; and authorized the Administrator to approve projects consistent with the strategic approach on a case-by-case basis.

**UNDP programme results**

The establishment and implementation by UNDP of its practice approach were an important element of its strategy to provide knowledge services and part of its objective to develop its ability to provide high-quality support to programme countries. UNDP activities were organized under five practice areas: poverty reduction, fostering democratic governance, crisis prevention and recovery, energy and environment, and responding to HIV/AIDS.

**Poverty reduction**

UNDP work in the poverty practice remained largely concentrated in local-level initiatives and monitoring and reporting, particularly around country targets related to the MDGs [YUN 2000, p. 34]. Country office reports indicated a rapid increase in the number of initiatives to support MDG reporting and continued progress on the development and use of national human development reports (NHDRs). Together with NHDRs, MDG reporting accounted for around one quarter of all initiatives. However, the effect of MDG reports and NHDRs on national policy-making or poverty reduction strategies needed further examination, and the biggest challenge for UNDP support was to help lay the foundation for influencing the policy content of national poverty reduction strategies. The downside of the increasing emphasis on reporting and monitoring was the relatively slower progress in providing policy advisory services to countries on poverty reduction strategies, which had become a major priority of UNDP. Nevertheless, several policy-related initiatives continued to support participatory processes and took up the challenge of linking PRSP indicators with the MDGs through global or regional programmes.

UNDP continued to support diverse local poverty reduction initiatives, which accounted for 17 per cent of all poverty practice activities over a broad range of disparate interventions, among which microfinance remained the most coherent and the most closely linked to national policy, accounting for about one third of all activities. The main challenge to UNDP for activities in that area was to consolidate efforts, in line with the microfinance model within a more limited set of corporate priorities, build up systematic bodies of practice and give greater attention to influencing national policy frameworks.

UNDP support to civil society organizations (CSOs) for achieving the MDGs and reducing poverty, while progressing, remained disconnected from work in other poverty service lines. Activities needed to concentrate more on developing the capacities of CSOs and empowering them to engage substantively in the PRSPs and MDGs. Support to ICT for development was also making progress, with country offices reporting significant success in achieving outcomes. However, that area of work remained limited in scope and was not yet well integrated into the poverty practice.

Private sector development was the newest service line for the poverty practice, accounting for only 7 per cent of all activities, most of which related to micro, small and medium-sized enterprises or microfinance. In March, UNDP globally
launched the report of the Commission on the Private Sector and Development, entitled *Unleashing Entrepreneurship: Making Business Work for the Poor*, an independent publication by UNDP. By May, UNDP had facilitated policy dialogue around the report in more than 25 countries.

Representing over 1,100 practitioners and 467 registered resource persons, the poverty reduction practice was the largest thematic practice. The global network of poverty reduction practitioners enabled professionals from every region, country office and service line to share knowledge and lessons learned, to contribute substantively and to backstop each other’s work.

**UNDP role in PRSP process**

A May report [DP/2004/25 & Corr.1] followed up on the 2003 evaluation of the role of UNDP in the PRSP process [YUN 2003, p. 891] and the UNDP management response to that evaluation [ibid., p. 895]. UNDP launched an array of global and regional programmes to address the objectives recommended in the management response report, including championing equity as an integral component of growth strategies, helping link long-term development policies to the causes of poverty and promoting a healthy national dialogue by fostering greater policy choice, especially on economic policies. It initiated the Macroeconomics of Poverty Reduction, a nine-country Asia-Pacific programme aimed at translating the concept of pro-poor growth into practical policy recommendations at the county level, fostering greater consistency between economic policies and poverty reduction strategies, and promoting broader dialogue on policy options. Similar policy-oriented research and capacity development programmes were undertaken in Latin America and the Caribbean, Eastern Europe and CIS, and the Arab States; another programme was planned for Africa. Such programmes were designed to strengthen national policy autonomy in the formulation and implementation of poverty reduction strategies, particularly the PRSPs.

UNDP initiated several new global programmes in 2004, based largely on financing by the Thematic Trust Fund for Poverty Reduction. They included initiatives on pro-poor public investment, the effect on poverty of the privatization of public services and utilities, land reform and poverty reduction, and pro-poor domestic resource mobilization. UNDP had also reached an agreement with the International Labour Organization (ILO) on a global programme on employment and poverty. As recommended in the management response, UNDP was upgrading its in-house capacity by, among other means, training and consolidation of expertise at the sub-regional level through the new regional centres of policy specialists. The challenge was to help link the MDGs and PRSPs by making short-term reforms fit into long-term comprehensive development plans.

The UNDP/UNFPA Executive Board took note of the report at its annual session in June [dec. 2004/25].

**Democratic governance**

The democratic governance practice was the second largest thematic practice for UNDP, and it continued to grow, making UNDP the leading provider of democratic governance services worldwide. Africa remained at the core of UNDP governance work, with 85 per cent of the countries reporting activity. The greatest concentration was in decentralization and local governance, with UNDP support sustaining both the central government agendas towards devolution and local capacity-development efforts. The strategy of localizing the MDGs was aimed at providing service delivery through democratic participatory processes, blending the governance aspects of local capacity- and institution-building to address the HIV/AIDS pandemic, and ensuring a sustainable environment while promoting local development.

Country office reporting for 2004 reflected a shift in the overall governance portfolio towards increased demand for services where UNDP had comparative strengths at the supranational, national and subnational levels. For example, at the supranational level, UNDP, in partnership with the European Union, launched the report *Democracy in Latin America: towards a citizen’s democracy*, which offered a comprehensive analysis on the state of democracy in 18 Latin American countries and proposals for guiding the debate on democratic governance in the region. At the national level, UNDP support in Liberia put into place an institutional framework for the operation of the Truth and Reconciliation Commission (see p. 196). At the subnational level, community-based policing was initiated in Albania.

UNDP was recognized as one of the key providers of technical cooperation in support of elections and parliaments, supporting one out of every three parliaments and, on average, one election every two weeks somewhere in the world. Notable support was provided to Afghanistan, Egypt and Liberia. UNDP was a leading provider of technical advice in public administration reform, and in recent years that support had increased significantly. UNDP reoriented its position and identified types of support to programme country governments that could improve the
prospects of lasting impact, resulting in a greater emphasis on capacity development for policy making and anti-corruption initiatives. E-governance and access to information activities were consolidated in 2004, with over 30 country offices reporting core results where the use of ICT in government functions had a strategic value in terms of increased access to information, transparency of operations and improved accountability. In that regard, UNDP’s effort was to ensure that its support remained focused on the policy and governance aspects of ICT, rather than on the provision of hardware.

A main challenge for the democratic governance practice was to build on ongoing efforts and raise the emphasis on gender equality. Policy guidance and toolkits for mainstreaming gender were being developed or implemented, and the governance trust fund was introducing incentives to mainstream gender into fund-approved projects.

Crisis prevention and recovery

The commitment to eradicating poverty and empowering the poorest and most vulnerable groups placed conflict prevention and recovery at the core of the UNDP development agenda. In 2004, 80 countries sought UNDP support under that practice (compared to 54 in 2000); the actual number was even higher, as some countries reported their crisis prevention and recovery work under other practices. The year saw a series of conflicts and natural disasters afflicting a growing percentage of the countries in which UNDP worked, and the crisis prevention and recovery practice saw consolidation, growth and a steep increase in demand. Forty countries specifically sought UNDP support for natural disaster reduction. Of the service lines dealing with conflict and its aftermath, UNDP worked with 31 countries on recovery, 25 on conflict prevention and peace-building, 21 on small arms reduction, disarmament and demobilization, 18 on mine action, and 7 on special initiatives for countries in transition. In Africa, UNDP participated in the Mano River Union Initiative involving Côte d’Ivoire, Guinea, Liberia, and Sierra Leone, which helped with the exchange of experiences and lessons learned, and examined common challenges in a post-conflict environment.

UNDP developed tools for mainstreaming conflict prevention into development strategies in pre- and post-conflict countries; deepened collaboration and programming in crisis situations with the Departments of Political Affairs and of Peacekeeping Operations; worked with 13 other UN organizations to revise and update the UN inter-agency policy on mine action; and issued policy recommendations on mainstreaming mine action into development. It also worked with other UN partners to make the Inter-department Framework for Coordination a more effective mechanism for supporting UN country teams in developing strategies for early conflict prevention and, with UNDG and the World Bank, to develop the post-conflict needs assessment, a joint methodology to coordinate analysis of and response to a country’s post-crisis recovery needs. It contributed to the UNDG–Executive Committee on Humanitarian Assistance (ECHA) working group on transitions and produced a disaster risk index.

However, country office reporting for 2004 on the integration of drivers of development into crisis prevention and recovery work indicated some serious shortcomings, such as giving the least attention to developing national capacity, enhancing national ownership, advocating and fostering an enabling policy environment, seeking South-South solutions and forging partnerships for results. A possible explanation might be the political nature of crisis prevention and recovery programmes, which made promoting specific drivers, like national ownership, difficult. In contrast, 25 countries reported high emphasis on the gender driver in the context of the crisis prevention and recovery practice.

To strengthen crisis prevention and recovery capacities in Africa, 85 practitioners from across the continent were brought together in two workshops to discuss common approaches, share challenges and experiences and learn about the latest programmatic and operational policies and procedures for crisis prevention and recovery.

Environment and energy

One hundred and twenty-eight countries, representing more than 90 per cent of programme countries across all regions, were engaged with UNDP in managing energy and the environment for sustainable development. The greatest concentration of work was on frameworks and strategies for sustainable development, representing 29 per cent of all reported practice outcomes. In 41 countries, support to biodiversity initiatives resulted in specific progress in integrating biodiversity into one or more of their sector strategies in agriculture, forestry, rangeland and grazing, coastal management, fisheries, and wildlife, while 66 countries made progress in adjusting their legal frameworks to incorporate biodiversity.

The UNDP focus on energy-poverty linkages was strengthened to integrate the role of energy into national MDG frameworks and poverty reduction strategies. While there was consider-
able effort on policy and strategic planning of resources and a broad recognition of poverty-environment linkages, there had not yet been sufficient demonstrated results on delivery of community water and energy services to contribute significantly to progress on MDGs; only a quarter of total outcomes in water governance and energy access was devoted to service delivery.

In 2004, the energy and environment practice was reoriented towards the new realities of development cooperation. In terms of integrating security concerns, some of the key areas for the practice were climate change, natural disaster prevention and recovery, and transboundary environmental cooperation. The UNDP transboundary portfolio with the Global Environment Facility (GEF) (see p. 1046), under the focal areas of international waters and biodiversity, continued to build frameworks for cooperation and dialogue between countries. Work on climate risk assessment resulted in a large body of guidance to assist national Governments.

The majority of outcomes in the energy and environment practice demonstrated a significant emphasis on partnerships for results. Partnership agreements included local private-sector and community action in Zimbabwe; support to environmental management in the decentralization process in Rwanda; and partnerships among non-governmental organizations (NGOs), national Governments and research institutions in Azerbaijan, the Dominican Republic, Kuwait and Romania. Partnerships with GEF and the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer (see p. 1052) [YUN 1987, p. 686] supported the majority of activities in energy and the environment.

The practice initiated cross-practice initiatives with a view to improving gender equality. Both the sustainable energy and water governance service lines worked with the UNDP gender team to develop guidelines for mainstreaming gender into programmes and projects in those areas. In terms of encouraging South-South cooperation, the practice supported a mission from Latin America in response to a request from Europe and CIS to learn from southern knowledge and experiences on debt swaps.

Five regional workshops covering Africa were held on building cross-practice linkages to advance the MDG related to poverty reduction, safe drinking water and improving the lives of slum dwellers, and financing for sustainable development. Workshops on the theme of sustainable livelihoods were held in Asia and the Pacific, and in Europe and CIS.

Response to HIV/AIDS

Demand for UNDP support under the HIV/AIDS practice continued to grow rapidly, nearly doubling from 55 countries in 2000 to 97 in 2004, an 85 per cent increase in country engagement. Development planning and implementation remained the most active service line (76 outcomes reported), followed by leadership and capacity development (71 outcomes). In terms of leadership and capacity development to address HIV/AIDS, initiatives focused primarily on the development of critical multi-stakeholder leadership capacities at the individual, institutional and societal levels to generate breakthrough responses for reversing the course of the pandemic. In the Arab States, more outcomes were reported that sought to influence individual and community responses to address attitudes and practices influencing the spread of HIV/AIDS. Most activities also focused on developing advocacy and communications strategies to develop a deeper understanding of the pandemic and its underlying causes, and address issues of vulnerability, stigma and discrimination.

In several regions, HIV/AIDS programmes worked across service lines to create a synergistic response and action, notably in Cambodia, Ethiopia and Ukraine. The programme in Ethiopia aimed at scaling up the multisectoral response with a view to developing leadership for local and national action to combat the disease. Cambodia reported breakthrough results under all service lines for HIV/AIDS and indicated interest in sharing its expertise in implementing a nationwide response to the epidemic with other countries in the region. Countries implementing activities under all service lines were able to strengthen programmes at national and district levels, take ownership of initiatives and engage in multi-stakeholder partnerships to address the pandemic.

Joint action in the HIV/AIDS and poverty reduction practices project was aimed at building developing country capacity to access HIV/AIDS drugs sustainability in the context of the 1994 World Trade Organization Agreement on Trade-related Aspects of Intellectual Property Rights [YUN 1994, p. 1475] and other bilateral and multilateral intellectual property and trade agreements.

UNDP was increasingly seen as credible and effective in multi-partner initiatives to respond to HIV/AIDS, as evidenced by its role in relation to the Global Fund to Fight AIDS, Tuberculosis and Malaria, established in 2002 [YUN 2002, p. 1257]. Several African Governments called on UNDP to provide medium-term operational support by performing the functions of principal recipient for the Fund and to help them build their own
capacities to eventually take over those functions. UNDP support was also helping to bring anti-retroviral drugs to HIV-infected patients; provide mosquito nets to prevent the propagation of malaria; and increase the availability of drugs to cure tuberculosis.

A key feature of all country action in HIV/AIDS was the strong emphasis on forging partnerships for results, with actors ranging from Government, civil society and the private sector to donors and the international community at large. Emphasis was being placed on the enhanced ownership in the design and implementation of HIV/AIDS initiatives. While overall support to the driver on gender equity in HIV/AIDS programmes was relatively high compared to other practices, it appeared to be given a lower priority when compared to the other drivers of development. Concerted efforts needed to be made to generate a comprehensive approach that integrated gender concerns into HIV/AIDS strategies.

In 2004, the HIV/AIDS practice had policy advisers in all regions, 50 per cent of whom were women. At the end of the year, the practice had 132 registered practitioners within the organization, of whom 54 per cent were women.

Programme planning and management

Gender issues

The UNDP/UNFPA Executive Board, at its January session, considered a conference room paper on efforts to strengthen the partnership between UNDP and UNIFEM to achieve gender equality [DP/2004/CRP.2]. The paper was an initial step towards the formulation of a results-based strategy for strengthening UNDP-UNIFEM partnership for 2004-2007.

Also in January, UNDP shared with the Board an assessment of gender mainstreaming efforts entitled “Transforming the mainstream: gender in UNDP”, featuring major achievements and key challenges in gender mainstreaming drawn from UNDP experience and the shared concerns of other partners. It highlighted issues requiring particular attention in UNDP, including integrated approaches to ways of working; ensuring women-specific strategic programmes; poverty and the environment; measurement of results; and in-house gender expertise. UNDP’s gender mainstreaming efforts were analysed within the context of achieving the MDGs and reducing human poverty, fostering democratic governance, energy and the environment for sustainable development, and crisis prevention and recovery. The assessment underscored that, although the macroeconomic framework was a strategic arena for engagement to transform the mainstream, it was still a relatively neglected area; it thus called for investments in specific programme tools to provide practitioners with the necessary technical skills and expertise. The assessment highlighted successful approaches supported by UNDP to increase women’s participation in Government and to mainstream gender in governance interventions. It underscored three areas for future work: more support to gender responsiveness; strengthening women’s capacities to participate in government; and development of staff capacities. It also emphasized the need for UNDP to bring women’s voices into national strategies for sustainable development; ensure women’s involvement in participatory resource planning; and strengthen policy and regulatory frameworks to protect women’s access to natural resources. UNDP was in a critical position at the country level, where it was able to promote a multifaceted approach to address gender issues in conflict and post-conflict reconstruction.

UNDP management, responding to the assessment in June [DP/2004/31], described its efforts to strengthen strategic programming and accountability in gender mainstreaming, as well as arrangements to increase mainstreaming capacities, commitment and resources. An independent evaluation of gender mainstreaming was initiated under the leadership of the Evaluation Office, and an organizational scorecard was being developed to monitor progress at all levels and build managers’ responsibility for the implementation of the UNDP policy on gender balance in management and in the work-life policy. In 2005, UNDP would produce a 10-year review of gender and development and gender empowerment indicators. A UNDP-UNIFEM joint plan of action incorporated features to improve coherence between the two organizations and bring their work closer together. UNIFEM regional programmes and UNDP regional centres would become regional hubs for expanded knowledge and action on gender equality. There would be a unity of leadership on the gender issue between UNDP and UNIFEM, under the strategic direction and policy guidance of the UNDP Administrator.

In June [dec. 2004/21], the Executive Board took note of the assessment report and management response, and the January conference room paper. It stressed that UNDP should implement its strategy for gender mainstreaming rigorously and requested that it prepare a detailed plan of action on gender mainstreaming, with concrete targets and measurable actions, for review by the Board no later than at its first regular session in January 2005. The Board requested further
clarity, at its September 2004 session, of the UNDP-UNIFEM joint plan of action and, at the January 2005 session, an elaboration of how UNDP could scale up operations based on lessons learned in UNIFEM pilot projects.

The Board also requested that the organizational scorecard mentioned in the management response (see p. 883) be presented at its June 2005 meeting [dec. 2004/22].

A September report, submitted in response to Board decision 2004/21, described UNDP progress in gender mainstreaming and the joint plan of action with UNIFEM [DP/2004/47], including internal steps already under implementation. In July, the Senior Management Team endorsed a plan of action that called for the creation of a gender task force; discussions with facilitators on all networks; a strategic planning workshop in November to review and endorse the final UNDP plan of action and the UNDP-UNIFEM joint action plan; and a final report to be presented to the Executive Board in January 2005. UNDP made considerable progress in the identification of specific gender indicators of the MYFF performance indicators; the development of gender mainstreaming strategies, a gender scorecard and a toolkit to build the capacities of gender thematic groups within UN country teams; a joint UNDP-UNIFEM gender analysis of their programme portfolio; and an evaluation of gender in UNDP. The report also discussed progress in strengthening the UNDP-UNIFEM partnership on gender equality.

In September [dec. 2004/38], the Executive Board took note of the report on UNDP progress in gender mainstreaming and the joint plan of action with UNIFEM. It requested UNDP to submit to the Board at its January 2005 session more detailed information on specific gender indicators and gender drivers in the MYFF and in the Atlas information management system, and to provide an update on progress achieved in the UNDP-UNIFEM partnership.

Programming arrangements

Joint programming

In response to a 2003 Executive Board decision [YUN2005, p. 898], the UNDP Administrator and the UNFPA Executive Director submitted an April report [DP/2004/30-DF/PPA/2004/8] analysing joint programming between UN organizations, based on evidence provided during the revision of the current Guidance Note on Joint Programming.

The revised Guidance Note 2004 addressed deficiencies and clarified the difference between joint programming and joint programmes. It was meant to avoid duplication, reduce transaction costs and maximize synergies among national partners and different contributions of UN system organizations. The revised Guidance Note provided programmatic and administrative guidance for seizing joint programming opportunities. It introduced detailed guidance on three fund management options to be applied on the basis of a programmatic rationale and a new mechanism for passing funds through one UN organization to another; clarified the value added to joint programming; and included standard legal agreements for the pooling and pass-through fund management options. Efforts were under way to internalize the Guidance Note into the organizations’ procedures. The Note suggested the development of a common work plan consisting of shared objectives, actions, time frames, resource requirements and clear delineation of responsibilities, and included communication activities to publicize joint programme activities. The report stated that the Note should be seen as an instrument to identify areas for further harmonization.

A group of financial experts from different UN organizations was working on a common format for high-level reporting to donors for use in joint programmes.

Also in April [DP/2004/29-DF/PPA/2004/7], the UNDP Administrator and the UNFPA Executive Director reported on progress in the implementation of a 2001 Executive Board decision that called for modifying the UNDP/UNFPA two-step programming process [YUN 2005, p. 799]. Following that decision, UNDP and UNFPA agreed on a harmonized format for country programme outlines and documents aimed at the formulation of brief, concise and focused outlines; the UNICEF and WFP Executive Boards adopted a similar process in 2002. Country programme documents (CPDs) replaced draft country outlines and programmes; draft CPDs were discussed and reviewed by the UNDP/UNFPA Executive Board during its annual session, the final versions of which were approved by the Board at the first regular session of the following year. While country office staff welcomed the more focused document limiting resources and outputs to the UNDAF outcomes, they expressed concern that the new two-step approval process had increased the time frame for developing country programmes, and that the process might not be sufficiently flexible.

In June [dec. 2004/19], the Executive Board took note of the report on joint programming and deferred consideration of a decision to its first regular session in 2005. In a separate decision [dec. 2004/18], the Board took note of the report on the UNDP and UNFPA programming process and the
concerns expressed in that report regarding the increased time frame for developing country programmes; it requested UNDP and UNFPA to consult with their UNDG partners on how to address that concern in a harmonized way and report to the Board in 2005.

Monitoring and evaluation

In July [DP/2004/40], the UNDP Administrator, in his annual report on evaluation covering the period from July 2003 to June 2004, examined the progress made by UNDP in contributing to global and national development results and identified organizational lessons distilled from strategic assessments. Key thematic and country evaluations pointed to some achievements in influencing policy and stimulating national debate on human development. UNDP was an effective broker between Government and external agencies, successfully piloting and feeding lessons and experiences from downstream work into upstream dialogue. However, it needed to do more to position itself strategically as a major global upstream policy advisor and in building on niches that it often created successfully.

There had been some success, as noted in the evaluations of UNDP support to the PRSP process and to reporting on the MDGs [YUN 2000, p. 34] (see below). However, UNDP and its associated funds and programmes still had some way to go in building awareness and capacity to support evaluative evidence-based decision-making. Several outcomes and country evaluations revealed UNDP failures to seize opportunities to build on existing work, how a lack of clear focus prevented it from establishing or retaining a strategic role, and that results-based management tools had not been sufficiently internalized to sharpen focus and direct efforts towards achieving development outcomes.

The Executive Board, in a September decision on the Administrator’s annual evaluation report [dec. 2004/35], urged UNDP to continue to give high priority to training key staff in results-based planning, monitoring, evaluation and reporting, in the light of the finding that results-based management tools were not sufficiently internalized in the organization. Recalling its January decision on reporting on the UNDP MYFF, 2004-2007 (see p. 887), the Board stressed that the assessment of development results (ADR) should be a priority of the Evaluation Office. It encouraged UNDP to give continued high priority to the work of the United Nations Evaluation Group and stressed that UN entities, especially UNDP, UNICEF and UNFPA, could benefit significantly from strengthening further their cooperation in support of UNDAF evaluation. The Board asked UNDP to include in its next annual evaluation report an annex containing an overview of all the evaluations undertaken by the Evaluation Office and by UNDP at the local level.

In November [E/2005/4-DP/2005/15], the Administrator said that continual improvements had been made to align the evaluation architecture to corporate goals, review and update methodologies and strengthen assessment capacities in UNDP and its partners. After two years of implementation, the architecture and its instrumentation were under review. The third Development Effectiveness Report successfully advanced the conceptual understanding of development effectiveness by identifying key drivers underpinning the MYFF, 2004-2007 (see p. 887). The utility of strategic and thematic evaluations as effective instruments of corporate relevance had been demonstrated through the evaluation of UNDP support to the PRSP process and to national MDG reports. The Evaluation Office was exploring how to expand annual ADR coverage to validate UNDP results at the country level. In 2004, the second global cooperation framework of UNDP was evaluated comprehensively (see p. 886), which led to a number of key lessons to inform the development of the UNDP global programme, 2005-2007. Alignment with the evaluation policies and procedures of the UNDP-associated funds was also enhanced.

Assessing MDG reports

The Executive Board, at its January session, considered a note [DP/2004/5] summarizing the response of UNDP management to the seven challenges (communication, participation, reporting, statistical, campaign, evaluation, global cooperation) identified in the 2003 assessment of the MDG reports [YUN 2003, pp. 899-890]. Management had since revised the Guidance Note for MDG reporting to emphasize national ownership and participation in the preparation of those reports; better use of disaggregated data to identify development gaps and help set resource allocation priorities; capacity development to promote active participation of key development actors; and advocacy and campaign with the reports serving as tools to build consensus around development priorities.

In pursuit of the twofold purpose of the MDG report on public information and social mobilization, the revised note defined mechanisms for closer consultation to improve coordination so that each report was accompanied by a clearly defined communication and advocacy campaign.

Management drew attention to the recommendation not to mistake government participation in the preparation of the MDG report for national
ownership. It emphasized the importance of customizing targets through broad-based, inclusive dialogue and debate, and that close collaboration with civil society organizations was essential for widening support and consensus around the MDGs. It was also reinforcing UNDP participation in existing mechanisms for inter-agency coordination to strengthen countries’ statistical capacity as the basis for improving global data sources.

In January [dec, 2004/9], the Executive Board took note of the 2003 assessment of the MDG reports, together with the UNDP management response, and asked UNDP to provide further substantive information on the assessment at its June session. The Board decided to include the topic “UNDP cooperation with Member States in the preparation of the MDG reports” in the agenda of its 2005 annual session and requested UNDP to report on the topic, taking into account the triennial comprehensive policy review (see p. 866) during the fifty-ninth (2004) session of the General Assembly.

As requested by the Board, UNDP issued a May report [DP/2004/25 & Corr.1] providing further information on steps taken by management in response to the assessment challenges (see p. 885). Among those steps were the closer collaboration between the monitoring and campaign units to address the communication and campaign challenges; the publication by UNDG of the Indicators for Monitoring the Millennium Development Goals: Definitions, Rationale, Concepts and Sources to promote a better understanding of the MDG indicators; and a closer UNDG focus on statistical capacity. To address global cooperation, a seminar was organized (Bergen, Norway) for donor and developing countries to discuss mutual accountability. With UNDP support, a common format for developed country reporting on the MDG on global partnership for development was prepared with the secretariat of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) and a group of bilateral donors.

UNDP was helping to improve the management and accessibility of country-level data produced through administrative reporting systems, surveys and censuses and, in close collaboration with relevant UN organizations and the World Bank, was intensifying its operational support in capacity development for MDG monitoring and basic statistical literacy, with a focus on making MDG-related data more accessible, using disaggregated data by sex, level of education, ethnicity, rural-urban location, region and socio-economic status.

Second global cooperation framework

An August report [DP/2004/41] summarized the findings of an independent evaluation of the second global cooperation framework (GCF-II), approved in 2001 [YUN 2001, p. 791] and extended in 2003 [YUN 2003, p. 893], for one year, until December 2004. The evaluation’s main objectives were to: assess the overall performance and the degree to which the intended organizational goals and development results had been achieved; ascertain how GCF-II had contributed strategically to positioning UNDP as a major upstream policy advisor for poverty reduction and sustainable human development, and as a knowledge-based organization; and make recommendations for the third GCF phase.

In line with UNDP’s objectives, GCF-II had contributed to the UNDP development and transformation goals, notably in turning UNDP into a learning, knowledge-sharing organization. However, lingering questions on the meaning and quality of upstream policy advice and the noted weaknesses in governance and management might combine to generate a perception that GCF served as an exclusive facility for internal purposes only. If GCF-III was to serve UNDP corporate goals further, changes would be needed in the design, programming and management of the GCF facility. More fundamentally, it should sharply define its niche for addressing truly global development issues of strategic importance to UNDP and provide a clear strategy for enhancing the quality and effectiveness of UNDP work at the country level through its global programmes.

UNDP management, responding to the GCF-II evaluation in an August report [DP/2004/42], acknowledged the weaknesses in execution, oversight and reporting, but also pointed out that significant progress had been made on certain challenges, and that problems in execution, oversight and reporting were being tackled aggressively. UNDP would use GCF-III to continue to strengthen its promotion of global advocacy and analysis; knowledge networking and sharing; and policy support, consistency and advice. It would further strengthen the links among those three services, particularly the management mechanisms for carrying them out. The GCF-III programming cycle, starting in 2005, would seek to consolidate the gains achieved during GCF-II and delineate a more focused strategy than that of GCF-II. Its central organizing framework would be the priority areas and service lines of the MYFF, 2004-2007 (see p. 887).

In September [dec. 2004/34], the Executive Board noted with concern the findings of the GCF-II evaluation and the related UNDP manage-
ment response. It requested UNDP, in consultation with Member States, to implement the evaluation recommendations in elaborating the proposed GCF-III, which the Board would consider at its January 2005 session.

**Funding strategy**

**Multi-year funding framework, 2004-2007**

In response to a 2003 Executive Board decision that endorsed the MYFF, 2004-2007 [YUN 2003, p. 901], UNDP, in January [DP/2004/4], submitted proposals for reporting on the MYFF. UNDP would continue to report to the Board on progress under the MYFF through the results-oriented annual report (ROAR) covering results achieved in 2004 and 2005. The ROAR for each year would be presented for consideration at the Board’s annual session immediately following each year. Results for 2004 to 2006 would be presented in an MYFF report to the Board at its 2007 annual session. The structure and format of the two reports would correspond to the elements of organizational effectiveness identified in the MYFF, while the ROAR would serve as an integrated report. The analysis of results achieved in both reporting documents would be presented under the following categories: summary overview of performance against key MYFF strategic objectives; and analyses of substantive results by MYFF goal and service line, of results in building organizational capacity for development effectiveness, and of programme and operational resources and expenditure.

The proposals envisaged the elimination of a number of reports submitted concurrently to the Board, including reporting on the thematic trust funds, and incorporated conceptual and methodological advances to help UNDP respond to the challenges of attribution and aggregation in the attempt to monitor its contribution to development change. The specific indicators and benchmarks to measure progress, if endorsed by the Board, could serve to inform the entire range of management and oversight processes in use, thus strengthening accountability and results orientation at all levels of the organization.

On 30 January [dec. 2004/1], the Executive Board took note of the strategically designed approach to the ROAR presented by UNDP and looked forward to discussing that matter at the Board’s annual session in June. The Board stressed that ROAR reporting should provide Member States with factual analysis of the development effectiveness of UNDP activities and institutional effectiveness, and that UNDP evaluation functions should support the ROAR process by focusing on UNDP activities and effectiveness. It requested the Administrator, in collaboration with the UNFPA and UNIFEM Executive Directors and in consultation with Member States, to explore options for harmonized reporting and to report on the issue, also at the Board’s annual session in June.

In response to the Executive Board’s January request (see above), UNDP, UNFPA and UNIFEM submitted in May [DP/2004/CRP.6-DF/PE/2004/ CRP2] a joint proposal for reporting on MYFF results following a harmonized schedule and time frame. The Board adopted the proposal in June [dec. 2004/20].

**Financing**

The UNDP Administrator, in his annual review of the financial situation for 2004 [DP/2005/35 & Add1], said that consistent growth in resource contributions continued, reaching $4 billion, a 20 per cent increase over the 2003 level of $3.2 billion. Compared to 2003, regular resources also continued an upward trend, increasing by 9 per cent to $842 million, with a weakening United States dollar and resulting exchange rate fluctuations accounting for more than two thirds of the increase. The positive developments in the volume of contributions to regular resources also reflected the strong political endorsement by donors of the UNDP reform process and UNDP’s impact in the countries it served. Expenditures under regular resources increased by 12 per cent to $836 million. The resource balance, exclusive of operational reserves but including after-service health insurance reserves, increased by 17 per cent. Contributions received from the top 15 non-programme country donors (Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States) increased by 11 per cent.

Programme expenditure, including programme support to the resident coordinator system, increased by 19 per cent, from $404 million to $483 million. By appropriation group, 55 per cent of expenditure went to programme support activities, 21 per cent to management and administration and 23 per cent to operational activities. In terms of the percentage share of programme expenditure among regions, Latin America and the Caribbean continued to record the highest share of programme delivery ($27 million or 6 per cent and $1.1 billion or 47 per cent for regular and other expenditures, respectively), followed by Asia and the Pacific ($151 million or 27 per cent and $558 million or
23 per cent, respectively). Africa ($188 million or 39 per cent and $244 million and 9 per cent, respectively), the Arab States ($38 million or 8 per cent and $201 million or 8 per cent, respectively), and Europe and CIS ($43 million or 9 per cent and $159 million or 6 per cent, respectively).

The percentage share for execution modalities showed that national execution represented 60 per cent overall; UNDP, 21 per cent; UNOPS, 10 per cent; and the “big five” entities (DESA, the Food and Agriculture Organization of the United Nations, UNCTAD, UNESCO, ILO, the United Nations Educational, Scientific and Cultural Organization, the United Nations Industrial Development Organization), 3 per cent; other agencies, 4 per cent; and NGOs, 2 per cent.

The growth of UNDP expenditure was mainly in crisis countries, representing 70 per cent of the total execution. As at 31 December, the balance of unexpended regular resources stood at $171 million, an increase of 11 per cent over the $154 million in 2003. UNDP held cash and investments for regular resources totalling $272 million, excluding the operational reserve.

For other resources activities—local resources (government cost-sharing and cash-counterpart contributions), donor cost-sharing, trust funds, the United Nations Volunteers (UNV) programme (see p. 896), management services agreements, the Junior Professional Officer programme and the reserve for field accommodation—overall income increased by $732 million, from $2.5 billion in 2003 to $3.3 billion in 2004. Overall expenditure also increased by 15 per cent ($345 million). Net contributions received totalled $3.0 billion, of which 38 per cent ($1.2 billion) accounted for local resources. Contributions from the OECD/DAC countries increased 59 per cent, from $569 million in 2003 to $900 million in 2004.

In September, the Executive Board took note of the Administrator’s annual review of the financial situation for 2003 (YUN 2003, p. 902). The Board encouraged all Member States to increase their funding and to give priority to regular resources (core contributions) over other resources (non-core contributions). It called on all contributing countries to make early payments to, among other things, avoid liquidity constraints, and on Member States in a position to do so to announce and adhere to multi-year pledges and payment schedules. The Board stressed the need for UNDP to build on its successes in results-oriented management and to continue to improve administrative and financial management practices in key areas.

**Regular funding commitments to UNDP**

In May [DP/2004/20], UNDP submitted a report on the status of regular funding commitments to UNDP and its associated funds and programmes for 2004 and onward. According to the provisional data for 2003, total net income reached $769 million, a 15 per cent ($99 million) increase over the $670 million reached in 2002. Current projections suggested that, based on the official UN exchange rate as at 1 May, contributions would exceed $800 million for the first time since 1997. Eleven OECD/DAC members increased or resumed their contributions in local currency terms in 2003. One donor’s contribution increased by 43 per cent, while another increased by 28.4 per cent. In contrast to previous years, all OECD/DAC donors paid their 2003 contributions in full. Current estimates for 2004 indicated that all OECD/DAC donors would either maintain or increase their contributions. Nine such donors indicated that they would increase their contribution in local currency terms, while two committed to increasing their contributions regularly over the full period of the 2004-2007 MYFF (see p. 887). Five of the programme countries made contributions in excess of $1 million to UNDP regular resources, demonstrating the high value such countries were placing on UNDP and its work. Indications were that some donors might be in a position to make additional pledges and contributions to regular resources during the year, which was particularly important since the 2004 income levels continued to be far below requirements. A total of 11 OECD/DAC donor countries provided fixed payment schedules in 2003, compared to 14 in 2002. While fewer donors had provided schedules over the previous four years, those who had provided them, increasingly deviated from the schedules. Of the 11 OECD/DAC donors that provided payment schedules in 2003, many did not pay as pledged. Although a number of donors paid significant portions of their pledges only in the last quarter of the year, the operational reserves did not have to be used in 2003.

In June, the Executive Board took note of the report on the status of regular resources funding commitments to UNDP for 2004 and onward. It also noted that UNDP was within reach of being provided with a stable and adequate resource base, but that achieving that goal would require all Member States, developed countries in particular, to sustain and increase their funding efforts over the MYFF period. It encouraged all countries that had not yet done so to provide contributions to core resources for 2004 and those that had already contributed to consider supplementing their 2004 contributions so
as to accelerate the rebuilding of UNDP’s regular resource base.

**Strategic cost management and cost recovery**

In accordance with a 2003 Executive Board decision [YUN 2003, p. 903], the UNDP Administrator, in a May report [DP/2004/35], provided a framework for strategic cost management and an update on UNDP cost recovery. In a series of meetings in the context of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination (CEB) (see p. 1 449), UN organizations had agreed on a common definition of principles for the purpose of cost recovery to facilitate comparability of cost-recovery policies and practices across UN organizations. They had agreed on common definitions of cost categories, including various elements of direct, fixed and variable costs, and that cost recovery would generally apply to variable indirect cost.

UNDP had adapted the harmonized principles and definitions to fit its business model, covering the provision of development services, advocacy and advisory services and support to UN system coordination. All costs linked to activities under those business lines were considered direct costs on programme budgets. As part of its 2004-2005 biennial support budget, UNDP introduced a base structure concept for headquarters and country offices, which was linked to UNDP’s core mandated activities and statutory functions, particularly as custodian of the resident coordinator system. Costs attributable to the base structure were considered fixed costs, covered exclusively from regular resources. Country office costs for all management and operational services outside the base structure were considered variable indirect costs, of which each fund source was charged its proportional share.

Notwithstanding the alignment of UNDP cost management with the common principles, particularly regarding the recovery of variable indirect costs, determination of a single programme support cost or cost recovery rate across multiple UN organizations was not feasible due to differences in mandates, business models and structures. Owing to system limitations, further disaggregate analysis of recovery income and the necessary structures were unattainable—a circumstance being remedied with the introduction, in January 2004, of the new Atlas enterprise resource planning system. UNDP’s ultimate objective was the true attribution of all costs to their proper fund source, which was also a prerequisite for results-based budgeting. The delineation between fixed and variable costs would be reviewed and further defined, taking into account structural changes resulting from the implementation of the Atlas system and would be presented to the Executive Board as part of the 2006-2007 biennial support budget.

To achieve a proportional burden sharing of all variable indirect costs, UNDP determined a percentage fee chargeable to all programmes funded from other resources for those costs. The general management service fee (GMS) had been set at a rate of 5 to 7 per cent for third-party cost sharing and trust funds. As per the calculation presented in an annex to the report, UNDP should ideally recover about 7.0 per cent from other resources, but had decided to increase its GMS rate gradually to that level. The GMS fee for programme country cost-sharing was set at an average of 3 per cent measured over the country-specific programme portfolio. Owing to its different nature, programme country cost-sharing was excluded from the GMS rate calculation, which was instead based on donor resources. UNDP also assessed an implementation support service (ISS) fee as a direct cost for services provided during programme implementation, either to programme country governments in support of national execution or to other UN organizations in the implementation of their own programmes. ISS fees were calculated based on cost surveys conducted in over 60 country offices grouped into four cost bands. The table of average prices for each standard transaction under each of the cost bands, referred to as the Universal Price List, ensured that the cost of country-based operations units were fully recovered. Annexed to the report were: common definitions of different types of costs; information on the calculation of the cost recovery rate; a comparison of cost recovery practices in UNDG organizations; and an overview of all UNDP cost recovery mechanisms.

In May [DP/2004/36], the Advisory Committee on Administrative and Budgetary Questions (ACABQ), having considered the UNDP Administrator’s report on strategic cost management and implications for cost recovery, noted that the comparison of cost recovery practices in UNDG organizations annexed to the report was not meaningful, because the basis for the calculation of the indirect support rates was quite different for each organization. All entities concerned needed to follow the same template to achieve a meaningful comparison. UN funds and programmes should continue consultations for further harmonization of cost recovery principles, clearly identifying common elements under each cost category and differences resulting from different mandates and operating modalities. ACABQ encouraged all UN organizations con-
cerned to continue cost recovery harmonization, taking into account the specific issues raised in its report. It intended to monitor progress within the context of the UNDP 2006-2007 biennial support budget and trusted that a means could be found to increase transparency in the setting of cost recovery rates.

In September [dec. 2004/30], the Executive Board took note of the harmonized cost recovery principles contained in the Administrator’s report and encouraged UNDP to intensify consultations for further harmonization. It endorsed, on an interim basis, the UNDP-specific implementation of the harmonized principles, and their application in the cost recovery policy, particularly regarding the proportional sharing of variable indirect cost among all sources of funds. The Board stressed that UNDP ensure full recovery, at an aggregate level, of all actual costs for implementing activities financed from UNDP third-party cost sharing, trust fund contributions and programme country cost sharing. It should report at the first regular session in 2005 on options for transparent reporting on income from cost recovery, including the possibility of including such income in calculating the next biennial support budget. UNDP should submit to the Board, with a view to considering the rates under that policy, at its June 2005 session, a detailed proposal containing clear criteria that encouraged incentives for un-earmarked, timely and flexible contributions to trust funds, third-party cost sharing and programme country cost sharing. It should report at the first regular session in 2005 on options for transparent reporting on income from cost recovery, including the possibility of including such income in calculating the next biennial support budget.

Also in September [dec. 2004/41], the Executive Board took note of the guidance for the report [DP/2004/11] on implementation of the recommendations of the Board of Auditors for the 2000-2001 biennium [YUN 2002, p. 1588], which contained an update of actions taken by UNDP on the Board’s recommendations, including the status of any follow-up action and the target date for completion. The Administrator said progress had already been achieved in most areas and outstanding issues were being addressed.

In January [dec. 2004/4], the Executive Board took note of the Administrator’s report and stressed the importance of adequate follow-up to the recommendations by the Board of Auditors.

In April [DP/2004/27], the Administrator submitted the annual report on the internal audit and oversight services provided by the UNDP Office of Audit and Performance Review (OAPR) for 2003. Key recommendations regarding the new approach to audit and the repositioning exercise initiated in 2002 [YUN 2003, p. 904], including the elimination of Control Self Assessment workshops and discontinuation of the use of public accounting firms to perform internal audits of country offices, were implemented, and changes were made to the OAPR organizational structure to achieve the other key recommendations for strengthening investigation, quality assurance and ICT functions, and enhancing the multi-disciplinary character of audit teams. A revised scope was introduced that reduced the number of audit areas from 15 to 12.

The number of UNDP audits/reviews issued in 2003 was 18, down from 56 in 2002, while assessments of national execution of audit reports were relatively unchanged at 1,660. The decline reflected the large number of vacant posts resulting from OAPR’s repositioning exercise and the discontinuation of routinely contracting out internal audits of country offices. OAPR issued a total of 15 internal audit reports of country offices, containing 346 recommendations, virtually all of which were accepted by management and were being implemented.

In June [dec. 2004/17], the Executive Board took note of the reports of the Administrator, of OAPR to the UNOPS Executive Director [DP/2004/28] (see p. 856) and of the UNFPA Executive Director on internal audit and oversight (see p. 104) and the comments made thereon. It urged the Administrator and the UNOPS and UNFPA Executive Directors to address the issues raised in those reports and report to the Board at its annual session in 2005. They should develop a framework containing concrete objectives and a time-path and indicators for resolving those issues and report to the Board at its second regular session in November. UNDP should also report at that session on a periodic review of its policy on universal prices for its services, with clear measures for improv-
ing cost recovery, including a timetable (see p. 889). The Board noted with concern that UNDP routinely provided a variety of services to UN organizations, sometimes based on a memorandum of understanding and sometimes not.

As requested, UNDP, UNFPA, and UNOPS submitted an August joint report [DP/2004/CRP.8-DP/FPA/2004/CRP.5] outlining their current practices for ensuring implementation of audit recommendations and proposing a framework for resolving issues contained in internal audit reports. They also proposed that, starting from 2004, the report on internal audit and oversight activities be revised to present findings in a schematic format instead of the current narrative presentation. In September [dec. 2004/39], the Executive Board took note of the joint report and welcomed the proposed framework for future reports.

Procurement

According to the 2003 annual statistical report in procurement [DP/2004/39], total procurement for goods and services under UNDP funding in 2003 was $825.6 million, of which the share from developing countries was 78.3 per cent, an increase of 4.2 per cent. Total procurement by the UN system under all sources of funding was $5.08 billion, of which the share from developing countries was 45.1 per cent.

The Administrator, in his update of the activities of the Inter-Agency Procurement Services Office (IAPSO) from June 2002 to June 2004 [DP/2004/38], reported that the volume of procurement handled by IAPSO fell by 7.9 per cent, from $185.6 million in 2000-2001 to $171 million in 2002-2003. Having brought costs under control and achieved self-financing status [YUN 2002, p. 873], IAPSO shifted its focus to diversifying and strengthening its revenue sources in the 2002-2003 biennium. Total turnover during 2002 was $81.3 million with an average fee of 3.9 per cent; corresponding figures for 2003 were $89.7 million and 4.7 per cent. The net operating surplus was about 0.33 per cent of the turnover in 2002, which tripled in 2003. IAPSO continued to develop its e-procurement system, United Nations Web Buy, launched in 2002 [ibid.] with the introduction of its e-tendering module. In 2003, it launched the first web-based tender in the UN system, thereby reducing the resources needed for managing complex tenders by 90 per cent. IAPSO supported implementation of the UNDP Atlas system by developing content for the contract, asset and procurement modules in the online Atlas learning tool.

In September [dec. 2004/31], the Executive Board took note of the report on the activities of IAPSO and its continuing self-financed status. The Board encouraged IAPSO to continue raising the professional standards of procurement within the UN system by developing a procurement curriculum for professional certification and recommended that it continue to research collaborative purchasing system-wide as requested by the inter-agency procurement working group.

Other technical cooperation

UN technical cooperation

As requested by General Assembly resolution 58/270 [YUN 2003, p. 1399], the Secretary-General submitted an October report [A/59/397] reviewing the UN regular programme of technical cooperation and the Development Account. The report examined the full range of operations of both, with analyses of the similarities and differences between them.

Specific proposals were made for improving the two programmes (see below), including two options for the future of the regular programme of technical cooperation. One option was to eliminate section 23, Regular programme of technical cooperation, of the 2004-2005 programme budget [YUN 2003, p. 1399] and to allocate, on a pro rata basis, its resources to technical cooperation subprogrammes within each programme section, while ensuring that the resources were protected for the use of developing countries. The second option was to retain the regular programme by maintaining section 23, while updating its objective, criteria, management responsibilities and reporting arrangements. The second option was considered the most suitable, since implementing the first could prove complex, and it was not evident that restructuring into the individual programmes would result in more effective management.

The review proposed that the objective for the regular programme be rewritten to better reflect its role within the UN system and include wording based on the Secretary-General’s statement on technical cooperation contained in his 2002 report [YUN 2002, p. 860] on the delivery of advisory services to Member States. It also suggested criteria to govern the programme as a whole and to be applied by implementing entities.
Proposals for reporting arrangements called for designating the Under-Secretary-General for Economic and Social Affairs as programme coordinator and the executive head of each implementing entity as programme manager for the funds allocated to it; using the budget fascicle to present the request for new programme funding and to report on the previous biennium, linking budget approval to reporting on past performance, or to report separately (outside of the UN programme performance report), as in the case for the Development Account; and the performance report to be submitted, in addition to the bodies involved in budget approval, to the Economic and Social Council and the Second Committee. Also proposed was an audit of the regular programme of technical cooperation, which could be considered in 2008 or later.

The review found the Development Account to be well managed and operating in a manner fully consistent with its General Assembly-approved directions. However, it would be useful to ensure a clear ongoing mandate for the Account through the agreed criteria and an approved statement of objective. As to arrangements for its funding, Assembly resolution 54/15 [YUN 1999, p. 1307] had provided that the savings identified from reductions in administrative and overhead costs and transferred to the Account formed the base level of funding for future years, with future verifiable and sustainable savings to be added to the Account. Since no further savings had been identified, the provision should be rescinded by the Assembly. Any future increase in funding levels for the Account should be considered in the light of competing priorities for the use of the overall UN programme budget.

It was further suggested that the Assembly consider combining sections 23 and 35 (Development Account) of the 2004-2005 programme budget [YUN 2005, p. 1399] into one budget section with two separate parts.

UN activities
Department of Economic and Social Affairs
During 2004, the Department of Economic and Social Affairs (DESA) had approximately 500 technical cooperation projects under execution in a dozen substantive sectors, with a total project expenditure of $48.9 million. Projects financed by UNDP represented $12.8 million; those by trust funds, $36 million; and those by UNFPA, $0.1 million.

On a geographical basis, DESA’s technical cooperation programme included expenditures of $29.6 million for interregional and global programmes; $11.6 million in Africa; $4 million in Asia and the Pacific; $2.6 million in the Middle East; $0.9 million in the Americas; and $0.2 million in Europe.

Distribution of expenditures by substantive sectors was as follows: associate expert programme, $22 million; socio-economic governance management, $10.3 million; governance and public administration, $8.1 million; energy, $2.4 million; water, $2 million; ICT task force, $1.2 million; programme support, $1 million; knowledge management, $0.8 million; social development, $0.5 million; infrastructure, $0.4 million; statistics $0.1 million; and the United Nations Forum on Forests, $0.1 million. Of the total delivery of $48.9 million, the associate expert programme comprised 45 per cent; socioeconomic governance management, 21 per cent; and governance and public administration, 16 per cent.

On a component basis, DESA’s delivery in 2004 included $39.4 million for project personnel; $4.5 million for sub-contracts; $2.6 million for training; $1.5 million for equipment; and $0.9 million for miscellaneous expenses.

Total expenditure for DESA against the UN regular programme of technical cooperation was $5.1 million. Distribution of expenditures by division was as follows: sustainable development, $1.4 million; public administration and development management, $1.9 million; social policy and development, $0.7 million; statistics, $0.9 million; advancement of women, $0.1 million; and administrative support, $0.1 million.

On a component basis, expenditure for the year included $3.7 million for advisory services; $0.6 million for meetings; $0.5 million for travel; and $0.3 million for consultancy services.

UN Fund for International Partnerships
The Secretary-General, in his report on the 2004 activities of the United Nations Fund for International Partnerships (UNFIP) [A/60/327], established in 1998 [YUN 1998, p. 1297] to manage the process of grant allocations through the United Nations Foundation, a public charity founded by Robert E. Turner to channel his gift to the United Nations of stock valued at some $1 billion, provided data on the fifteenth and sixteenth funding cycles, progress in each programme area, and a review of UNFIP activities in advocacy and partnership-building. A total of $76.8 million was programmed for 2004, including $11.4 million in the fifteenth funding cycle and $44.3 million in the sixteenth. Of the total, $46.5 million was for 12 projects related to children’s health; $22.6 million for 13 projects for the...
UN Office for Project Services

The United Nations Office for Project Services (UNOPS), established in 1995 [YUN 1995, p. 900] in accordance with General Assembly decision 48/501 [YUN 1994, p. 806] as a separate and self-financing entity of the UN system to act as a service provider to UN organizations, offered a broad range of services, from overall project management to the provision of single inputs.

2004 activities

The Executive Director, in his annual report on UNOPS activities for 2004 [DP/2005/21], stated that the Office achieved further transition and recovery during the year. Project delivery exceeded the forecast submitted to the Executive Board in January (see p. 895) by 2 per cent, or $10 million, reaching $495.3 million.

In 2004, UNOPS generated $45.5 million in total revenue, exceeding the 2004 approved estimates of $44 million by $1.5 million (see p. 895). Project services continued to provide the largest percentage of total UNOPS revenue ($35.4 million, or 78 per cent), including $17.6 million from UNDP core and trust funds, $5.3 million from UNDP management service agreements, and $12.6 million from other UN organizations. Service revenue totalled $8.6 million, including $7.0 million from the International Fund for Agricultural Development (IFAD), $1.4 million from reimbursable service agreements, and $200,000 from the Programme of Assistance to the Palestinian People. Interest and rental income totalled $1.5 million.

By UNOPS geographic/service division, income was generated from global/interregional projects ($10.7 million), and from projects in Afghanistan ($9.6 million); Europe, North Africa and Central Asia ($7.6 million); Latin America and the Caribbean ($4.7 million); East and Southern Africa ($4.2 million); Asia and the Pacific ($4 million); and West and Central Africa ($2.7 million). Revenues also included $600,000 from the UNOPS finance division, $200,000 from its procurement division, and $1.5 million from other sources.

Administrative expenditures totalled $37.4 million in 2004, $9.6 million over the 2003 figure, but spending on staff costs declined to $25.8 million from $27.9 million in 2003. Contractual services, equipment, communications, travel and general operating expenses in 2004 equalled $13.2 million. UNOPS paid $6.4 million in reimbursements to UNDP and the United Nations for a range of central and operational support services.

UNOPS spent $3.5 million, or 7 per cent of its total expenditure base, on the wave 1 rollout of the Atlas system, exceeding the budgeted provision of $2.5 million by 40 per cent. It also paid $4.1 million related to its ongoing change management programme (see below), including the recruitment and installation of a new senior management team and the alignment of its client service divisions.

As at 31 December, UNOPS had a fund balance of $14.5 million, including $6 million in operational reserve and $17.2 million in working capital.

Change management process

The Executive Board, at its January session, considered a report [DP/2004/7] issued in response to a 2003 Board decision [YUN 2003, p. 908] on the implementation of the UNOPS change management process. The report provided a full response to the recommendations set out in the final report of the independent review of the UNOPS business model and related issues [ibid., p. 907]. It reviewed the current status of consultations with stakeholders on the UNOPS mandate and governance mechanisms and its vision as the service provider of choice within the UN system. It summarized measures under way to develop additional business portfolios, strengthen existing client relationships and build new ones.

Concerning the financial viability of UNOPS, the anticipated balance at the end of 2003 and the 2004 projected income would enable the Office to meet its 2004 budget obligations, including the planned change management implementation, and raise the operational reserve, from which it would not have to draw down further. To ensure the realization of income projections and sustained long-term viability, UNOPS identified priority countries for portfolio development in early 2004 and consulted with current and potential clients to consolidate portfolios under negotiation and identify new opportunities. In the event that portfolio growth and the budgetary situation in 2004 did not support that intent, the UNOPS Executive Director would propose to the Executive Board a financing alternative for the change management implementation.

The UNDP Administrator and the UNOPS Executive Director collaborated to improve relations between their two organizations and established a
joint, senior-level task force to examine expanded possibilities for partnership. An interdivisional strategic advisory team within UNOPS was drafting a framework for client relationship management and a longer-term strategy for management of business acquisition and portfolio development. UNOPS would also establish a regular and systematic review and consolidation of its pipeline opportunities and of changing market trends. Other change management initiatives included establishing a new fee-setting mechanism and restructuring UNOPS to eliminate interdivisional competition. Recommendations on a new vision, mission and value statement for UNOPS, submitted in 2003 by a crossfunctional strategic advisory team, were being refined. Linked to that were ongoing consultations on changing the UNOPS mandate to allow it to implement donor-funded programmes and projects on behalf of recipient Governments and for its long-term sustainability. It was proposed that where UNOPS was judged by regional development banks and their recipient Governments as the best entity to provide required services in areas of its mandated competence, it should be allowed to enter directly into service relationships with those multilateral entities.

Concerning business improvement, the strategic advisory team on project pricing and cost estimating made initial recommendations on how UNOPS could become more transparent in its pricing practices, introduce standard rate sheets for project implementation services and improve its internal capabilities for understanding the costs of delivering its services. An initial standard rate sheet was developed and was expected to be implemented in 2004. A UNOPS team was developing project management standards, common tools and templates for internal use to support the entire life cycle of a project. UNOPS had piloted a new appraisal and reward system—the Performance Management and Development System—in its Copenhagen (Denmark) and Kuala Lumpur (Malaysia) offices since early 2003, and its organization-wide introduction was planned for 2004.

The first wave of the Atlas system began operations in January 2004, and successive waves would be introduced in midyear and in 2005. UNOPS would also change its outmoded e-mail systems and systems used to maintain and update its Internet and intranet sites, and would invest in staff training and capacity development programmes in 2004.

A strategic advisory team conducted a criteria-based analysis of the UNOPS organizational structure and client interactions, and made recommendations for change. Following a review by the UNOPS Management Coordination Committee (MCC), the Executive Director approved a series of structural and organizational changes to facilitate a strong client focus at corporate and service delivery levels; enhance portfolio development, management and delivery; ensure clear lines of accountability; and promote capacity development, knowledge networking and team spirit. UNOPS headquarters would remain in New York, and its mix of thematic and geographic operational divisions would be replaced by five geographic and one global/interregional division, directly overseen by the Director of Operations/Deputy Executive Director. All geographic regional offices would be located in the regions they served, necessitating the decentralization of some divisions headquartered in New York. The report contained the 2004 timetable for major components of the change process and an annotated budget for the 2004 change plan, totalling $8.4 million.

In January 2004 [dec. 2004/3], the UNDP/UNFPA Executive Board took note of the full response to the recommendations set out in the 2003 report of the independent review [YUN 2003, p. 907], the strategy for business acquisition, progress in implementing internal change, the comprehensive timetable and benchmarks for monitoring progress. It approved the detailed budget for the longer-term change process and the modalities for meeting its cost, and the expansion of the UNOPS mandate to allow it to cooperate directly with regional and subregional development banks on a pilot basis. The Board encouraged UNOPS to ensure close consultation with the resident coordinators and requested its Executive Director to provide an update on progress in his report to the Board at its annual session in June 2004.

In a September progress report on UNOPS activities [DP/2004/45], the Executive Director provided an update on the change management process. A new management team was installed on 1 August. Client service offices were established for the Asia and the Pacific region (Bangkok, Thailand), Europe, North Africa and Western/Central Asia (Geneva), Western and Central Africa (Dakar, Senegal), and Eastern and Southern Africa (Nairobi, Kenya); the Latin America and the Caribbean office was to be established in 2005. The Division for the Global and Interregional Programme was established in New York. The realignment of the procurement and the client services divisions was completed on 31 August. Given the experience of the first phase of the change management process and taking into account the recommendations of the Board of Auditors (see p. 896), the change process was re-
focused on six turnaround initiatives: corporate strategy redefinition; Atlas wave I rollout; imprest accounting; management reporting, budget and planning; client reporting; and project proposal tracking and acceptance. The initiatives were estimated to cost some $5 million over the 2004-2005 period. Initial gains in client reporting were expected to be achieved by the end of September 2004 and a comprehensive reporting system to be fully operational by April 2005, and the prior years’ imprest account reconciliations to be completed by June 2005. To facilitate those improvements, the Executive Board was informed at its June 2004 session that resources approved at the January 2004 session for change initiatives (see p. 894) had been reallocated to the adjusted priority tasks.

At its regular session in September [dec. 2004/36], the Executive Board urged the Executive Director to redouble his efforts towards implementing the change management process and ensure financial accountability in UNOPS.

**Budget estimates**

**Revised 2003 budget and 2004 forecast**

In January [DP/2004/6], the Executive Director, reporting on the implementation of the UNOPS 2003 budget, indicated that, as at 31 October 2003, total project delivery would be $460 million, or 95 per cent of the $484.4 million target; $63.5 million in total projected income, including $31.3 million from the implementation of project portfolios; $11.6 million in service income; $19.5 million in non-recurring income from contract amendments under the United Nations Office for the Iraq Programme; and $1.1 million in other miscellaneous income. As at January, the indicative figure for project delivery in 2004 was $485 million. Total income was estimated at $44 million, comprising $35 million in portfolio implementation income, $8 million in service income, and $1 million in rental income, while indicative 2004 expenditures totalled $36.7 million, pending finalization of the restructuring implementation plan.

The Executive Board, at its January session [dec. 2004/3], took note of the Executive Director’s report on the 2003 UNOPS budget and the encouraging estimated financial results. It also took note of the 2004-2005 revised budget estimates and requested the Executive Director to submit to the Board at its annual session in June an update on the budget estimates, including a critical assessment of the 2004-2005 business projections.

In response to the Executive Board’s request, the Executive Director, in his annual report [DP/2004/23], stated that a conservative projection of the 2004 revenue and expenditure data indicated a revised gross project delivery of $429 million. At a revised average income rate of 6.9 per cent, annual revenue generated under the project portfolio would amount to $29.4 million. Additional revenue of $9 million was generated through the IFAD loan portfolio, rental income, and other miscellaneous income, bringing the revised total income projection for 2004 to $38.4 million. Recurrent expenditures, exclusive of change management and Atlas-related expenditures, were projected to be $43.7 million, which would exceed revenues by $5.4 million. The deficit was expected to be reduced through the strict curtailment and monitoring of expenditures, combined with further business acquisition generating additional income in 2004.

In June [dec. 2004/15], the Executive Board took note of the Executive Director’s annual report and stressed the importance of the short- and long-term financial viability of UNOPS. It endorsed the proposal of the Executive Director and MCC to extend the UNOPS mandate to allow it to work directly with Governments in providing infrastructure and public works services. The Board asked the Executive Director to keep it informed of the progress and challenges in implementing the expanded mandate. It noted the progress made by UNOPS in its change management process (see p. 895) and looked forward to a furtherance of the process in 2004 and 2005. The Board encouraged all UN entities, particularly UNDP, to work closely with UNOPS, especially in the field of common services, in situations where UNOPS was cost effective and had comparative advantages. It requested the Executive Director to prepare, in consultations with MCC, a progress report for the Board’s September session.

In September [DP/2004/45], the Executive Director submitted a progress report on UNOPS activities covering business projections for 2004 and beyond, initiatives to overcome potential obstacles in business acquisition and diversification, and updates on change management. UNOPS proceeded with the realignment of its existing portfolio of projects to reflect the new client service structure and revised the functions and structure of its procurement division.
At the same time, it embarked on a major financial data reconciliation and clean-up exercise.

The project revenue forecast for the end of 2004 was $29.5 million, based on a projected level of delivery of $429 million. Additional revenue for services delivered of at least $9.7 million was projected to be generated through the IFAD loan portfolio; services to the Global Alliance on Improved Nutrition and the Global Fund for HIV/AIDS, Tuberculosis and Malaria; and rental income. Total revenue for 2004 was projected at $39.2 million, which was subject to changes due to additions and corrections in the data entered into the Atlas system, business acquisition initiatives, and initiatives in support of UN system activities in Burundi, Haiti and the Sudan.

As at 30 June, actual administrative expenditures stood at $21.4 million, comprising some $11.9 million in salaries and entitlements and $9.5 million in general and administrative expenditures. Expenditures estimated to 31 December totalled $44.6 million, including the estimated annual $5 million in UNOPS payments for services bought from UNDP, the United Nations and the Board of Auditors. The end-2004 fund balance was projected at $8 million, including the $6 million operational reserve. New project portfolios acquired to date stood at $408.2 million, with 34.9 per cent of funds attributable to World Bank loan-funded activities, 59.4 per cent to UN programmes, and the remaining 5.6 per cent to other sources. With a projected 2004 delivery of $429 million, the UNOPS 2005 project portfolio budget would amount to some $431 million.

The report also discussed UNOPS governance and mandate. UNOPS intended to explore the case for enlarging MCC to better reflect the UNOPS client structure and to consult with MCC on options for its functioning and composition, and make proposals to the Executive Board in January 2005. The role and service scope of UNOPS would be re-examined within the overall corporate strategy initiative and through intensive stakeholder, client and staff consultations.

At its second regular session in September 2004/36, the Executive Board noted with concern the financial projections and the fund balance projection in the Executive Director’s report. It asked MCC to report to the Board in January 2005 on its assessment of progress in UNOPS and the guidance it provided to the Office. The Board stressed that it was important for UNOPS to increase its business volume through cooperation with other UN entities, particularly UNDP, and requested the UNDP Administrator, in his capacity as MCC chairman, to communicate the Board’s view to CEB as soon as possible.

### Audit reports


In June [DP/2004/28], the UNDP Office of Audit and Performance Review (OAPR) and the UNOPS Project Services Audit Section reported on internal audit services for UNOPS operations in 2003. OAPR initiated and conducted 21 internal audits covering operational activities at headquarters and in the field, including those under management and support services arrangements. Of the 21 final reports, 18 were on audits started and finalized in 2003 and three on audits begun in 2002 and completed in 2003. Together, the reports contained 149 recommendations, of which 48 were in finance, 35 in administration, 25 in programmes, 23 in organization and structure, 10 in policy, 6 in personnel and 2 in office automation. The organizational units concerned provided written comments on the contents of the draft audit reports. UNOPS disagreed with only one of the recommendations; in general the comments indicated that actions had been taken or were being taken to address the audit issues and recommendations.

In response to the recommendations and concerns expressed in the Board of Auditors report on UNOPS for the biennium ended 31 December 2003 [A/59/5/Add.10] (see p. 197), the Executive Director, in a September progress report [DP/2004/45], stated that UNOPS concurred with the recommendations, which called for more efficient financial procedures, improved internal controls, and strengthened administrative and management processes. UNOPS would present its action plan to address the recommendations, including an update on progress in implementing the plan, at the Executive Board’s January 2005 session.

The Executive Board, in September 2004/56, took note of the preliminary comments of UNOPS to the report of the Board of Auditors and deferred further consideration of the matter to its January 2005 session, when the report would be formally presented, together with ACABQ’s recommendations.

### UN Volunteers

In 2004, the number of volunteers working for the UNDP-administered United Nations Volunteers (UNV) programme increased to 7,300 from 5,635 in 2003. The volunteers, from 165 coun-
tries, carried out 7,772 assignments in 139 countries. Seventy-seven per cent of them were from developing countries. Women accounted for 35 per cent of all volunteers in 2004, compared to 37 per cent in 2003. By region, 41.8 per cent of assignments were carried out in Africa, 26 per cent in Asia and the Pacific, 18.2 per cent in Latin America and the Caribbean, 8.5 per cent in Europe and CIS, and 5.5 per cent in the Arab States.

The UNDP Administrator, in his annual report on the UNV financial situation in 2004 [DP/2005/33 & Add.1], indicated that, excluding funds for UN peacekeeping operations, income recorded for UNV in 2004 amounted to $22.7 million, an increase of $7.6 million compared to $15.1 million in 2003. Programme expenditure in 2004, excluding UN peacekeeping operations, decreased by $800,000 to $17.7 million from $18.5 million in 2003. The balance of the operational reserve as at 31 December 2004 was $1 million.

At its June session [dec. 2004/25], the Executive Board took note of the report of the UNDP Administrator [DP/2004/24] on UNV activities during 2002-2003. On 18 June [dec. 2004/25], the Board recognized UNV achievements in articulating and advocating the importance of the contributions of volunteerism, particularly in its role towards the attainment of the MDGs [YUN 2000, p. 51]. It welcomed initiatives to extend opportunities for volunteerism by expanding the forms of affiliation with the programme and called for relevant UN system organizations and bodies to continue to integrate volunteerism into their policies, programmes and reports, including those relating to the achievement of the MDGs. The Board encouraged Governments to contribute to the Special Voluntary Fund to enable UNV to further explore, expand and strengthen the role of volunteerism and volunteer contributions to development, reconfirmed its support for UNV as the focal point for follow-up to the International Year of Volunteers (2001) [YUN 2001, p. 841], and supported the further development of its future role in the report of the Secretary-General to the General Assembly’s sixtyieth (2005) session. It encouraged UNV to enhance analysis in future annual reports so as to provide the Board with an in-depth understanding of UNV activities and their impact.

The Assembly, by decision 58/567 of 8 April, deferred until its fifty-ninth (2004) session consideration of the Secretary-General’s 2000 report on the participation of UNVs in peacekeeping operations [YUN 2001, p. 841] and the related ACABQ report [ibid., p. 94].

### Economic and technical cooperation among developing countries

#### South-South cooperation

The UNDP/UNFPA Executive Board considered a report on the implementation of South-South cooperation [DP/2004/26] at its June session. The report highlighted opportunities for enhancing South-South cooperation based on lessons learned and recommendations made to the Special Unit for South-South Cooperation, which was in the process of formulating the third South-South cooperation framework (2005-2007). It indicated that developing countries were placing renewed emphasis on South-South cooperation efforts to reduce gaps between rich and poor countries. It was envisaged that South-South relations would enable countries not benefitting from globalization to learn winning strategies through the exchange of ideas, resources, skills and knowledge with countries that had successfully adjusted to globalization and raised living standards. A number of institutions had been established by developing countries to coordinate South-South initiatives, but the implementation of their agreed action plans remained slower than desired so that only a limited number of programmes were contributing to demonstrable socio-economic transformation. Measures to overcome obstacles and scale up the volume of exchanges among developing countries were the prime concern of the Special Unit as it formulated the third cooperation framework, whose main thrust hinged on marshalling South-South efforts towards meeting the MDGs. To overcome its resource limitations, the Special Unit sought new and larger coalitions among the more advanced developing countries.

On 23 June, the Executive Board took note of the report on South-South cooperation [dec. 2004/25].

The Board considered the third cooperation framework for South-South cooperation (2005-2007) [DP/CF/SSC/3] at its September session. The framework detailed a forward-looking agenda for the use of resources under the UNDP MYFF, 2004-2007 (see p. 887) and elaborated on the context, strategy and directions for broadening South-South cooperation through policy support to global efforts to enhance it, backstopping country initiatives, and mainstreaming South-South cooperation in UNDP’s work. The framework would focus on areas of cooperation where the demand expressed by developing countries was greatest; where the commitment to work in multilateral arrangements to achieve agreed objectives was strongest; and where the involvement of and support by State, civil society and
private sector partners were likeliest. The Special Unit would work to bring potential partners together by establishing lines of communication, facilitating the sharing of information and best practices, and fostering practical relationships that contributed to human development objectives. The framework would serve as the Special Unit’s main instrument for mobilizing financial, technical, institutional social and intellectual resources to pursue growth and development through South-South cooperation, in addition to those required for supporting the Unit’s core functions and catalytic efforts in the 2005-2007 period.

The total resource mobilization target for the framework during the 2005-2007 period was $31.4 million, comprising $14.4 million in core resources and $17 million in non-core resources.

In September [dec. 2004/32], the Executive Board requested the Special Unit for South-South cooperation, in close cooperation with Member States, to update the third cooperation framework in the light of the Board’s comments for final consideration by the Board in January 2005. To ensure the effective implementation of the framework, it encouraged the UNDP Administrator to appoint a new head of the Special Unit before that session. The Board decided that South-South cooperation be considered as a driver of development effectiveness and incorporated in the MYFF.

### UN Capital Development Fund

Contributions to the United Nations Capital Development Fund (UNCDF) regular resources in 2004 decreased by $9.7 million, or 36 per cent, bringing the total to $17.2 million, from $26.9 million in 2003 [DP/2005/33]. Contributions to other resources were $6.3 million in 2004, down from $10.7 million in 2003. Overall expenditure increased by almost $5 million, from $22.9 million in 2003 to $27.6 million in 2004. Expenditure against regular resources increased to $19.7 million, from $17 million in 2003. Other resources expenditures increased from $5.9 million in 2003 to $6.6 million in 2004. Unexpended resources at the end of 2004 totalled $48 million, including an operational reserve of $22.6 million.


In 2003, UNCDF operational activities continued to be severely affected by the lower-than-expected level of contributions to its core resources, although the downward trend of income in 2000-2002 was reversed. Core contributions increased from $22.2 million in 2002 to $28.9 million in 2003, 10 per cent short of the $30 million target. Despite that increase, the long-term financial viability of UNCDF remained a concern. It thus reduced its core expenditures significantly in 2003 to align programme expenditures with available resources to ensure the Fund’s integrity, resulting in programme expenditures from core resources of $16.7 million, down about a third from 2002. The situation also resulted in a significant reduction of new project approvals, from $9.1 million in 2002 to $5.1 million in 2003, and a write-off of more than $55 million in outstanding commitments, involving programme cuts and closures. Total expenditures in 2003 were at a low of $27.8 million, down from $48.5 million in 2000. However, the 2003 portfolio clean-up, combined with an improving core resource situation, would allow for increased expenditures in 2004. Between 2000 and 2003, UNCDF partially achieved its operational targets in local governance and microfinance while achieving its targets in organizational strengthening.

In 2003, UNCDF had an active portfolio of 74 projects, valued at some $21.6 million, of which 50 met the criteria for reporting (projects lasting more than five months and with expenditure of over $50,000). The majority consisted of local development programmes, followed by programmes in microfinance investments, eco-development projects, and infrastructure projects.

### UNCDF impact assessment

An April report [DP/2004/18] summarized the independent impact assessment of UNCDF, mandated by the Executive Board in 1999 [YUN 1999, p. 822]. Keeping in mind its objectives, the assessment concluded that UNCDF was effectively carrying out its mandate to reduce poverty in the least developed countries (LDCs). It had, for the most part, organized its existing portfolio according to the 1995 policy shift that narrowed the Fund’s focus to local governance and microfinance programmes, and had responded to the recommendations of the 1999 independent external evaluation [ibid., p. 821]. Through its two programmes, the Fund had contributed to significant results in poverty reduction, policy impact and replication of its projects by donors. Overall, it had generally achieved positive results and remained a relatively efficient organization with a balanced budget in 2003. However, its financial viability after 2004 was questionable, a situation resulting from the mismatch between UNCDF’s niche and international donor funding trends, its governance
structure, and the need for a clarification of its role in the UNDP group.

The assessment recommendations called on the UNDP Administrator and the UNCDF Management Team to clarify UNCDF’s role and responsibilities within UNDP and its associated funds, and to work with the Executive Board to identify a new Executive Secretary; on the UNCDF Senior Management Team to establish a team to review and analyse the Fund’s business model and corporate governance arrangements, their strengths and weaknesses, and to propose alternatives on the Fund’s future; and on UNCDF to make significant reductions in administrative costs or find alternative sources of funding for that budget item should its programme funding continue to decline. The assessment further recommended improving specific areas of the local governance and microfinance programmes, a clearer UNCDF mission statement, symbols, templates and logos, substantive knowledge sharing within and across programmes and creating a monitoring team to oversee implementation of the various Atlas clusters and modules being deployed.

UNCDF management, in a May report [DP/2004/19], welcomed the findings of the independent impact assessment, which were in line with the self-assessment contained in the 2003 cumulative ROAR (see p. 898). The report addressed two key assessment recommendations: UNCDF’s positioning, niche and relationship to UNDP; and the development of a new business model. The report proposed several options that could contribute to the funding base for a new UNCDF business model; namely, voluntary core contributions, non-core resource mobilization, fees from technical services, capital lending and concessional loan funding of some elements of UNCDF capital assistance to private enterprise and LDC Governments. Management concluded that the Fund would have to undergo urgent transformation to become more market-oriented in its programmes and financially viable as an institution, while preserving and capitalizing on gains made in its support of local development and microfinance activities.

In June [dec. 2004/15], the UNDP/UNFPA Executive Board took note of the 2003 ROAR, the executive summary of the independent impact assessment of UNCDF and the management response to the assessment. The Board recognized that a number of the assessment recommendations had potentially wide-ranging implications in terms of, among others, a future closer relationship with UNDP, programming arrangements within the context of the MYFF, governance structures, and funding arrangements. In that regard, the Board asked the UNDP Administrator to report to it at its second regular session in September on possible options, including for future closer relationships with UNDP and their implications for governance, programming, funding arrangements, and the possibilities for UNCDF to contribute to pro-poor local private sector development. The Board noted with concern that UNCDF, despite efforts to broaden the donor base, was still unable to meet the annual core resource target of $30 million called for by the Board in 2002 (YUN 2002, p. 884). It asserted that, pending the submission of the requested proposals, UNCDF had a clear role to play in achieving the MDGs at the local level, particularly in local governance and microfinance in LDCs, and called on Member States and other institutions to further strengthen their contributions to its core funding in the light of the significant results achieved.

**UNCDF future business model**

A September progress report [DP/2004/46] proposed a framework for evaluating strategic options for a UNCDF future business model, including key guiding principles for identifying those options, and described existing strategic opportunities.

The report outlined two options for a future strategic niche and business model for UNCDF. The first was an official development assistance (ODA)-based model, with a UNCDF specialized in retail microfinance funded by voluntary contributions. The second was a private sector–based model, with a UNCDF specialized in channelling and utilizing private capital for high social impact investments in support of the MDGs. Under that option, UNCDF would focus on identifying high-impact investment opportunities and establish preconditions to attract and channel private capital to fund such opportunities. Under both models, the UNCDF local governance programmes would be transferred to a new UNDP unit: the Centre for Local Development. In the Administrator’s view, the private sector–based model embodied a more innovative approach and a longer-term vision than the ODA-based model, which called for more radical adjustments in the UNCDF philosophy, approach and organizational culture.

In September [dec. 2004/37], the Executive Board took note of the progress report and the proposal it contained for integrating UNCDF activities and personnel dealing with local development within UNDP’s Centre for Local Development, operating primarily in LDCs. To facilitate a final decision on the proposal, the UNDP Administrator was asked to elaborate, in close consultation with Board members and other key stakeholders and partners, a detailed proposal on the
business plan for the future Centre for the Board's consideration in January 2005.

The Board noted the different options proposed for UNCDF to support local private sector development and stressed the need for a continued focus on LDCs. It requested the Administrator, in close consultation with UNCDF and Member States, to elaborate further on the viability and feasibility of both the ODA- and the private sector-based model options, taking into account the Board’s concerns. The Administrator, in close consultation with UNCDF and Member States, particularly LDCs, should elaborate on other options, including maintaining an independent UNCDF, focusing on practice areas in accordance with its current mandate, and on the possibility for UNDP to strengthen its assistance to UNCDF in its advocacy efforts to mobilize the necessary resources. He should also elaborate on the option of integrating UNCDF microfinance activities in UNDP, taking into account the Board’s June decision (see p. 899) and views expressed in the Board, for consideration by the Board in January 2005. The Board called on UNDP to assist UNCDF in mobilizing the resources to sustain its current local governance and microfinance activities.