

Donor cooperation

1. Background

Based on recommendations among donors, including the Paris declaration and several UN GA and UN Habitat – resolutions and recommendations within the framework of the UN reform process, there is a need to strengthen donor cooperation with the UN-organizations, including the UN Funds and Programmes. The arguments put forward stress that more comprehensive forms of donor cooperation would help to link the access to predictable donor funding with the organizations' strategic planning and priorities in a more coherent and effective manner. It would also promote a transparent overview of activities and allocation of resources. The general increase in earmarked funding over the past years in relation to core funding has led to a discussion about the need to increase core funding to support normative activities and strengthen the organizational capacity of the UN Funds and Programmes also linked to a more coherent and effective role at the country level. In the Paris declaration, donors emphasize the need for closer consultations and coordination in order to increase aid effectiveness and agree to work towards harmonization and alignment of their aid programs.

2. Experiences of UN-Habitat

The increased in earmarked funding over the past five years has played an important role in supporting valuable programs and expansion in the areas of slum-upgrading, urban water and sanitation, regional technical cooperation and emergency and post-disaster relief. These areas have been given high priority and attracted substantial amounts of donor funding, including support from the Asian and African development banks. The Slum Upgrading Facility (SUF) and the Water and Sanitation Trust Fund (WTSTF) have their own Advisory Boards where donors can directly influence the work plans and their implementation. It is important that the policy and operational advice provided by these Boards take into account the corporate policies and priorities. To become more effective as an organization, UN-Habitat wishes to expand the support for activities based on and increased amount of non-earmarked (core funding) or so-called soft earmarked funding in line with the strategic priorities outlined in the Medium Term Strategic and Institutional Plan (MTSIP). This would permit the organization to strengthen the administrative and operational capacity and to carry out its normative functions related e.g. to advocacy, monitoring and research activities and policy advice in the areas of urban governance and planning at the global, regional and country levels.

3. Way forward for improved donor cooperation

The MTSIP provides the framework foreseen to be a precondition for donors to consider a progressive move from earmarked funding towards increased multiyear core funding. We would therefore propose to consider the following:

- Donors to consider increasing their core funding to UN-Habitat as an organization based on clear priorities, a realistic work program, and explicit delivery benchmarks, to match the current earmarking of their support to specific programs rather than to UN Habitat as such.

- Donors to consider using **soft earmarking** of their contributions to UN-Habitat in support of selected focus areas laid out in the MTSIP. The concept of soft earmarking has successfully been used by Norway in order to identify and agree on priority areas rather than specifying support for specific programs or projects.
- Expanding the number of **multiyear framework agreements** with major donors outlining the donor's priorities for a specified period and the availability of resources for these during the period. Soft earmarking would be preferable also in this context. Experience so far has shown that the use of these cooperation agreements has been a very productive way of making the bilateral contributions better linked to the organization's overall priorities while at the same time giving donors the possibility to provide resources to priority areas and have an influence over the use of these resources. These agreements would also facilitate the transition to joint donor multiyear framework agreements.
- Annual donor consultations to engage in a **dialogue with donor headquarters** regarding progress made and results achieved (based on benchmarks and criteria in the MTSIP etc), resource needs, ways to further improve the cooperation and to get strategic guidance.
- Initiation of **harmonized donor reporting** using the quarterly MTSIP-reports as a basis.

4. Issues for discussion

- How to improve and ensure the predictability of donor funding based on the strategic focus areas outlined in the MTSIP 2008-13.
- How to increase the core funding and soft earmarked funding for core activities outlined in the MTSIP during the coming years.
- Views on a more effective format for regular donor consultations involving capitals and harmonized reporting.
- Implications of Delivering as One on UN-Habitat donor funding at country level.