

# UNDP Submission to DFAT on their New International Development Policy

29<sup>th</sup> November 2022

## Introduction

In response to the priorities of Australia's current aid and development strategies and programs, and the lines of inquiry outlined for in the terms of reference for the new development policy this submission will focus on:

- The role of UN Agencies
- key trends or challenges for engagement
- national strengths to enhance development program impacts and multidimensional vulnerabilities
- past development efforts to inform policy
- the role of ODA and non-ODA in supporting the development of partners

## UN agencies' role in addressing the intersections of conflict, humanitarian, crises, and development

The UN is committed to providing leadership and leveraging its comparative advantages in deploying solutions that strengthen the resilience of countries and people through humanitarian -development- peace nexus approaches. UNDP is the first development and peace actor in crisis situations and can accompany the UN Country Team and Government all the way to sustainable development. As such, UNDP acts as the nexus "bridge" between humanitarian, development, and peace actors.

While humanitarian action and life-saving relief for the most vulnerable segments of the population remains critical, we must recognize that protracted crisis require synchronized and complementary humanitarian development and peace support, and longer-term investments to address the drivers and structural causes of crises and fragility.

Prevention always, development wherever possible, humanitarian action when necessary. The Nexus refers to the interlinkages between humanitarian, development, and peace actions. The Nexus approach refers to the aim of strengthening collaboration, coherence, and complementarity. The approach seeks to capitalize on the comparative advantages of each pillar – to the extent of their relevance in the specific context – to reduce overall vulnerability and the number of unmet needs, strengthen risk management capacities and address root causes of conflict.

For UNDP, the critical elements at the intersections or the nexus where there is a strong role to play includes

- **taking a leadership position in promoting, coordinating, and operationalizing nexus approaches** - promoting development approaches as critical elements to prepare for, prevent and manage crises; and in ensuring development programming is implemented sooner and sustained before-during-after crises hit.
- **the effective use of the total aid budget and emphasizing the importance of scaling up development financing in crisis contexts** - Donors have spent \$65 billion of total aid in fragile contexts - historically around 37% goes to the multilateral system, primarily for humanitarian action. UNDP's added value and comparative advantage in reducing the occurrence, frequency and duration of crises can make the case for longer-term investment and leverage additional development finance to reduce needs over time.
- **Reframing long-held approaches to crisis & conflict, with a recognition that today's crises are ultimately development emergencies** that require integrated development solutions. Development is both the only lasting solution to crisis and the best means to prevent it.

Building on decades of partnerships and experience in-country, working with local, national, and international partners to bring a development and longer-term lens to crisis risks and response UNDP works towards:

- scaled-up prevention efforts and anticipatory investments based on stronger foresight, horizon scanning and early warning, e.g., Risk Anticipation Hub / multidimensional risk analysis and integrated systems approaches through our new Out of Fragility Strategies.
- convening multi-stakeholder platform, bringing together humanitarians, development, and peace actors, IFIs and donors, to build a Nexus Academy.
- practical guidance on what the nexus is for different sectors including: gender, food security; human rights and rule of law; mobility and displacement; peace; environment; livelihoods and sustainable growth.

### **UN agencies' role in fostering development effectiveness**

**To continue to support the effectiveness and role for UN Coordination:** UN entities including UNDP continue to make substantive investments towards expected shifts in funding behaviors and to increase the visibility and impact/results of our investments, and towards strengthening the transparency of information. Further to this, UN entities contribute (UNDP is the largest UN single-entity contributor) as a part of cost sharing to ensure a robust and effective UNSDG alongside investments in capacities, tools and human resources put at the service of RCs/UNCTs.

**To ensure and advocate for an adequate funding architecture to deliver on mandates:** This is fundamental for the system to be strategic, uphold principles such as LNOB, and deliver on its mandate, but also adequately respond to emerging crises. Some kinds of specific measures that the UN development system, including UNDP, can do to incentivize a change for more core and flexible (thematic and pooled) funding include:

1. Showing Impact: demonstrating the impact of our collective efforts on the ground. Ultimately, how our work makes a difference to the lives of people and countries, which in itself is a powerful appeal to funding partners to continue to trust and support the system.
2. Leveraging more: the ability of core to crowd in a significant amounts of non-core funding through serving as seed funding, designing, and piloting innovative initiatives, etc. is one of the key selling points. In 2018-2021, every US\$1 core programme investment through UNDP yielded US\$12 in other resources.
3. Diversifying the core base<sup>1</sup>: considering the continued dependence on limited number of core contributors in UNDP and the UN system at large, efforts must continue to diversify the funding base among Member States and non-state actors, non-DAC donors and emerging partners.

In parallel, the UN system must communicate outwardly with its member states on some of the aspects that can contribute or challenge development effectiveness including:

- A system that is heavily reliant on short-term, project-level funding and too dependent on top contributors for a larger part of its core budget.
- A context where the pace of growth of humanitarian funding through the UN system and INGOs outpaced development funding. Humanitarian assistance is now the most common activity carried out by the United Nations.
- The opportunity of flexible and multi-partner pooled funds to support greater collaboration and drive more joint results at the country level in support. However, it is critical to note that pooled funding should remain complementary to regular/ core funding, as the original intent of pooled funding mechanisms entailed. In considering the balance between core and non-core funding and the sectoral balance of investments, DFAT should continue to champion its generous, voluntary, and multi-year commitments to the UN system – aligned to the funding compact – with increasing core funding for development related activities.

**To innovate and experiment in the delivery of smart development solutions to complex challenges, including in fragile and protracted conflict situations.** The UN system can work towards changing the narrative around the UNDS funding from a mere 'cost' to an essential 'investment' to respond to complex development challenges. This includes:

- joint and common positions, advocacy, and communications strategies to showcase to external partners the true values of the multilateral system for global development cooperation.
- to shift from projects to portfolios to incorporate innovation, co-creation and systems thinking into our work; and leverage linkages across interventions and expertise from within and between organizations to achieve broader, system-level changes.
- Complement agency specific areas of expertise and deliver on thematic portfolios that reflect national / regional priorities. For UNDP the focus has been on poverty and inequality, crisis, and green recovery – as our initial set of thematic offers, which we believe, are in line with our partners' strategic interests.

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<sup>1</sup> The UN development system experienced a sharp decline in core share of total voluntary contributions by Member States – from 19.6% in 2019 to 16.2% in 2020. Core contributions to UNDP declined in 2021, while its share of total resources remains at 12%, far from the 30% target.

- impactful and multidimensional interventions, joint analyses, and other types of collaboration by strengthening partnerships with United Nations development system, regional and other entities and beyond (private sector, IFIs, etc.). This shift and deepening of UN partnerships is purposely driven to strengthen the UNDS effectiveness (and reforms) reform at all levels

**Areas for further reflection:** Development effectiveness through the UN system can do more to foster agility and sharpen coherence as an effective system especially in the face of ongoing-pandemic realities for many countries, and the aggravation wrought by the emerging challenges of debt burden, conflicts, and climate change, and so forth by:

- applying futures thinking through foresight and use of real-time data and evidence in programming.
- actively promoting systemic approaches and integrated action.
- strengthening our collective capacity to report on impact and results.
- working with its key partners including Australia to ensure visibility through co-creation and by inviting them to be part of policy discussions at different levels and especially at the country level.
- Using Joint Programmes as an important aspect of accelerating the implementation of the UNDS reform. They are a critical programme implementation modality in support of Cooperation Frameworks' outcomes, for advancing the Funding Compact commitments, and improving the UN system's efficiencies. The increase in contributions to joint funding mechanisms, however, should not be at the expense of agencies' regular and flexible non-core resources.

**What key trends or challenges will shape Australia's engagement in the Pacific region & globally over the next 5 - 10 yrs? What risks & opportunities does this present for development assistance?**

Countries in our region – and globally - are seeking to recover from COVID amid a global economic crisis, a deepening triple planetary crisis and unprecedented levels of inequality. Development partners will need to support them to build the capabilities, rooted in systems of inclusive governance, transparency, and accountability, to anticipate and mitigate multidimensional crises to meet their NDCs, and unlock the financing to support green, blue, and circular economy models and energy transition, including (in the Pacific) through the SAMOA pathway and its anticipated evolution in 2024 at the Fourth International Conference on Small Island Developing States

Community resilience and localisation of development efforts – embracing climate-resilient livelihoods, gender equality, financial inclusion, and social cohesion – will be critical to manage the social and political impacts of economic and climate shocks. The new fund for loss and damage and progress on the Santiago Network agreed in COP 27 will present new opportunities especially in our region which will need to be matched with more sophisticated engagement on innovative financing and integrated policy solutions.

Digital transformation based on digital strategies and interoperable unique digital identities – especially in the Pacific – offers a critical opportunity to strengthen governance and access to basic services overcoming the geographical challenges of archipelagic states. Addressing gender inequality will remain a critical challenge, notably in the Pacific, which still has the world's lowest levels of political participation and among the highest levels of sexual and gender-based violence, together with accelerating action on women's economic empowerment.

Delivering on the 2030 Agenda requires strong and expansive partnership approaches, including use of ODA in blended financing and de-risking approaches. The degree and level of focus should be facilitated by cultivated partnerships that are backed with predictable multi-year funding commitments channeled through national budgets for a stable pool of priority aid countries (across a range of typologies with an emphasis on the poorest and most vulnerable) and partners ranging from multilateral organizations and civil society to specialized regional bodies, international finance institutions and the private sector amongst others.

To this end, it will be strategic to leverage the mandates of multilateral institutions such as UNDP to facilitate partnerships with governments, the private sector, civil-society and relevant national and local actors and beneficiaries, consistent with no one being left behind, and to channel commercial partnerships as a complement to increased aid.

The prioritization of emergency and humanitarian response over long-term development is a worrying trend as the system is increasingly being used to channel more humanitarian funds than development. Over the past decade, expenditure on humanitarian activities has increased by 164%, while spending on development activities has remained roughly the same.

## How can Australia best utilise its national strengths to enhance the impact of our development program and address multidimensional vulnerabilities?

### *Development Programme Impacts*

Australia is at the forefront of multi-annual financing to both UN agencies and NGOs. It offers a good example by limiting any earmarking to results, allowing for flexibility in programming decisions. Moreover, Australia has an extensive toolbox for rapid response and an excellent reputation for effective delivery in sudden onset crises. In addition to using a range of standard mechanisms, Australia channels funds from its development programme to support local ownership in emergency situations. Australia is making good progress on its commitments towards the localization of humanitarian aid, focusing on building the capacity of local actors and on elevating their role in response on the ground.

It is encouraged to align its policy and performance framework to the Sustainable Development Goals, expand the geography of its policy coherence for sustainable development beyond the Pacific region, and to continue to invest in its development cadre nationally to translate policy to action and in service to programme countries.

In a similar manner, UNDP has continued to prioritize more impactful and multidimensional interventions, joint analyses, and other types of collaboration by strengthening its partnerships with United Nations development system entities (UNICEF, ILO, UN-Women, WHO, etc.) and beyond (private sector, IFIs, etc.). This shift and deepening of UN partnerships is purposely driven to strengthen the UNDS reform at all levels in support of our Strategic Plan. Additionally, UNDP's flexible and adaptable mandate allows us to work in a holistic way, tailored to the complex multi-dimensional risks and challenges in crisis affected contexts. Our range of tools and our long-term trusted partnerships with governments, and other HDP actors; alongside our continuity of presence; our operational capacity; and strong technical competencies, help UNDP to identify and build consensus around the drivers of crises and to translate this analysis into concrete and complementary programming in crisis-contexts, including integrated, area-based responses.

### **A lens on multi-dimensional considerations:**

The 27th Conference of the Parties (COP27) to the UN Framework Convention on Climate Change coined the phrase of a global polycrisis – the ongoing pandemic, the inflation and debt crisis, the food and energy crises, and the consolidation of power amongst authoritarian regimes. These concurrent crises are precursors to a future where the pathways out of vulnerability require more foresight and analytics. Tools to examine multidimensional vulnerability, risk assessments and data can facilitate better evidence-based pathways out. For example, UNDP's flagship research found that eight out of ten people that are projected to be pushed into extreme poverty by 2030 because of COVID-19 will live in countries on the lower end of human development. But this is not a foregone conclusion. With a set of integrated policy choices and investment done domestically and by the international development community, countries can exceed pre-pandemic development trajectories and meet SDG targets that otherwise would have been missed.

This requires champions to facilitate political and economic cooperation to address interrelated geopolitical economic crises, that considers:

- a more rapid global shift away from fossil fuels and towards clean energy
- support towards policy actions for debt restructuring that could help stop the debt crisis in its tracks.
- a successful green transition to support a stronger economic base

## What lessons from Australia's past development efforts should inform the policy? What is Australia seen to be doing comparatively well?

Australia, as a consistent advocate towards the challenges faced by Pacific nations as well as small island developing states (SIDS), uses its engagement in international settings to advocate for a set of priority issues. The UNDP – DFAT partnership's focus on the Indo-Pacific has substantially contributed to UNDP shifting attention, resources, and active engagement into the region. UNDP clearly recognizes Australia as a valued partner with deep and enduring connections to the Pacific and appreciates DFAT's expertise and insights into the political and development dynamics in the region.

Australia has a robust, cross-government disaster resilience and response programme in the Pacific region and an excellent reputation for effective delivery in sudden onset crises, especially in the Pacific region.

Australia's approach towards economic partnerships with Asian emerging economies as well as Australia's aid investments in fragile contexts to support funding investments in nationally owned SDG agendas should be continued.

Australia's strong commitment to mainstreaming gender is particularly noteworthy on the policy front. Australia continues to champion gender equality internationally, regionally, and bilaterally. UNDP counts Australia among its strongest supporters in gender equality efforts. Through Australia's 2021-22 Official Development Assistance (ODA) Budget, Australia commits an estimated \$1.3 billion to support gender equality across the development program, including in partnership with UNDP.

Australia's consideration of more effective and efficient ways of delivering on their foreign aid program should be explored along with efforts to promote innovation across the Department's activities and with other partners including engaging with and promoting new technologies, new partners and new approaches to development challenges (e.g. UNDP Accelerator Labs)

Australia could continue to ensure that its results framework is fully aligned with the Sustainable Development Goals (SDGs). DFAT, like other donors, could consider how it can further align its results frameworks with country-level SDG reporting and follow-up processes. It could also consider how to further formalize its support of in-country capacity for SDG monitoring.

### **How should the new policy address the role of ODA and non-ODA in supporting the development of our regional partners?**

Australia's commitment of multi-year funding of core resources is a crucial part of ensuring alignment with UNDP's Strategic Plan as well as Agenda 2030. Stable and predictable funding enables organizations to leverage all financial streams to reduce the vulnerability of crisis-affected people, allowing flexibility in responses and promotes investments in innovative approaches to the development and humanitarian challenges being faced today.

In the meantime, partners are preferring multilateral development banks and single-issue vertical funds to channel development financing rather than the UN system.

The fast pace of complex global issues requires the interdependency of international actors with a view to constructive international engagement. Accordingly, UNDP encourages Australia to increase its collaborations with multilateral organizations to reduce fragmentation and to redirect focus on quality assurance, programme development, and needs assessment.

Furthermore, Australia is encouraged to allow more flexibility in international assistance funding to meet the scale of needs and the responses required.

As a final reflection, bilateral efforts through policy and ODA can have a meaningful impact to renew multilateralism considering:

- A recognition of different axes and poles for rules-based orders and the need to come to consensus on their specific global issues of focus – for example through the UN Secretary-General's call for a Summit of the Future to be held in 2024 to advance ideas for international governance reform.
- the correct funding mix for multilateral institutions and balancing a calculus between supporting many agencies and institutions or investing development finances practically with those that can effectively deliver with a systems approach. Australia is encouraged to design and direct a more sustainable financing mix for vital global institutions, and finance new functions without contributing to institutional proliferation and complexity.
- The advantages of multilateral channels as less politicized, driven by global normative standards and as a conduit for global public goods
- multilateralism as a complement to bilateral programming objectives: delivering on global challenges, and creating opportunities for dialogue