UNITED KINGDOM STATEMENT

ITEM 5: Review of the UNDP engagement in direct budget support and pooled funds

Mr President,

I am delivering this statement on behalf of the United States, and my own Government the United Kingdom. We would like to thank UNDP for undertaking this review and for the presentation of their report. As the report indicates, the advantages and disadvantages of direct budget support have become clearer over recent years. We acknowledge the challenges involved in using this funding modality.

In 2011 the UK approved measures to strengthen the basis of decisions to provide budget support and to make it more effective. This involved increasing our assessment of governments when considering budget support to include four partnership commitments:

1. Poverty reduction and the Millennium Development Goals;
2. Respecting human rights and other international obligations;
3. Improving public financial management, promoting good governance and transparency and fighting corruption; and

We appreciate that UNDP's use of direct budget support has been relatively limited until now and that this review has been undertaken in accordance with the previous Board request. This provides a helpful platform for this discussion.

We are interested in the panel’s views in several areas and hope the formal evaluations and audits to be conducted during the second pilot phase will provide additional answers;
a) First, UNDP’s long term vision for the use of budget support and its justification for continued engagement in this area to become more efficient and transparent for all stakeholders.

b) Second, assuming that UNDP’s engagement in direct budget support will continue, what formal process is in place, or will be put in place, for deciding in favour of budget support, to provide reassurance that the risks associated are fully assessed and comply with IPSAS accounting standards.

c) Third, what action UNDP is taking to continuously monitor and review fiduciary risk where budget support is provided. Further refined guidance and additional support should be clear concise and achievable in the short term.

d) Fourth, what development impact UNDP’s direct budget support and pooled funding activities have had or will have on recipient countries in terms of improved poverty level, governance and government accountability to the public. The justification of the resources is key for donor country support.

Mr President,

If UNDP intends to grow its work in this area, we would welcome further refinement of the guidance and regulations around direct budget support and would recommend that the focus in doing so is strengthened transparency, accountability and risk management. It is important that decision makers and recipients of the aid provided by budget support can have access to information about spending and are able to hold decision makers to account. It is also imperative to manage fiduciary risk.

Thank you