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on Wednesday, 12 July 2006, at 3 p.m.

President: Mr. MÉRORÈS (Haiti)
(Vice-President)

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Mr. Mérorès (Haiti) took the Chair.

The meeting was called to order at 3.15 p.m.

OPERATIONAL ACTIVITIES OF THE UNITED NATIONS FOR INTERNATIONAL DEVELOPMENT COOPERATION (continued)

The PRESIDENT said the operational activities segment revolved essentially around issues concerning the effectiveness of the United Nations development system at the country level. The challenge was to square the role of the United Nations development system in the context of global issues with its mission in a national setting. The related challenge was to situate the ongoing operational reforms in the United Nations development system in the country-specific context.

In the panel discussion, the United Nations country team from Indonesia would share with the Council its experience and insights on “The role of United Nations development cooperation in employment creation and decent work: results, coherence, and system-wide support through the United Nations Development Assistance Framework”. Indonesia had faced a series of major problems over the last decade, including the Asian financial crisis, the transition from a three-decade strong-man rule, widely-perceived corruption in public institutions, ethnic tensions and the separation of East Timor, terrorist attacks, and most recently the tsunami. While the country could still be seen as in transition, democracy was now firmly anchored. Since the 1970s, when poverty affected about 40 per cent of the population, its incidence had fallen to under 20 per cent. In the context of a large and growing population, and many sources of vulnerability, employment played a key role in Indonesia’s long-term stability.

The questions on which the panel might throw light were: how the country was responding to the challenges of meeting the Millennium Development Goals, particularly through employment strategies; how the United Nations agencies had come together to make a coherent contribution to addressing employment-related issues; how reforms in the United Nations development system were contributing to increased system effectiveness in support of national development processes; and how further reform could enable the United Nations country team to engage more effectively as partners, both bilaterally and more widely with other development partners.

Mr. WIDIANTO (Deputy Minister of Planning, State Ministry of Planning/National Development Planning Agency of Indonesia) said that generating full and productive employment and decent work for all were the dream of developing countries, including Indonesia. Following the economic crisis of 1998, the country was still struggling with the problems of high unemployment and increasing poverty. The ability to adapt to different country situations, and to different situations within a country, was very important for increasing aid effectiveness. It was necessary to understand country conditions, and the national development agenda, before giving advice on reducing unemployment and poverty. The aim should be to strengthen the partner country's sustainable capacity to implement programmes that would work in the national context. Duplication of effort must be avoided and donor activities rationalized in order to increase the cost effectiveness of aid. The efforts made before the crisis had been successful in reducing the number of persons living below the poverty line from almost 40 per cent in the early 1990s to 8.2 per cent currently. However, if the poverty line was set at US\$ 2 rather than US\$ 1 per day, the number living in poverty increased to 53 per cent. Vulnerability to poverty thus remained a very big issue in Indonesia.

With regards to education, although the Government had been successful in increasing enrolment rates, which had attained almost 99 per cent at the primary level, significant gaps between rich and poor remained from junior-secondary level onwards and also between urban and rural areas. Poverty was a multidimensional problem, impacting among other things on access to safe water, sanitation and health services.

Indonesia had endeavoured to incorporate all relevant poverty-reduction strategies in its national development plan. Its targets were in fact more ambitious than the Millennium Development Goals, although it needed to align its targets better with the MDGs and to adjust or create the indicators to match them. The ongoing help of the United Nations was essential in setting targets, costing them, and monitoring their attainment.

The first target of a country such as Indonesia was to promote quality growth. Labour-intensive industries were important in a country where a large proportion of the workforce was unskilled. Trade and exports had a large role to play in creating employment, particularly for small and medium enterprises. The second focus was on increasing opportunities for the poor to satisfy basic needs, including education, health, food and basic infrastructure.

A third focus - corresponding to a nationwide UNDP programme - was on empowering the poor themselves, with the accent on community-based development, particularly in rural areas. Finally, there was a need to improve social protection, and a scheme for conditional cash transfers was being studied for implementation in 2007. In all such areas, assistance from the United Nations system was vital.

The largest problem in Indonesia remained that of reducing the unemployment rate, currently standing at 9.9 per cent but which the President had pledged to reduce to 5 per cent by 2009. That meant creating 15 million jobs, which should be decent work in accordance with ILO standards. The greatest need was to improve the business climate for foreign investment, which implied reducing high economic costs, strengthening legal guarantees, protecting property rights, improving infrastructures and labour-market regulations, enhancing human-resource capacity, raising health and nutrition standards, facilitating internal migration, improving industrial relations, eradicating child labour and improving the youth employment situation. In meeting all those challenges, the country was relying on the United Nations system to assist it in the same way as it had done in the relief and reconstruction efforts in Aceh province following the tsunami at the beginning of the year.

Mr. ASPLUND (United Nations System Resident Coordinator/Humanitarian Coordinator and UNDP Resident Representative in Indonesia) said that the United Nations Development Assistance Framework (UNDAF), based on a Common Country Assessment (CCA), provided for an integrated United Nations system response to national priorities and needs. Joint United Nations programmes were increasing and there was a consensus among government agencies and the United Nations team on the value of working together as one agency. The UNDAF preparation process had involved three working groups, chaired by the representatives of different agencies and focused on: strengthening human development to achieve the MDGs; promoting good governance; and protecting the vulnerable and reducing vulnerabilities. The UNDAF outcomes were aligned to Indonesia's Mid-Term Development Plan (2004-2009) and a Poverty Reduction Strategy Paper (PRSP), were geared to harmonization through joint United Nations agency programmes, provided for extensive participation by government agencies and civil society, and were based on estimated resource requirements of US\$ 1 billion over a five-year period (2006-2010). It had become clear that more resources would be needed if the corresponding targets were to be met.

Indonesia was making good progress towards achievement of the MDGs in 7 of the 11 target areas, including a reduction in absolute poverty. The exceptions were the areas of maternal mortality, HIV/AIDS, and water and sanitation where MDG targets might not be reached by 2015. Unemployment also remained a problem, together with large disparities in economic development and income levels between urban and rural areas and between provinces. On the positive side, the previous four years had been marked by progress in economic growth (from 4.5 to 6 per cent) and by the consolidation of democracy.

There had also been progress towards the goal of one United Nations at country level. An office of United Nations Recovery Coordinator in Aceh and Nias had been set up and was coordinating all United Nations post-disaster activities in the provinces. A similar office had recently been set up in Yogyakarta for recovery of the area after the May 2006 earthquake. The UNAIDS/UNDP-managed fund was promoting coherent United Nations action in support of the national response to HIV/AIDS. Finally, an area-based approach to poverty-prone provinces had been initiated in the Nusa Tenggara Timur Province, where a joint United Nations and interested donor's MDG programme would be implemented. All were examples of a developing integrated United Nations system approach.

Mr. RADEMAKER (Deputy Director, International Labour Organization (ILO) Office in Indonesia) said that Indonesia currently faced a situation of jobless growth. Unemployment at between 10 and 11 per cent was a problem, but underemployment affecting some 30 per cent of the workforce was an even greater challenge. To help make economic growth more sustainable and competitive, the United Nations was supporting the Indonesian Government in the area of vocational training to increase skill levels and ensure that occupational safety standards in industry were being applied. The second major challenge was to improve labour market governance and strike a balance between flexibility and security. Firms must be able to hire and fire workers and engage in investment, but workers must have a measure of security, particularly since there was little social security protection. The Government was currently supporting trade unions and employers' organizations in arriving at a compromise whereby all parties benefited.

Another issue in Indonesia was the endemic problem of child labour. With the help of many partners including the United Nations, the Government had put together a national action plan to fight child labour and had made great progress over the previous 10 years. A fourth focus of attention was labour migration, which was a major source of remittances and skills but also called for an appropriate framework of protection for migrant workers before departure, in the receiving countries and on the workers' return. The United Nations was cooperating actively with the Indonesian Government in that connection.

Another area in which the United Nations was working with the Indonesian Government was that of youth employment. Indonesia had been the first to become a lead country for the United Nations/ILO/World Bank Youth Employment Network, and had already prepared its Youth Employment Action Plan to provide support to young people of working age. The Plan included major initiatives on improving the vocational training system, developing a skills certification programme, providing youth with entrepreneurship training, and facilitating the school-to-work transition.

In terms of vulnerability in the labour force, Indonesia had two major United Nations-supported programmes on child labour and forced labour. The first was the "Time-Bound Programme" on child labour focused on the footwear, fishing and mining industries. The second involved the provision of non-formal and life-skills education for school dropouts, who were particularly numerous in rural areas. There was also a programme of pre-departure training for migrant workers, including AIDS awareness and information on workers' rights, together with a programme for consular staff in Indonesia's foreign missions on the protection and counselling of Indonesian nationals working abroad.

Mr. MATSUHITA (United Nations Industrial Development Organization (UNIDO) Representative) said that UNIDO's country programme for sustainable industrial development for Indonesia was focused on: the private sector and small and medium enterprises; energy efficiency and environmentally sustainable industrial development; and recovery and rehabilitation of communities from the natural disaster-affected areas and post-conflict areas. In line with the MDGs and UNDAF, the first and third components were particularly targeted on poverty alleviation and employment creation.

Given the disparity of development between urban and rural areas in Indonesia, UNIDO had carried out studies aimed at strengthening Eastern Indonesia's industrial sector, beginning in Sulawesi Island. Development potential had been studied through value-chain analyses of selected agro-based industry clusters, and a development strategy had been formulated with a view to securing a large international market and the expansion of job opportunities. The result of the project, carried out in close cooperation with provincial governments in Sulawesi and with the Ministry of Industry and Ministry of Foreign Affairs, had provided some pointers to the development of a regional strategy for employment creation and sustainable private-sector development. The project was currently in its second phase of implementation, involving the development of investment opportunities, business partnerships and network promotion.

In the wake of the tsunami and earthquake disasters, the United Nations country team in Indonesia had strengthened its teamwork and identified each agency's role in humanitarian aid and recovery and rehabilitation efforts. In particular, it had clarified that development agencies must work closely with humanitarian aid agencies to assist internally displaced persons and communities in restoring their original living standards and production activities.

Operational programmes had included a skills development programme for small communities in Aceh, undertaken jointly with ILO and United Nations Volunteers. Training for carpentry and furniture making had developed into a wood processing production line supplying construction materials such as doorframes and wooden furniture. In Nias Island, microhydroelectric plant had provided clean technology for power generation, employment creation and a community development programme involving the installation of communication equipment. Post-earthquake responses in Yogyakarta and Central Java had included damage assessment of industrial clusters, recovery assistance for SME production lines and a pilot project for low-cost bamboo house construction. Finally, a project carried out jointly in Maluku with ILO and the UNDP Maluku Technology Center had included agro-based product development and marketing, capacity-building and peacebuilding.

Ms. GWI-YEOP Son (UNDP Country Director), emphasizing the importance of economic development in the context of peacebuilding, said that UNDP findings in the provinces of Maluku, North Maluku and Central Sulawesi showed a close correlation between conflict violence and unemployment, particularly involving young and internally displaced

people (IDPs). UNDP's programme there had highlighted the need to foster inter-group and inter-faith dialogue and cooperation (particularly between Christians and Muslims) and the importance of integrating IDPs and host communities through training, equal access to financing and support to village enterprises. Through its "Peace through Development" programme, UNDP supported long-term peacebuilding focused on local economic development initiatives, inter-community trading networks, revitalization of local market places, support to local market places, and support to local microfinance institution-building.

With regard to the restoration of livelihoods subsequent to disaster, UNDP's work in Aceh following the tsunami had provided temporary employment for 50,000 through cash-for-work schemes focused on the restoration of public facilities. Subsequently, to ensure a smooth transition from temporary employment to sustainable livelihoods, UNDP had supported small and medium-sized enterprises through microfinance. To ensure an enabling environment for productive employment, UNDP had worked closely with the Government on the provision of a sound legal and judicial framework with the participation of the public. For the purposes of policy implementation, it also provided support for enhancing government capacity, particularly at the local level. Finally, it helped to promote public-private sector partnerships as a key to ensuring an enabling environment for productive employment, which in turn formed part of the peacebuilding process.

Mr. SOW (Guinea), stressing the importance of the Indonesian example for the countries of the South, said that what was being done in partnership with the United Nation in the field of conflict resolution, disaster recovery, development and humanitarian action should be made more widely known. He wondered whether the problem of growth without development, and the instability it created, arose from a failure to centre growth on agriculture. Was it significant that no mention had been made of FAO in the context of United Nations activities in Indonesia? He also wondered what was being done to integrate the informal sector in the globalization process. Concerning the United Nations/ILO/World Bank Youth Employment Network, it would be instructive for countries such as his own to know how Indonesia and the United Nations intended to evaluate the project. With reference to the post-tsunami response in Aceh, he would be interested to learn as a counter-example what had occurred in other regions where resources had been lacking. Was it the abundance of resources that had assuaged the conflicts immediately following the disaster, or were some other factors at work?

Mr. MILLER (United States of America) wondered how large the United Nations team in Indonesia was and how it was distributed over the numerous islands that made up the territory. Concerning the joint UNIDO, ILO and UNDP project in Maluku referred to by Mr. Matsushita, what was the value added by each agency and how did the project benefit from being a joint programme? With regard to the promotion of social cohesion and the integration of displaced persons in the same region, he wondered whether the initiative should not properly come from the Government itself. He was also concerned that the United Nations system might be picking winners when choosing which activities to promote. Finally, he was not clear whether the training in entrepreneurship provided by ILO was to be understood generically or as a side-product of other training activities.

Mr. CONTINI (France) noted that the conflicts referred to in the presentation by the UNDP Country Director were deep-rooted and were not, as might have been suggested, an outcome of the tsunami disaster. While the activities being undertaken by the United Nations team seemed to him well chosen, he wondered whether they constituted a truly integrated approach involving all the United Nations system, the World Bank, the various funding sources and the active participation of the Indonesian authorities at the national and local levels. It was also important to ensure that the kinds of job opportunities created met the criterion of decent work as defined by ILO. Finally, the question must be asked whether the development strategy currently being pursued, including the use of natural resources, could properly be described as sustainable.

Ms. REPONEN (Observer for Finland), speaking on behalf of the European Union, said that the various United Nations agencies must be guided by a common vision, particularly at the country level. The four pillars of the decent work agenda were rights, employment, social protection and social dialogue, plus gender equality as a crosscutting principle. Decent work for all must be fully integrated into the national poverty reduction and other development strategies. Employment must be treated as a key objective and not regarded as a simple outcome of growth and economic policies. Unemployment was often related to other issues, such as health and education. It therefore called for an integrated approach that took into account gender-related factors. More thought also needed to be given to integrating the decent work agenda into the

strategic objectives, policies, strategies and activities of many kinds of national institutions, United Nations agencies and other donor organizations, as well as to ways of monitoring their outcomes.

Mr. CHULKOV (Russian Federation) said that while he was impressed by what had been done by the United Nations team in Indonesia, there seemed to be a complication relating to the geographical fact of the 17,000 islands making up the country and to their differing economic and political situations. He would like to hear from the Resident Coordinator whether there was any problem within the team regarding the coherence approach and, if so, whether he could suggest how it might be overcome.

Mr. WIDIANTO (Deputy Minister of Planning, State Ministry of Planning/National Development Planning Agency of Indonesia) said that, as in any developing country, the informal sector was very large, representing some 70 per cent of the workforce, so that the employment question could not be approached in the same way as in the developed countries. Decent work was the goal of every developing country. The question was how to achieve that goal and whether it should be a priority or part of a process. In a country with such a large informal sector, the answer must be that work was the priority, with decent work a longer-term ambition. Creating work meant among other things improving the investment climate. However, the process required time, and it was important in the meantime to improve the low productivity of the informal sector, through training programmes and an improved certification system. There were also a number of government programmes aimed at reducing the cost of moving from the informal to the formal sector, which currently involved dealing with as many as 10 different offices, each entailing the payment of legal fees. Regarding the involvement of several agencies in a particular project, he believed that their number was not an issue where the project demanded the expertise of each. Finally, there was no policy of "picking winners" in the choice of projects to be developed but simply one of focusing on productive undertakings within a particular region.

Mr. ASPLUND (United Nations System Resident Coordinator/Humanitarian Coordinator and UNDP Resident Representative in Indonesia) said that, since combined contributions from all funding sources were only a fraction of the inputs of Indonesia itself,

it was normal that the Government should signal where it believed the support of the United Nations system might best be focused. The United Nations team naturally expressed its own view in that regard, so that the actual decision was a matter of give-and-take.

The question of why FAO was not part of the country team was a good one, given that the agriculture sector accounted for 40 per cent of the workforce. The answer was that the Government's focus was on employment creation in other sectors to respond to the movement away from agriculture. However, FAO was working in the country, notably in Aceh and in the poorest regions of East Java.

The focus by the United Nations team on Aceh reflected the fact that the international response to the tsunami disaster had been huge and a large number of staff were involved in the corresponding disbursement of funds and coordination of activities. However, the United Nations was present and active throughout the country. Its presence in Indonesia, unusually in a middle-income developing country, was larger than that of the World Bank: 25 agencies and programmes were active in the country, 18 or 19 of them with resident representation, with a combined complement of some 400 international staff and 3,000 to 3,500 staff overall, the tendency being for a progressive increase in the proportion of national professional staff. The United Nations team worked well with the World Bank and cooperation had been further strengthened in the context of the Aceh disaster response.

Concerning the reason for multiagency programme implementation, it was clearly desirable to avoid duplicating approaches to donors in related or overlapping programme areas. It was also better for UNDP to associate the relevant agencies with a project rather than taking spending decisions without reference to the body or bodies with specific competence in the matter. On the question of whether the country team possessed a common vision, the answer was perhaps provided by the panel's presentations, which had been more focused on a common response than on individual contributions. The common vision also reflected to an important extent the Government's vision of where the United Nations could be most helpful. While geographical dispersion and economic and cultural differences undoubtedly constituted a challenge in the Indonesian context, the United Nations team had successfully maintained an overall unity of approach, to the extent that representatives of the agencies concerned sometimes felt themselves to be operating in greater harmony than their respective headquarters.

In relation to the disaster response in Aceh, the UNDP Country Director had not meant to suggest that the tsunami was in some way at the origin of conflict situations in the province. The essential focus was on UNDP's early recovery efforts in the aftermath of the disaster. It was encouraging that Indonesia now seemed to be emerging, economically and politically, from the period of transition following the earthquake disaster.

Ms. GWI-YEOP Son (UNDP Country Director) said that employment creation had been the key in Aceh to pre-empting the kind of conflict that could erupt following disasters. The Indonesian Government, with the support of the United Nations team and other organizations, had played an essential role in that context. There had never been any question but that peacebuilding efforts should be government-led, and the United Nations contribution had been to work with the Indonesian Government, for example through an analysis of conflict triggers and a peace-and-development analysis integrated into the national plan. While it was true that Aceh had attracted resources that were needed to an equal or greater extent in other provinces, the United Nations had attempted to redress the balance by adjusting its overall programme accordingly. Finally, development cooperation in Indonesia was to a significant extent integrated through UNDAF as well as through national development planning processes.

Mr. MATSUHITA (United Nations Industrial Development Organization (UNIDO)) said that the experience of working together in Aceh had consolidated the links between the agencies in the United Nations team. For example, efforts to create jobs as a counterweight to a bitter and protracted conflict between Muslims and Christians had drawn on the respective competencies of UNIDO for employment creation, ILO for entrepreneurship knowledge and UNDP for governance expertise. The example of inter-agency cooperation, together with strong support from the provincial government, had in turn led to a generous response from other donor sources, notably the Netherlands and Japanese Governments. Agencies at headquarters level had likewise been influenced by the example of on-the-ground cooperation.

Mr. RADEMAKER (Deputy Director, International Labour Organization (ILO)) said that, despite the tendency for the agriculture sector to contract, it remained important and had enabled many to survive during the Asian financial crisis. ILO was therefore exploring with FAO ways in which it could be promoted, together with the tsunami-devastated fishing industry. As for the informal sector, it benefited in practice from measures taken to improve wage levels in

the formal sector, the latter tending to serve as a benchmark for the former. Concerning the fixing of wage levels in the aftermath of the tsunami emergency, the consensus (not legislative) measure had applied only to daily unskilled labour and had been introduced to counter unhealthy competition between agencies, which had led to skyrocketing prices and the import of labour with a potential for social conflict. With regard to entrepreneurship promotion, the United Nations team had not engaged in winner-picking but had chosen to focus on microenterprises not generally covered by other funding sources, notably the World Bank. Finally, ILO was working with many other agencies to promote its decent work agenda. As it happened, the Indonesian Constitution of 1945 had been in advance of the United Nations system, having accorded to every citizen the right to decent work. ILO was currently working to further that goal with the Indonesian Government, which planned to make it a central part of its medium-term development plan.

The PRESIDENT thanked the members of the panel for their stimulating contributions to a discussion that had coincided at many points with the topics addressed by the Council's substantive session.

The meeting rose at 5.30 p.m.