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**Research Report**

## Reform of the UN development system: new multilateralist reform coalition needed

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Briefing Paper 1/2011

## Reform of the UN Development System: New Multilateralist Reform Coalition Needed

### Summary

The United Nations (UN) development system is well established and ubiquitous in the global development system. Its functions range from providing a forum for dialogue, decision-making and norm-setting, to research, advocacy, technical assistance and humanitarian aid. The UN's universality and neutrality, its broad mandate, and its embodiment of a rule-based international system are assets that the world will need even more in times of multiple global crises. However, the UN development system is in need of thorough reform. It currently punches below its weight.

**What reform options are on the table?** Reform options include the radical merger of agencies, or the more incremental building of a unified country presence (Delivering as One Initiative). Some argue that the UN should gain clout vis-à-vis the Bretton Woods Institutions. Others argue that it should confine itself to niche areas (such as fragile countries) where it can perform better than other actors considered less legitimate and neutral.

**How do key stakeholders position themselves?** Negotiations remain mostly trapped in the traditional North-South conflict in spite of evidence that the divide no longer reflects global power structures. Western donors push for a rationalised UN with greater focus, efficiency, and development effectiveness. Developing countries perceive this as an attempt to further marginalize the UN in questions of economic development.

**Current reform dynamics** The most recent round of reform negotiations showed that the time is not yet ripe for a consensus on fundamental reforms. But more incremental reforms gained approval and have led to improvements. UN agencies are becoming more results-oriented, working more closely together and harmonising their business practices. The Delivering as One pilot initiative shows promise.

**What lies ahead?** Incremental reforms have their merits. There is real room for improvement if governments act more coherently across governing bodies and make UN agencies deliver better results more efficiently. But there are limits to what can be achieved. Governments should begin to strategically build the basis for a more fundamental reform of the UN and its development system.

**New multilateralist reform coalition** Political leadership is necessary to overcome the North-South divide at the UN. A new multilateralist reform coalition is called for. The Global Governance Group, initially formed to demand a more inclusive G-20 process, might become its nucleus. But not only small states should rediscover the merits of the UN which – however imperfect – stands for an international system based on the rule of law. The key to success or failure will be the attitude of emerging powers in the UN.

Currently the potential of the UN and its development system is hardly tapped. Governments should prepare to change that.

### Need for reform of the UN development system

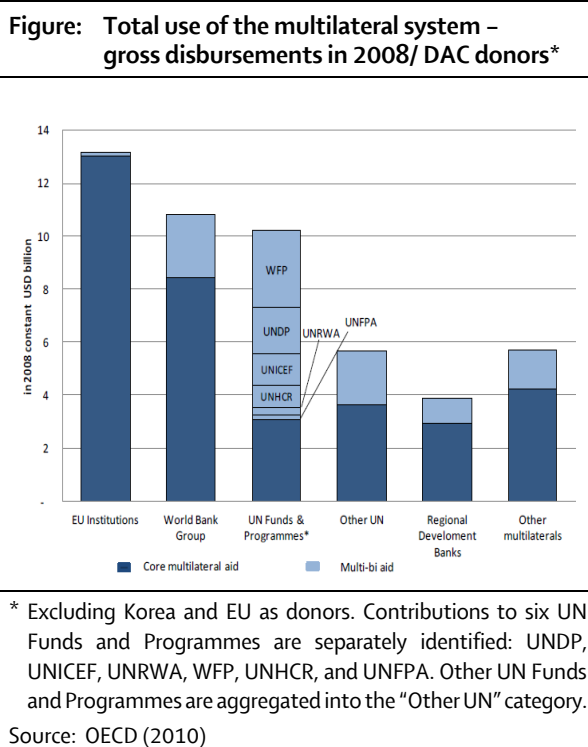
The UN is a sizable, multi-faceted development actor that in 2008 spent US\$18.6 billion on humanitarian and development activities (roughly 15 % of ODA). In contrast to dedicated development organisations, such as the World Bank, for many of the diverse UN actors development is only one field of activity among others. Altogether, 36 UN entities perform development-related operational activities. Only a few agencies – United Nations Development Fund (UNDP), United Nations Children’s Fund (UNICEF) and World Food Programme (WFP) – have a substantial country presence and together receive more than 60 % of the mostly voluntary contributions for UN development assistance (in 2008). The UN has come under increased pressure to prove the effectiveness, efficiency and comparative advantages of its development system and to demonstrate that it can be more than the sum of its parts.

- Changing development demands** Increasing scarcity of resources (food, energy, water, land, etc.) intensified by climate change alter the parameters of development cooperation. Additional challenges (and possible chances) stem from the rise of new economies in the international system, new technologies, the growing importance of private actors and not least the need for austerity measures. Unwieldy and supply-driven as it currently is, the UN development system needs to change in order to be better able to anticipate development demands and contribute to inclusive, multi-dimensional and cross-sectoral responses that the world will need to an even greater extent in the future.
- Competition from other actors** A number of the UN’s strong points remain pertinent even in light of the changing global development landscape. With its convening power, the UN provides unique services as an inclusive norm- and standard setter. Its broad mandate and its position at the core of the multilateral system make it a natural forum for debate on global public goods and cross-disciplinary issues. However, the UN increasingly sees competition, be it the G-20 taking on development, be it in the field of operational activities. Both donors and recipient countries nowadays can choose from among a plethora of public and private actors. This makes it even more necessary for the UN development system to become more focused, efficient and effective.
- Bilateralisation** In recent years, there has been a growing bilateralisation of UN development assistance. To a far greater extent than in the case of other multilateral organisations, donors earmark their contributions (“multi-bi aid”) to the UN (see Figure). In 2008, roughly 70 % of contributions were earmarked. In many instances, donors use the UN as contractor for implementing their own priorities. These practices not only undermine the multilateral priority setting and decision-making that serves as a foundation for the UN’s biggest asset – its neutrality – but also fuel the UN system’s fragmentation and lack of focus.
- Punching below its weight** The UN development system has incrementally grown and now consists of a fragmented system with overlaps, inefficiencies and compe-

tion among UN agencies. Its decentralised governance structures and the need to accommodate the interests of 192 states and translate them into consensus policy make it difficult to steer the system towards greater coherence and development effectiveness. This undermines the contribution the UN can make to address global development challenges.

### Reform options

Over the years, time and again proposals to overcome the system’s fragmentation and increase its relevance and clout have been made. The UN’s input legitimacy is often taken as the starting point. Because of its universal character and neutral mandate, researchers and NGOs especially from the South believe that the UN’s role should be enhanced – in other words, that the UN should play a coordinating role in the global development system. But even in the North, the idea of a global economic council, sometimes even with enforcement powers similar to the Security Council, is periodically in fashion. Others draw opposite conclusions from the UN’s legitimacy. Although the UN should continue with its important role as a norm and standard setter, the scope of its operational activities should be narrowed down. According to a number of Western donors, for instance, the UN should focus on niche areas (fragile states, humanitarian aid, etc.) where it can perform better than other actors considered less legitimate and neutral.



Most recently, in 2005 and 2006, ideas were advanced on how to establish a single coherent UN development pillar. Like-minded donors, especially European countries promoted a simplified organisational structure according to which agencies would be merged or clustered. An expert panel recommended building coherence from the bottom up. The UN System should ‘deliver as one’ at the country level. Since

2007, the 'Delivering as One' initiative has been implemented in eight pilot countries (see Box).

### Member states' positions on reform options

States currently hardly agree on how to reform the UN development system. Negotiations in New York and Geneva still mostly mirror the Post-Cold War world order, even if the North-South divide no longer reflects global power structures and a fresh approach to development is needed in times of multiple global crises. It should not be forgotten that what today seems to be an anachronistic divide actually builds on decisions of industrialised countries to sideline the UN in questions of economic governance. While neither the North nor the South is homogenous, the two groups clash

- **UN as coordinator** None of the Western states wants to have the UN as a powerful coordination forum anytime soon. They want to restrict the UN to questions of (social) development. In contrast, developing countries would like to have a more prominent UN. Its funding would then need to be increased, and the UN would need to play a greater coordinating role in the area of finance, economy and trade.
- **Sharpening the UN's focus** A number of Western countries want the UN to have a clearer focus, for instance on fragile states, although their funding practice does not necessarily reflect this wish. Developing countries believe that focusing on niche issues would further marginalize the UN. They also fear that industrialised countries would take the opportunity to cut funding.
- **Consolidating the institutional structure** A fundamental restructuring to remedy the system's inefficiencies and overlaps advocated by Western countries is rejected by the developing world on the grounds that such an exercise would further restrict the UN's role in economic and financial issues – and hence silence the voice of developing countries and emerging powers.
- **Unified UN country presence** Here, the North-South conflict has partly been overcome. All Western countries support the Delivering as One initiative, as do the eight pilot countries and a growing number of (often small) developing countries that believe transaction costs will drop and there will be additional money. In contrast, a number of emerging powers, geographically large, or ideologically motivated states reject the unified country presence. They fear that such a UN loses its flexibility.

### State of reform

Since state positions are very far apart and negotiations fall prey to north-south dynamics, currently anything but reforms in small steps is impossible. As developing countries could not be convinced that a rationalised UN system with fewer agencies would also be in their interest and industrialised countries shied away from even considering giving the UN a greater coordination role, current reforms primarily focus on strengthening the coherence of the UN's operational activities. A notable exception is the merger of four entities dedicated to women and gender issues into a new organisation called UN Women in July 2010, bringing together resources and mandates for greater impact.

#### Box: 'Delivering as One' Pilot Initiative

- **Origins** Report of High-Level Panel on System-Wide Coherence (2006)
- **Purpose** To test how the UN family can provide development assistance in a more coordinated way, making the UN system more coherent, effective and efficient
- **Implementation** Since 2007, Pakistan, Mozambique, Tanzania, Rwanda, Uruguay, Cape Verde, Albania and Vietnam have been pilot countries in which the UN System acts with one leader, one program, one budget, and often one office. Frequently, there is an extra multi-donor fund to bolster the leader's authority, increase the incentives for collaboration and make donors pool their earmarked contributions. More than ten other countries have voluntarily followed the same path.
- **Evaluation results** Assessments are encouraging. Despite regional, economic and geographic differences, all pilots have repeatedly stated that 'there is no way back'. There is evidence that the UN becomes more strategic and responsive, small efficiency gains are made, and government ownership is strengthened. Yet, transaction and coordination costs for UN agencies also increase, sometimes heavily, and proof of greater development effectiveness is still pending.
- **Way ahead** In autumn 2011, the results of an independent evaluation will bring the pilot phase to an end. The lessons will be discussed by member states that will apply them to the upcoming comprehensive policy review of the UN's development policy.

### Way forward

The current trend of incremental reforms has its merits. There is real room for improvement if governments act more coherently in terms of funding and across the various governing bodies and make the UN deliver better development results more efficiently. Changes over the last decade are promising: The system is moving towards greater results-orientation – for instance, UNDP has developed a commendable evaluation policy; the basis for a system-wide evaluation mechanism was formed; the Chief Executive Board for Coordination – a body that comprises heads of all UN agencies – has begun to proactively define system-wide policies; the harmonization of budgets, rules and regulations for the Funds and Programs is underway. Upcoming policy processes, such as the comprehensive policy review by the General Assembly or the elaboration of multi-year strategies of UN agencies, provide valuable vantage points for further improvement across the system. States should seize these opportunities and invest time and capacities to reach balanced compromises that make sure the system grows together.

### Limits to an incremental approach

There are limits to overcoming the UN development system's ills by means of technical improvements, harmonization and

coordination. The discrepancy between donor calls for greater coherence and efficiency and their financial practice of earmarking has not been adequately addressed. Coordination can increase coherence but not necessarily solve conflicts of interests among UN agencies. And the North-South dynamics continue to lead to lowest-denominator compromises that are clearly not the strong messages needed to pull the system together.

A UN development system that is truly fit for the 21st century seems hardly within reach. Such a system would mostly be demand-driven. It would neither act as contractor of last resort for donors, nor fulfil all the demands of recipient governments, but stay within its agreed area of expertise. Its slim operational services would demonstrate a clear concentration on policy advice and capacity building, building on internationally agreed norms and standards. Well trained UN country teams with incentives to co-operate would draw on the full expertise of the whole system and act as knowledge brokers. Key to such a system is a sustainable financing model that reconciles accountability, predictability and focus. The system's intergovernmental oversight would be informed by a broad common vision and an appreciation of what the UN has to offer.

### New multilateralist reform coalition needed

Such a model sounds more or less utopian in light of today's system of vested interests, mission creep and reflexes towards bilateralisation of development policy. While governments are well advised to continue pressuring for incremental improvements, they should begin to strategically build the basis for a more fundamental reform. Given the disillusionment with the UN's multilateralism among 192 states (such as in Copenhagen) and a certain reform fatigue, the political momentum will not be created over night. Political leader-

ship is necessary to overcome the reflexes that turn any question into a zero-sum game where one side wins what the other loses.

A new multilateralist reform coalition cannot be dominated by industrialised countries. The informal Global Governance Group, which formed under Singapore's leadership primarily to demand a more inclusive G-20 process, might become the nucleus of such a reform coalition. But not only small states should rediscover the merits of the UN that – however imperfect – stands for an international system based on the rule of law. The attitude of the emerging powers (such as China, India and Brazil) will be crucial. Will they take more responsibility, not only in the Security Council but also in less prestigious UN bodies, and throw their weight behind the revitalization of UN multilateralism?

### Conclusions

Donor countries may be tempted to view the UN development system just as one development contractor among others. By merely focusing on efficiency, effectiveness and comparative advantages, they risk losing sight of what the UN has to offer. This is not to say that the UN development system does not need to be more effective and efficient – or that current incremental reforms should not be followed through and even intensified. However at times when both the mixed record of success and the rise of new actors challenge the Western development model, the UN is a forum that brings together all development stakeholders. Its broad social and economic mandate enable us to discuss development from a holistic perspective and go beyond the narrow aid paradigm that has outlived itself for most of today's societies. Currently, this potential has hardly been tapped. Governments should prepare to change that.

### Literature

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