

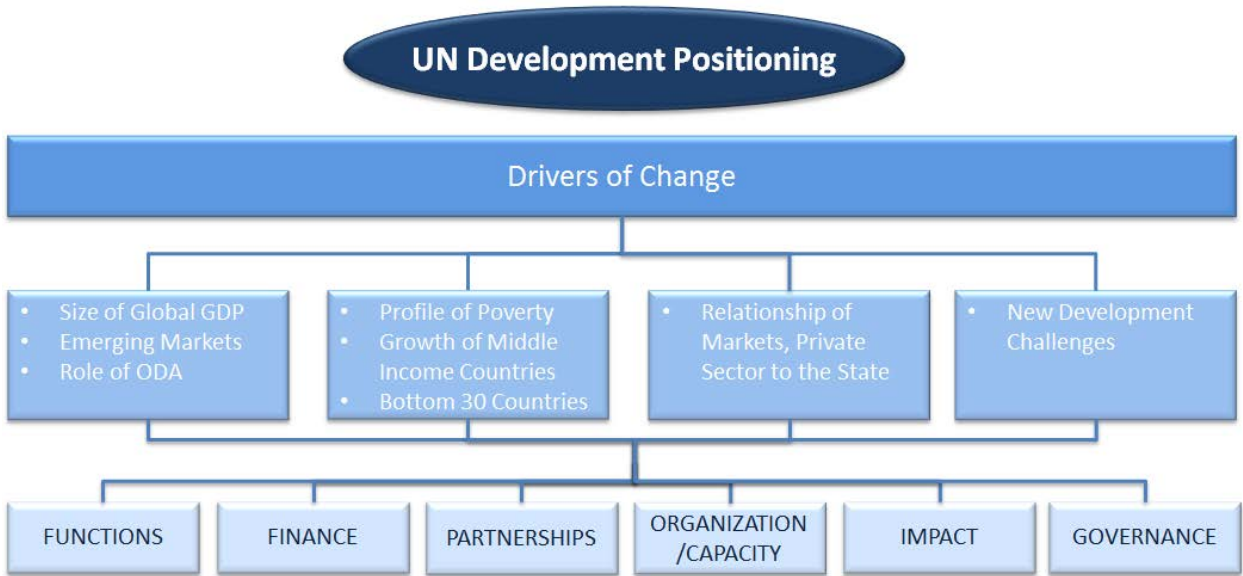
Draft Discussion Paper on
The Longer-term Positioning of the UN Development
System in the Post-2015 Development Agenda

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This draft paper expresses solely the views of the authors. It will be further elaborated on the basis of the views of Member States during the first session of the ECOSOC dialogue on 15 December 2014.

The Economic and Social Council (ECOSOC), through its resolution 2014/14, welcomed the dialogues held at the operational activities segment of its substantive session of 2014 regarding the role of the UN development system (UNDS) in the changing development landscape and the need to align the UN system to address emerging challenges. In this regard, it decided to convene a transparent and inclusive dialogue involving member states and all relevant stakeholders on the longer-term positioning of the UN development system, taking into account the post-2015 development agenda. It requested analysis of the inter linkages between the alignment of functions, funding practices, governance structures, capacity and impact of the UN development system, partnership approaches and organizational arrangements.

Three elements follow logically and inextricably one from the other: the analysis of the changed development landscape and the need to align the UN system to emerging challenges; the consequences for the long term positioning of the system; and the analysis of the need to align in particular function, finance, partnership, organization, capacity and governance. This paper explores some of the implications for the UN itself of the Secretary-General’s Synthesis Report – ‘The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet’ – on the post-2015 development agenda. It seeks to identify some of the challenges the UN faces and raises some questions for Member States to consider.



The Changed Development Landscape

The analysis of inter linkages logically starts with an analysis of the key changes that have impacted on the development landscape and the likely changes that will be required under the new unified and universal agenda under consideration that places people and planet at the center, grounded by human rights and reinforced by inclusive partnerships. The development landscape has been the subject of considerable discussion already within ECOSOC, in other UN fora, and broadly within the development community. For the purposes of this paper, five elements have been identified as critical to the

transformation of historical proportions that has taken place in the development landscape during the course of the last fifteen years:

- The size of the global economy has tripled over the last 20 years from around \$25 trillion to \$75 trillion today. Within this growth there has been a major shift in the economic weight of different states. Furthermore, this extraordinary expansion of the global economy has significant implications for the weight and role of different types of international resource flows. The implications for Official Development Aid (ODA) are discussed below.
- Excluding China and India, within a decade 70% of the poorest will be concentrated in the poorest 49 Least Developed Countries (LDCs), many in fragile states, which do not have the capacity or resources to support themselves. For these countries ODA will continue to be an irreplaceable source of income and the United Nations Development System (UNDS) needs to give special attention to the challenges they face.
- For Middle Income Countries (MICs) accessing a range of financial flows, including global public goods flows, leveraging resources, policy coherence and managing risks will be major areas of focus.
- There has been a major shift in the relationship between markets, the private sector and the public sector. Meeting many of today's challenges requires governments to work with and leverage all sectors of society.
- A new class of development challenges (such as climate change and Ebola) have arisen which are characterized by the emerging reality that solutions to these challenges can only be found through collective response.

The New Development Agenda

The anticipated adoption in 2015 of a post-2015 development framework anchored in sustainable development goals (SDGs) lies at the heart of the new development agenda. The SDGs represent a unified and universal agenda. The Secretary-General's Synthesis Report to the UNGA has proposed an integrated set of six essential elements - Dignity: to end poverty and fight inequalities; People: to ensure healthy lives, knowledge, and the inclusion of women and child; Prosperity: to grow a strong, inclusive, and transformative economy; Planet: to protect our ecosystems for all societies and our children; Justice: to promote safe and peaceful societies, and strong institutions; and, Partnership: to catalyze global solidarity for sustainable development - which provide a conceptual guidance in the finalization of the post-2015 agenda. The Secretary-General has highlighted the critical importance of equity and inclusion and for no one to be left behind.

In accordance with the ECOSOC resolution, we identify briefly some of the possible implications of the changed development landscape and the emerging post-2015 development agenda on the long-term positioning of the UNDS covering the interlinkages between the alignment of functions, finance, partnerships, organization/capacity, impact and governance. Each of these elements is analyzed from the point of view of both the changing development landscape and the implications of the new development agenda.

FUNCTIONS

In identifying changing functions, it is critical to differentiate sharply between different types of countries. The enormous expansion of the global economy is changing the role of operational activities in many emerging middle-income countries. For the 49 LDCs (33 also considered fragile states) with a

population of almost 900 million that have limited access to external resources as well as very limited capacity, both the role of ODA in volume terms and the role of the UNDS will remain highly significant.

In a global economy where the great majority of countries have access to as well as being vulnerable to the volatility of a wide variety of resource flows, the capacity to identify opportunities to leverage solutions becomes a critical function. It is the ability of the UNDS to leverage rather than the disbursement function, which becomes the key driver of functional relevance in many emerging economies. Supporting policy coherence and breaking down traditional silos becomes a critically important function.

There seems to be a broad consensus that a critical function for the UNDS is its normative and standard setting agenda. For example, the High Level Panel on the Post-2015 Development Agenda, in looking at the future role of the UN, stated that ‘the UN, of course has a central normative and convening role’. The eventual adoption by the UNGA of a SDG framework will further highlight the importance of the UN’s normative work. In this context, the Secretary-General has emphasized repeatedly the importance of human rights as the cornerstone of the new framework.

It is significant that the UN Evaluation Group defines normative work as ‘support to the development of norms and standards in conventions, declarations, regulatory frameworks, agreements, guidelines, codes of practice and other standard setting instruments, at global, regional and national level’. The normative agenda should be understood therefore to include the provision of the capacity support where required to implement it. The translation of the global normative framework into adapted national frameworks is an obvious post-2015 challenge.

Global Public Goods have become much more prominent as a concept over the last five years as a result of the same convergence of factors discussed above. The emergence for the first time of a class of development challenges that require a collective response presents a major challenge to the UNDS. Generating a collective response requires in turn reaching agreement on the allocation of responsibility for providing the solution. And this in turn can only be done if there is a common understanding of the issues and the values that will underpin the agreements to be reached.

Finally, a critical function that is intimately linked with the elements identified above is for UNDS to champion evidence based policy. UNDS needs to provide leadership in the collection and use of data. This requires an analysis of the optimal configuration and financing of the multiple databases that UNDS generates. As recommended by the Secretary-General, there is need to establish a comprehensive programme of action on data under the auspices of the UN Statistical Commission.

Do Member states agree that?

- There is a need to give further special focus to the operational requirements of the LDCs.
- Strengthening norms and facilitating the provision of global public goods are critical dimensions of the UNDS contributions to a unified and universal agenda.
- A key post-2015 priority will be to strengthen capacity in countries for dealing with the new development agenda. UNDS has a critical role to play in facilitating the monitoring of the SDG framework which provides the basis for ensuring accountability for its implementation.
- The UNDS should strengthen its capacities to be a champion of evidence-based policy.

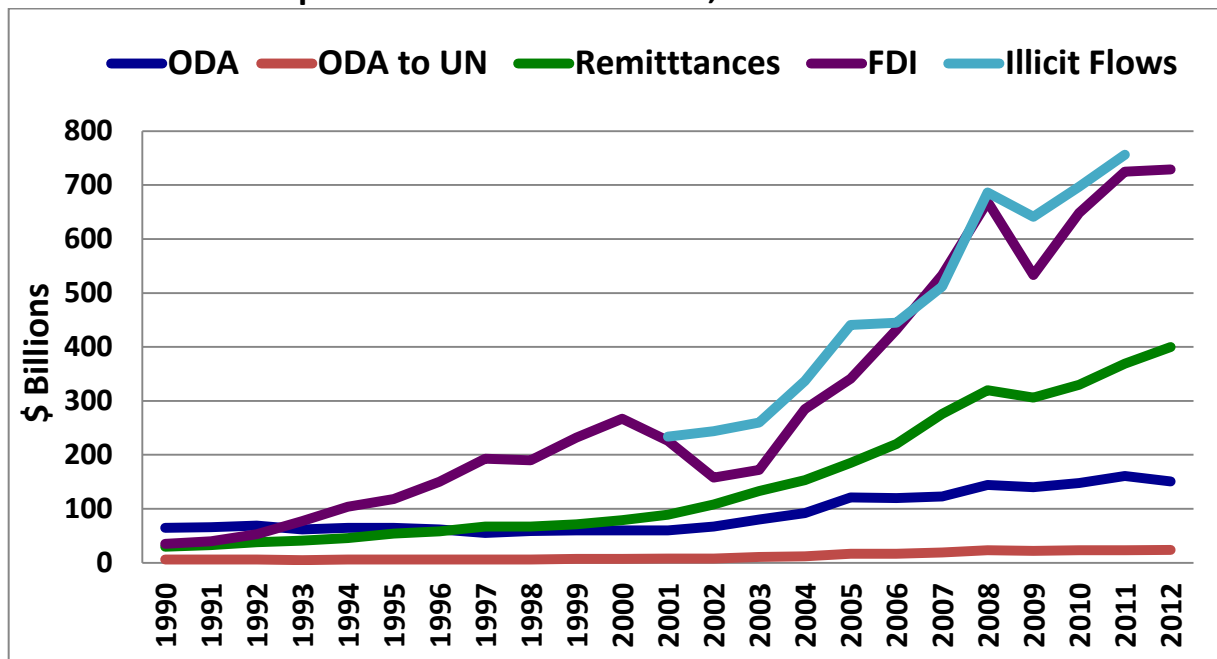
FINANCE

Graph 1 reflects the consequences of changes in the development landscape for the role and positioning of ODA, which finances UN operational activities. It plots trends in ODA flows compared over time with remittances, foreign direct investment and illicit flows.

Another set of comparisons that could be made relates to domestic policy choices. On average tax revenues account for 13% of GDP in Low Income Countries (LIC's), considerably less than the 20% considered essential to achieve the MDGs, 22% of GDP in MIC's and some 35% in high-income countries. Total tax revenue that could be available to developing countries in 2010 has been estimated at \$4.3 trillion. It is estimated that about US\$100 billion is lost in tax revenue each year due to tax avoidance by multinational corporations. Another source of revenue diversion are fossil fuel subsidies, which represented in 2013 an annual global subsidy of some \$550 billion a year.

Yet another set of metrics is to consider the size of the potential impact if it were possible to leverage even at the margin a small percentage of the trillions of dollars in existing pools of investment resources toward SDGs.

Graph 1: ODA vs. Remittances, FDI & Illicit Flows



Source: OECD, UNDESA/OESC/DCPB, World Bank, UNCTAD and Global Financial Integrity (GFI) FDI (World Bank) to and Illicit Flows (GFI), which is available for only 2001-2011, is out of developing countries.

The purpose of drawing these comparisons is not to diminish the importance of ODA but to focus attention on the need to define the positioning and optimal use of ODA resources in the future.

The current dialogue around the financing of UN operational activities is dominated by an impasse between the rhetoric of the importance of regular/core resources and the reality of the stagnation of regular resources and the growth in extra-budgetary resources. An attempt is currently underway to

manage this tension with the introduction of the concept of integrated budgeting that would increase the flexibility in the allocation of non-core resources so as to enhance the core-like characteristics of non-core finance. The value of this approach has been demonstrated in WHO and will be tested in other agencies and funds during the course of 2015.

Ultimately, member states will get the UNDS that they chose to finance. If the primary function of the UNDS is to manage project finance, then it is logical that much of the financing is projectized. Hence the gap between rhetoric and practice.

For some countries, particularly the LDCs and fragile states, ODA, both core and non-core, remain critically important. In many cases, a key challenge is to rationalize the multiplicity of funding flows in these countries. This may require the increased use of the pooled funding mechanism and a reexamination of the definition and proper relationship between development and humanitarian resources and the way they are allocated. Greater prioritization of investment in prevention is also needed.

A changing development landscape and the new development agenda that highlights the UNDS functions relating to its normative agenda and the importance of global public goods suggests the need for a variable geometry in formulating financial instruments that would serve the UNDS in the future. The cost of supporting normative agendas in principle should be assessed and they should be considered the price of membership. On the other hand the costs of participating in the provision of specific global public goods should be determined as part of the agreement that allocates responsibility for each public good. The appropriate form of financing would be negotiated pledges. The impasse between core and non-core will only be resolved by reverting to the function that is being financed and determining the appropriate form of finance for that specific function

If member states agree that the changing landscape and the new development agenda requires the UNDS to embrace the function of leveraging, this should over time become reflected in a collective commitment by the UNDS to leverage resources for UN inter-governmentally agreed goals. This requires a focus on the leverage exercised on the use and direction of those resource flows as opposed to the ability to capture those flows. But this in turn presupposes a security in the funding base that can only come from regular/core resources.

Another path to pursue is to explore further the scope for attracting new sources of financing; for example fees might be a logical consequence of facilitating and supporting the provision of global public goods.

Do member states agree that?

- Different functions require different types of financing and core-resources remain an indispensable component.
- In principle, normative functions of the UNDS should be funded from assessed budgets.
- In the lowest income countries where the volume of ODA is significant, rationalization of the multiple funding channels is required.
- UNDS needs to consider the development of system wide capacities to develop new sources of private finance (e.g. fees) and to leverage existing external flows.

PARTNERSHIPS

Partnerships have always been central to the UN's vision of its role and they are deeply embedded in the history of UN system organizations. The challenge to be addressed is not whether to have or not to have partnerships. Rather, the challenge is the changing role of partnerships in a truly global economy and how best to harness inclusive global, regional and local partnerships to realize the ambitions of the new development agenda. The achievement of the SDG's requires the full engagement of states, the private sector and civil society. Forging and strengthening such partnerships would contribute to broadening the implementation capacity and to bridging the development, security and humanitarian divide.

The logic of partnerships starts with a problem that needs a solution. In today's globalized world, the private sector and civil society among others are often critical both to finding solutions and implementing them. With the declaration made in the Preamble of the Charter that it was written in the name of 'We the Peoples', it was established that the UN would always have a special relationship with civil society. Provisions were made accordingly in the Charter. Over recent decades globalization and the power of modern technology have given civil society even more voice. UNDS needs to review ways of having a more systemic dialogue and partnership with civil society.

In practice, in many sectors and in response to a myriad of specific challenges, the international community has rallied around different forms of issue-based coalitions. Led by the Secretary-General, the UNDS has participated actively in many such coalitions. Sustainable Energy for all, Every Woman Every Child, Scale Up Nutrition, these among others reflect recognition of the 'partnership imperative'. This has direct consequences for how the UNDS organizes itself (see below).

Partnerships are a logical expression of the changes in the development landscape and the post-2015 agenda that require the UNDS to become highly adept at leveraging external resources (both human and financial). Partnerships are catalytic to leverage far greater resources and expertise and open up access to scale and replication that otherwise would not be possible. They can lead to more focus on the specific UNDS role in the partnership, they can lead to innovation in financing and they can serve as an incubator for significant organizational change. Progress on the partnership agenda requires that outstanding issues related to governance, accountability and integrity measures be resolved.

Do member states agree that?

- UNDS should deepen and expand issue-based coalitions at the global, regional and national levels as key partners for the implementation of SDGs.
- Greater clarity is needed for an accountability framework that can underpin and monitor partnerships.
- UNDS should promote partnerships both as instruments of leveraging and as incubators of organizational change. Lessons learnt should be reported back on a regular basis to ECOSOC.
- UNDS needs to review ways to have a more systemic and broader dialogue and partnership with civil society.

ORGANIZATION/CAPACITY

Analysis of the implications of the changing development landscape and the post-2015 development agenda for the existing structures and capacities of UNDS must again start by differentiating between the wide variety of circumstances countries find themselves in. There can be no one size fits all approach.

Over the last decade organizational reforms within UNDS have largely been focused on the Delivering-as One (DaO) initiative at the country level. DaO has made an important contribution to the effectiveness of UNDS delivery at the country level, despite limited organizational changes at the headquarters level. There is still scope for widening and deepening the DaO model and in particular for introducing UN system wide changes, such as the adoption of the “standard operating procedures” for the DaO, and broadening existing accountability lines to incorporate stronger horizontal accountability. In countries where operational delivery remains significant and is conducted in extremely difficult circumstances, exploring more integrated models should be considered. In a number of these countries, the case for more highly integrated approaches by the UN bringing together the political, developmental and human rights dimensions is compelling. The case of the response to Ebola points to the need for further reflection and real reform.

Beyond this, the question remains whether DaO represents a sufficient strategic response to the challenges presented by the transformation of the development landscape and the post-2015 development agenda. At the individual agency level, reform initiatives have been pursued within the context of fit for purpose and the formulation of strategic plans. From a system perspective, the basic structures set up at country level many decades ago in very different circumstances remain in place. Globally, countries benefit from some 1200 separate country offices belonging to the UN system. Over 100 countries benefit from over 10 separate offices. At headquarters level, structural reform has been very limited. The question arises as to whether it is time for a more radical review of organizational arrangements seen from the perspective of the future positioning of UNDS in the context of the post-2015 development framework.

Pursuit of a universal and integrated vision requires moving away from the silos, which characterize the current UNDS structure. The question arises as to whether it is time to consider integration that would generate both organizational and functional synergies. Is it also time to innovate with new models for UNDS presence in MICs where the implementation of the universal agenda will require strategic and coherently provided advisory services?

Fundamental to any organizational reforms should be a commitment to address capacity gaps within the existing UNDS structure. The structure must be able to produce rapid and effective responses. Form follows function, but it must generate capacity.

A specific area ripe for an organizational initiative would be to consolidate and strengthen the unique assets and experience UNDS has in the sphere of statistics and data. This would represent an important dimension to strengthening the capacity of the UNDS to pursue its normative agenda.

A practical approach to reforming structure has been through the establishment of a myriad of issue specific task forces. This has proved to be a useful way to circumvent old structures that are no longer fit for purpose. It will be important for these task forces to become real instruments of change that facilitate a better alignment with changing needs. The effectiveness of these task forces is deeply intertwined with the institutionalization of partnerships discussed above.

Member States may wish to consider the following issues:

- Are member states ready to explore major organization reform both at headquarters and country levels?
- In countries where the coherence of the UN's political, security, developmental, humanitarian and human rights work is paramount, further measures to integrate the UN country presence should be considered.
- Do member states support the widening and deepening of the Delivering-as-One (DaO) model under government leadership, exploring the possibility of expanding horizontal versus vertical accountability?

IMPACT

All of the elements identified by ECOSOC converge on requiring new methodologies for measuring impact.

In the first place, measuring the significance of normative agendas is very different from quantifying the delivery of services. Measuring success in leveraging and influencing the direction of external flows gives rise to specific appropriation challenges. Measuring the value added of partnerships is more demanding than single agency interventions.

Secondly, in a changing development landscape and the new development agenda, for many emerging economies the issue of policy coherence may be the key factor in determining outcomes. Defining and measuring the impact of policy coherence presents a specific set of challenges.

Thirdly, regarding the role of UNDS, a critical issue remains the scope for identifying UN system wide impacts. Is it possible to define system wide impacts that are more than a simple aggregation of individual agency contributions? A discussion of the positioning of the UNDS in a changing development landscape and the new development agenda presupposes that it is possible to identify and measure the impact of system level interventions. In the post-2015 development framework, an important dimension of measuring impact at the country level will relate to the effectiveness of UNDS support to member states in the formulation of national policies focused on the achievement of the SDG's. A more strategically designed UN Development Assistance Frameworks could provide an appropriate vehicle for this.

Do Member states:

- Have specific views on how to measure impact in the context of normative agendas and the value added of partnerships?
- Have experience to share in the measurement of the impact of policy coherence?
- Agree that in the post-2015 framework, a critical dimension of measuring impact will relate to the effectiveness of UNDS support to member states in the formulation of policies focused on the achievement of the SDG's?
- Attach significance to the measurement of UNDS wide impacts?

GOVERNANCE

Discussions about governance in the UNDS take place at three different levels:

- (a) the governance of specific organizations,
- (b) the governance arrangements that pertain to the Funds and Programmes under the authority of the Secretary-General, and
- (c) the governance of the entire UNDS.

Current discussions about the governance of the UNDS with respect to (a) and (b) above focus on two aspects: the composition of the Boards and the relationship of ECOSOC to the Boards of the Funds and Programmes. With respect to (c) above, the future focus and role to be played by a strengthened ECOSOC could have a significant impact on the evolution of the governance arrangements of the UNDS. In 2006, the Coherence Panel made specific proposals for the establishment of a UN system wide Sustainable Development Board but these were never seriously considered by member states.

Looking to the future, it might be useful to consider three questions.

With respect to (a), it might be useful to analyze optimal governance arrangements from the vantage point of changing functions. It would be logical to expect that if specific functions are being highlighted, this would have implications for the way governance of UNDS is exercised. A focus on norms suggests the need to reflect a broad consensus, which would be indispensable to the credibility and legitimacy of the norms at stake. The relative diminution in terms of volume of operational delivery in many countries raises the question of whether governance of operations could not to a very large extent be undertaken at the country level. In practice this is often the case today, and it is the only level at which the entire UNDS can be extensively engaged. This would require adjustments but in no way diminish the role of the Executive Boards. A focus on evidence based policy and the dissemination of data requires rigorous quality controls on documentation and more technical representation. A UNDS role in supporting the provision of Global Public Goods would require a much more robust capacity to monitor and hold different parties to account for whatever burden sharing agreement had been reached.

With respect to (b) above, consideration should be given to rationalization of the current governance arrangements pertaining to the Funds and Programmes under the authority of the Secretary-General.

With respect to (c) above, the present transparent and inclusive dialogue involving member states and all relevant stakeholders presents a good opportunity to revisit the scope for more robust UNDS wide governance mechanisms. The strength of the post-2015 agenda is deeply rooted in the need for more integrated approaches to the different dimensions of future development challenges. It would be logical to draw from this a political commitment for a new level of coherence in the overall governance of the entire UNDS that would be commensurate with the commitment to a more coherent sustainable development paradigm.

Do Member states agree that?

- Governance of operational activities should in principle and to the extent possible be devolved and exercised at the country level.
- Governance relating to normative agendas must in reality observe a consensus.
- Do member states agree that governance related to evidence based policy making requires rigorous documentation and expert representation.
- There is scope for pursuing greater UNDS wide governance coherence that is better able to support the integrated approach embodied in the post 2015 development agenda.
- To consider the adoption of a principle that matters requiring intergovernmental decisions should only be debated and considered in one intergovernmental forum.

CONCLUSION

The Secretary-General, in his synthesis report 'The Road to Dignity by 2030', proposes member states adopt a truly transformative agenda. The core hypothesis underlying this paper is that the UNDS needs to champion this transformative agenda by demonstrating that business-as-usual is not an acceptable option.