

## ECOSOC Dialogue: A Federal Structure for the UN Development System?

### Summary

The 2030 Agenda, with its 17 Sustainable Development Goals, adds new urgency to the reform of the UN Development System (UNDS). If we wish the UNDS to play a decisive role in sustainable development, it must be made fit for purpose. UN member states have recognized the need for action. In December 2014, they launched a state dialogue in the Economic and Social Council (ECOSOC) in order to discuss the longer-term positioning of the UNDS and present concrete reform proposals by mid-2016. To date, no breakthrough has been achieved. Participating states are opting for incremental reforms within existing mandates and structures, which are unlikely to bring the necessary changes.

The general restraint on tackling ambitious reforms stands in contrast to the current comparatively favourable context for repositioning the UNDS. The 2030 Agenda, adopted successfully last September at the greatest ever UN summit so far, requires a revamp of the UNDS so that it can effectively and efficiently assist member states in implementing both their own and collective development interests. The increased awareness of global problems associated with globalisation and climate change has led to calls to give the UNDS better global problem-solving capacities. Additionally, it is by no means only OECD states that are deploring the fragmentation and incoherence of the UNDS.

The second phase of the ECOSOC Dialogue now provides an opportunity to take the necessary steps towards an am-

bitious UNDS reform. Emphasis should be placed on a more comprehensive reform package. The present paper proposes a federal structure for the UNDS, based on two elements: (1) a strengthening of the central, system-wide governance capacity, while (2) largely maintaining the subsidiary independence of the UN agencies.

Significant elements of a federally structured UNDS are as follows:

- Reinforcement of the ECOSOC as a forum for the intergovernmental, system-wide governance of the UNDS, and creation of a corresponding administrative entity of equal weight ("Development Commission");
- Expansion of existing system-wide funding mechanisms based on voluntary contributions, and the introduction of a new component of assessed contributions;
- Retention of the far-reaching subsidiary independence of the funds, programmes and specialised agencies, but on the basis of a review of their mandates;
- Reform of governance structures, including a geographically fair distribution of seats and the representation of various stakeholder groups.

Although these reforms are ambitious, they may well meet with political acceptance from a large majority of states. It is now time to overcome the formation of rival North and South camps, and to focus on common interests via an open, inclusive and constructive dialogue.

### The necessity of reforms

In its current state, the UN Development System itself requires further development in order to be able to make a significant contribution to the achievement of the Sustainable Development Goals by 2030. Three challenges stand out that need to be addressed: (1) With its 31 organisations, the UNDS is regarded as fragmented, inefficient and virtually impossible to control, while the 2030 Agenda makes completely new demands in terms of a coherent, strategically guided, international cooperation for sustainable development. (2) Even if operational activities at country level remain a focus of UN development activities, the new global challenges specified in the 2030 Agenda related to globalisation and climate change require improved global problem-solving structures, including normative work. (3) The global power shifts make the UNDS system appear anachronistic; developing and emerging countries are displaying little ownership and are complaining of structures and practices shaped by donor interests.

Consequently, the UNDS not only requires repositioning in organisational and programmatic terms in order to be fit for purpose, but also in a political sense.

UN member states have recognised these problems. In mid-2014, the General Assembly issued the ECOSOC with a mandate to initiate a state dialogue on the reform of the UNDS. The first phase of the dialogue, which is scheduled to span 18 months, consisted of eight meetings during which both overarching issues and particular aspects of UNDS reform were discussed. After the successful Sustainable Development Summit in September, the dialogue has now entered its second phase, which is due to last until June 2016. The establishment of an Independent High-Level Advisory Group will add further impetus to the ECOSOC Dialogue in its second phase.

### Interim results of the ECOSOC Dialogue

The first phase of the dialogue was constructive, if unspectacular. A large majority of member states deems reform necessary and demands a more efficient, coherent and accountable UNDS. Nevertheless, the reform proposals articulated to date lack ambition. Very few states are currently advocating a comprehensive, thorough UNDS reform; instead, preference is given to incremental reforms within the limits of existing mandates and structures. More zealous reforms, aiming at, for instance, a considerably higher degree of integration and harmonisation, are either not proposed at all or are explicitly rejected.

Furthermore, all areas of the reform dialogue (functions, governance, funding, and organisation) are pervaded by fundamental political differences between the OECD states on the one hand and the developing and emerging countries on the other. The developing and emerging countries are demanding a stronger focus on the social

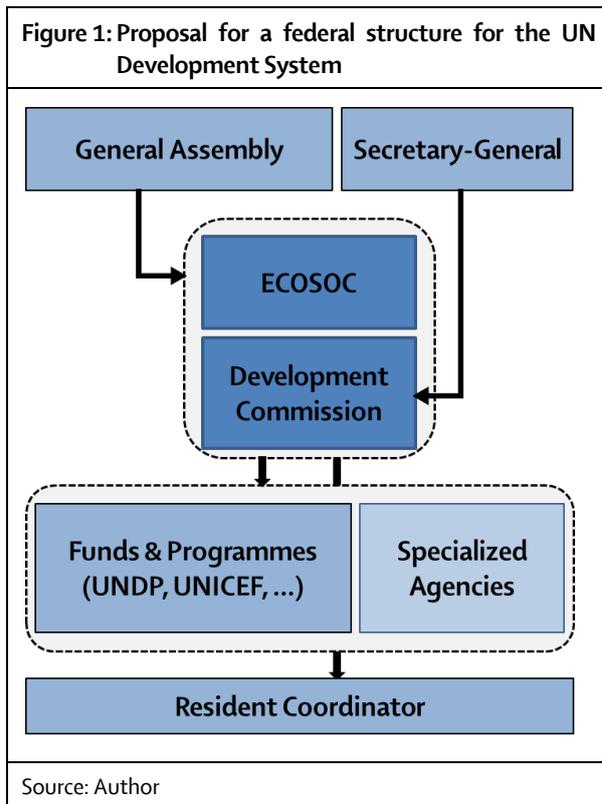
Sustainable Development Goals such as "poverty" and "hunger", an upgrading of their seats on the governing and executive boards, and a higher proportion of core contributions. (Part of their criticism is that earmarked or non-core contributions are undermining the multilateral mandates.) They are sceptical of institutional integration which they suspect might lead to rationalising the UNDS. By contrast, the OECD states tend to emphasise the planetary goals such as "climate" and "oceans", they strive for a greater harmonisation of the UNDS, mostly through better non-political coordination mechanisms (as opposed to stronger inter-governmental oversight), and they pledge to improve their core-funding practices.

Thus, the reform dialogue continues to be characterised by a North-South conflict, which is dampening the reform enthusiasm on both sides. (At the same time, the two spheres are now no longer distinct from one another: many formerly very poor states have now joined the ranks of the middle-income countries, while several emerging countries are becoming significant donors.) Conflicting attitudes have already negatively affected the last reform process between 2005 and 2009. Progress in terms of greater coherence was achieved mainly on the national level, particularly through the introduction of "Delivering as One", an arrangement aimed at the bundling of UN development activities in programme countries. Reform proposals for the harmonisation of business practices at the headquarter level were drawn up, but only partially implemented. Institutional integration was defeated by resistance from the G77 coalition. However, the creation of UN Women from three smaller UN organisations was an exception to the above, proving that ambitious reforms are possible in principle.

Member states' current positioning within the ECOSOC Dialogue is once again tantamount to a compromise corresponding to the lowest common denominator of OECD states and developing and emerging countries: donors only finance the UNDS to the extent that it serves the implementation of their development policies, and developing countries avail themselves of the services offered. Thus, the added value of a multilateral system that provides coordination, information and legitimacy remains unexploited. In the worst-case scenario, OECD states and developing countries make the UNDS mutually unattractive to one another; the one side by using its financial leverage to influence the system in line with its own interests, and the other by counteracting this with its superior voting weight.

### A federally structured UN Development System?

How could a UNDS be structured which is, firstly, well integrated, effective and coherent, secondly, possesses global problem-solving capacities in addition to its operational activities at country-level and is, thirdly, also politically acceptable to a large majority of member states? The organisational form of a system of this nature could be aligned to a federal structure with two directions of impact



(cf. diagram): a stronger system-wide governance capacity and the retention of a broad, possibly also consolidated, subsidiary autonomy of funds, programmes and specialised agencies.

At present, the UNDS is considered to be largely ungovernable, as central supervisory boards have neither the mandates nor the ability to demand accountability. The central system-wide governance tool, the General Assembly's resolution on the Quadrennial Comprehensive Policy Review (QCP), is only deployed every four years and has barely any practical significance. The ECOSOC is subordinate to the General Assembly and can only fulfil its mandate for steering the activities of the UNDS in a limited manner. The Chief Executive Board (CEB), composed of the chairpersons of the funds, programmes and specialised agencies from the entire UN system, constitutes the central internal coordination committee; it accomplishes a non-binding self-coordination of 29 UN organisations, which often results in decisions that reflect the lowest common denominator. The United Nations Development Group (UNDG), a consortium of UN organisations that are engaged in operational activities, is not a legal entity and, with a secretariat of just 33 employees (UN Development Operations Coordination Office – UN DOCO), also understaffed.

A central steering unit should be created in order to strengthen the system-wide coordination of the UNDS. It would consist of two entities of equal weight, one inter-governmental, the other administrative. The ECOSOC, as the intergovernmental entity, should receive the mandate for binding system-wide recommendations. The UNDG

should be separated from the level of the funds and programmes and become the administrative entity of the superordinate steering unit. This new "Development Commission" would also incorporate the High-Level Committee on Programmes (HLCP) and the High-Level Committee on Management (HLCM). Buoyed by additional personnel, and led by an Assistant Secretary-General, the Development Commission would be accountable to the ECOSOC.

Its core responsibilities would be the administrative and policy-related coordination of the UNDS, based on a unified system-wide monitoring capacity. Its remit could include the monitoring of those partnerships that bring together several UN organisations. A better integration of the UNDG and the HLCP would strengthen the link between normative work and operational activities. Finally, the Development Commission could identify and observe regional and global challenges. As such, it would serve as an ideal complement to the High-Level Political Forum (HLPF), which focuses on development progress achieved in individual countries.

This type of central steering unit would accommodate the key concerns of OECD states and developing countries alike. A UNDS improved in terms of increased efficiency and capacity for dealing with global challenges should prove particularly attractive to donors. The bundling and consolidation of system-wide intergovernmental supervision would fulfil one of the core demands of developing countries. They would gain more ownership at the global level, which would benefit UN multilateralism overall.

Notwithstanding this kind of centralization, the far-reaching subsidiary autonomy of the funds, programmes and specialised agencies should be retained. This subsidiarity is the basis for innovation, specialisation and flexibility, key concerns in particular for developing countries. However, the organisations' mandates should be scrutinised and repositioned in order to reduce the type of competition for donor funding which not only undermines the efficiency of the system, but also impedes a consistent commitment to the needs of the developing countries. The merging of supervisory boards might also be considered in order to overcome so-called "silos".

### Further areas for reform

The new organisational structure of a federal system should be flanked by reforms in the fields of funding, governance and capacity.

**Funding:** The relative share of earmarked contributions has grown drastically in recent years, but earmarked funding is also the cause of fragmentation, duplications and the system's supply-driven nature. System-wide funding arrangements can counteract these problematic trends, especially when they provide the central steering unit with means to incentivise coordination. Currently existing, largely voluntary system-wide funding mechanisms should therefore be expanded. At present, multi-partner trust funds that

concern multi-entity operations constitute just 3% of non-core UNDS funding. In addition to that, a mechanism of assessed contributions as it currently exists for the main UN organs and peacekeeping should be established for the UNDS. It would give the UNDS a degree of autonomy that allows for greater flexibility as well as strategic action. Politically, small amounts of assessed contributions could help to introduce developing countries to greater co-financing of the UNDS, which would also strengthen their ownership.

**Governance:** A number of sensible steps can be taken to improve governance at the level of funds and programmes. The synchronisation of board sessions, stronger secretariats and a focus on more strategic guidance provided to the respective entities could decrease transaction costs and improve coordination. The request of many developing countries for a geographically fair distribution of seats is justified, given the political realities of the early 21<sup>st</sup> century. A real added value for the quality of governance would be to give board seats to those countries that have an immediate and pragmatic interest in UN development work – i.e. the poorest states and those particularly affected by crises and climate change. In that regard, an improved participation by non-governmental stakeholders could also be considered, specifically NGOs and the private sector, which both play an increasingly important role in development.

**Capacity:** The UN's human resources are usually neglected when it comes to identifying areas for reform. However, the all too frequently bemoaned thematic "silos" are also rooted in the minds of the employees. A shared UN identity (e.g. via staff rotation within the UNDS) and an effective human resources management, which rewards employee achievements, are required. Additionally, the selection of managerial staff should be aligned more strongly to the criteria of

individual skill and geographically balanced representation, as stipulated in the UN Charter (Article 96). The establishment of the Development Commission could be an opportunity to set an example in this regard.

### Using the dialogue

The challenge posed by the reform dialogue not only lies in the need to strike an appropriate balance between diverging interests. Mutual suspicion and the power politics of rival camps aggravate the search for solutions. Many developing countries fear that a process dominated by OECD states will inevitably lead to an outcome detrimental to their own interests, given OECD states' greater conceptual and financial capacities.

It is all the more important that member states recognise the ECOSOC Dialogue as an opportunity to overcome such problems and to re-position the UNDS system according to their real development interests. The 2030 Agenda should be the guiding principle – both in terms of the functions of the UNDS and also the demands for a coherent, innovative UNDS that has a catalysing effect for international development cooperation.

The Independent High-Level Advisory Group should seize the opportunity and make ambitious recommendations for a comprehensive restructuring of the UNDS, in addition to directly implementable reform proposals for the ECOSOC Dialogue. Ideally, a report would be presented that could also form a sound basis for action for the next Secretary-General. Last, but not least, a group of friends of UNDS reform, as yet to be founded, and meeting apart from formal sessions, should identify common interests that can bridge the North–South divide and thus help prepare the ground for an ambitious reform.

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