

EMERGING ISSUES IN DEVELOPMENT OPERATIONS

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BRUCE JENKS

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INTRODUCTION

The terms of reference for this study state that the QCPR is the mechanism through which the General Assembly assesses the effectiveness, efficiency, coherence and impact of UN operational activities for development. The QCPR establishes system wide policy orientations for the UN's development cooperation activities in response to the evolving international development cooperation environment. Specifically, and most importantly, the TOR suggests that the QCPR process provides an important opportunity to member states to engage in a dialogue of how to adapt UN operational activities to the changing global development cooperation landscape.

The TOR states as the objective of the study to provide a forward looking analysis of the challenges and opportunities facing the UN Development system in the evolving international development cooperation environment. The study is expected to provide recommendations on how the UN development system could be strengthened to respond to global challenges.

Key issues to be addressed include:

- Identifying emerging global challenges and key drivers of change and the implications for the strategic positioning of the UN development system
- Identifying new actors, including emerging economies as well as non-state actors
- Analyzing important shifts in thematic areas and geographic focus, with specific reference to countries in transition and crisis
- Analyzing the implications of these changes for the current funding system
- Examining developments in South-South cooperation
- Analyzing the implication of developments for the UN Development system's work in knowledge generation
- Exploring the implication of developments for the UN's normative and standard setting role
- Assessing possible implications of the changing environment for the governance of UN operational activities.

The paper is structured into three sections. The first section analyses the nature of the changes that have been taking place over the last 15-20 years and their impact on development cooperation. The report is premised on the view that unless the character of the changes that have taken place are fully explored and that there is a strong consensus on the broad conclusions of that analysis, proceeding to the implications for the UN Development system and making

recommendations in this regard would not only be premature but quite likely would end up being counter-productive. The report takes the view that there has been an unfortunate tendency to under-invest in the analysis and dialogue necessary to get a shared understanding of the changes that have taken place.

The second section focuses on the implications of change for repositioning ODA and development cooperation in general and for the UN's development activities in particular. It draws a clear distinction between the concepts of strategic positioning on the one hand and operational effectiveness on the other.

The third section addresses some of the possible implications of realigning the mission and capacities of the UN Development system to be more responsive to the changes in the overall environment. The section focuses on the alignment of functions, funding practices, capacity, partnership approaches, organizational structures and governance arrangements.

The author would like to thank DESA and all those who contributed many constructive comments. This paper has drawn substantively from the joint project being co-led by Bruce Jones and Bruce Jenks on "UN Development at a CrossRoads."

I. FORCES OF CHANGE IMPACTING DEVELOPMENT COOPERATION

(i). Changes in the overall international environment impacting on development cooperation

There are many ways of analyzing and understanding the substance of the changes that have impacted on the role of development cooperation over the last 15 years. One way is through imagery. One of the UN's global conferences that was adjudged by many at the time and since to have been one of the most successful of the conferences was the 2002 Monterrey Conference on UN Financing for Development. The spirit of Monterrey was seen as something of a model of how to bring multiple stakeholders together behind a common vision and an agreed distribution of responsibilities. It was therefore perhaps surprising that given the raft of conferences + 5,10 and 20's, that there was no Monterrey + 10. There will be a Rio + 20 in 2012 but no Monterrey +10.

What if Monterrey + 10 did take place but it took place in such a different format that it was not recognizable. In November 2011, the G20 meeting in Paris invited Bill Gates to present a report entitled: Innovation with Impact – Financing 21st Century Development. There are obviously many reasons why these two events are not comparable. One is an internationally negotiated text. The other is a report from an individual. While they are clearly different in character and they should not be seen as alternatives, nonetheless the comparison points to many of the elements that have transformed the role of development cooperation over the last decade.

The fact that one is the product of an intergovernmental negotiated text and the other is the product of a report by an individual with enormous stature who does not represent a government is significant. One was a product of a meeting of all member states, the other was a report produced at the invitation of the G20. There is much in the content that is similar, for example the emphasis on the role of the private sector, the critical importance of domestic resource mobilization, and the critical role of ODA. There are also some notable differences, for example the focus in the Gates report on innovation, science and the value of triangular relationships. An interesting question is to consider which gained most attention, the internationally negotiated text or the smartly produced and empirically rich Gates report.

This paper considers four dimensions of the changes that have transformed the development cooperation landscape:

- There have been major changes at the level of the composition and weight of state actors

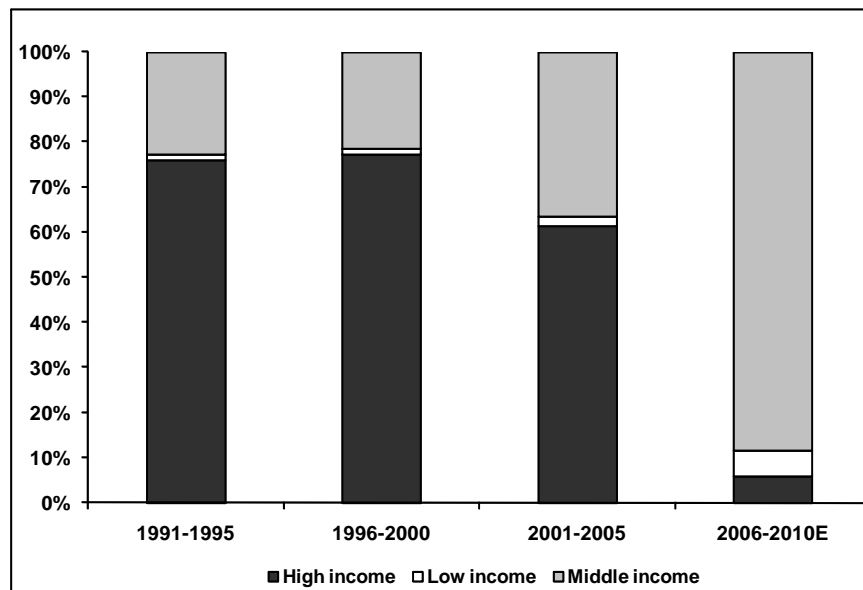
- The international community has seen the emergence of new challenges that are global in character
- There has been a transformation that many consider historic in the relationship of states, markets and individuals
- These changes have been reflected in the growth of new institutional actors.

This paper will argue that the first three have been transformational in character. The story of the fourth element, the growth of new institutional actors, is still very much being written and the UN Development System still has the opportunity to be an influential author.

(ii). State actors

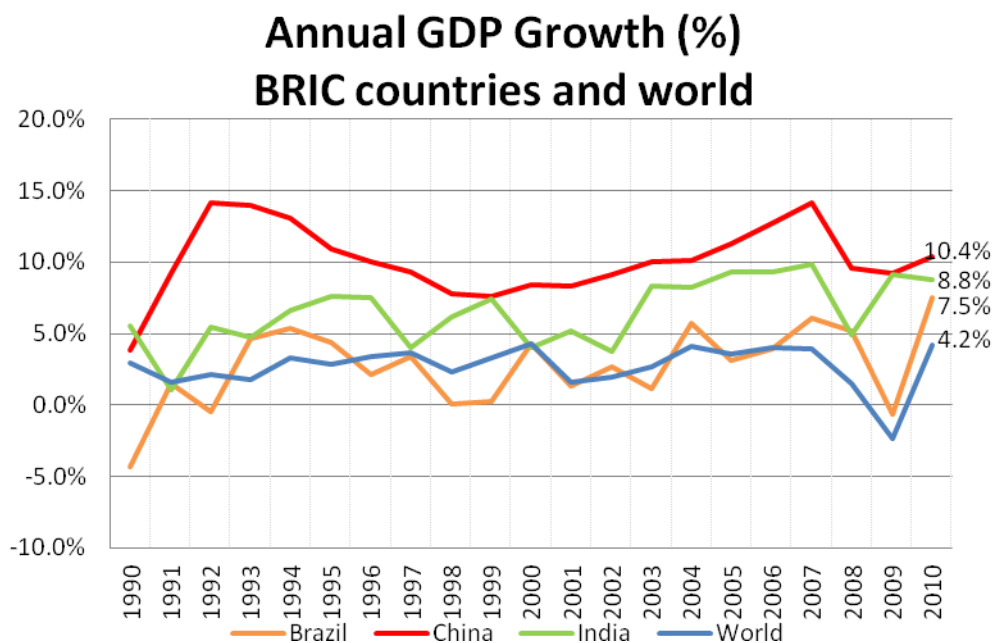
The growth markets have transformed the development cooperation landscape. Table 1 demonstrates the transformation that has occurred in the global economy with respect to the source of growth.

Table 1: Contribution to five-year Cumulative Global GDP Growth by Income Group (in %, constant 2005 US\$)



Source: World Bank WDI data

Graph 1



Graph 1 singles out growth performance of China, India and Brazil while Table 2 shows the performance of the BRICS in terms of trade flows with Africa.

Table 2

**Trade with Africa 2010
Brazil, China, India**

	2010
Africa % participation in global trade	3.2%
Brazil Trade with Africa	\$ 20
China Trade with Africa	\$ 107
India Trade with Africa	\$ 32

^a Billions of constant 2000 US dollars.

The significance of these developments goes beyond the extraordinary crude numbers. The development experience of many of these countries has given them their own lens with which to understand the relationship between among other elements aid, trade, public sector investment and private sector flows. The shift of emphasis that is evolving is clearly reflected in the Busan Partnership for Effective Development Cooperation.

The underlying trends and patterns of growth in the global economy point to the increasing role that South-South cooperation is already playing. South-South exchange and cooperation no longer merit merely a supplementary paragraph or a separate section in a report – rather they are essential to a core analysis of

the global economy of the twenty first century. Analysis of investment and trade flows makes this absolutely clear. This has important implications for the positioning of ODA, which is a concept whose definition remains principally in the hands of the OECD/DAC.

Another dimension relates to the increasing differentiation between states which has accompanied the rapid acceleration of globalization. For many decades development was seen as progress along a fairly straight line. Development cooperation was progressively allocated along that line, giving the poorest the most. Countries were categorized along the line from least developed to middle income to high income. Today the variables are much more complex. The largest absolute number of the poor live in so called middle income countries. In 1990 95% of the poorest in the world lived in the low income countries. In 2007 it is estimated that 75% of the poorest live in middle income countries. Of these some 65% live in five countries, China, India, Pakistan, Indonesia and Nigeria.

It is arguable how much significance should be attributed to the consequences of a small number of large countries being categorized as MIC's rather than LIC's. Nonetheless, from the perspective of development cooperation, the reality of absolute poverty in middle income countries raises critical policy issues. Fundamentally at issue is whether at the heart of development cooperation there is a commitment to the absolute poor wherever they live or whether the international community makes that commitment in the light of the capacity of states to address the challenge. In middle income countries that have the means to draw on their own financial resources, is the commitment of the international community still to be understood as financial in character or is it to be expressed in other forms?

At the other end of the spectrum lies the growth of countries in crisis and transition. This adds another level of complexity to the process of differentiation. We come back to this in more detail below. Finally, there is a group of low income countries which continue to be heavily aid dependent and for which ODA remains of vital importance.

(iii). The emergence of new global challenges

This paper argues for a very specific definition of the concept of emerging Global Challenges. In the 1990's a broad range of development goals, which eventually culminated in the MDGs, was articulated through an exhaustive series of global conferences. This articulation of development goals in its essence took the form of creating a global framework (the MDGs) within which to pursue national objectives. What has emerged distinctively in the last decade or two is the identification of global problems which require collective action based on some agreed allocation of national responsibility. How this is to be done is highly contested. The existence of these global challenges and the need to address them by and large is not.

There is an important difference of substance between these two concepts. The consequence of the distinction can perhaps best be understood in the difference between the concept of aid on the one hand and global public goods on the other. This paper focuses on the emergence of new global challenges. It is important to stress that for a significant group of low income countries, in particular in Sub-Saharan Africa, there continues to be an urgent and critical

need for traditional types of aid flows. The focus of this paper should not detract from the importance of these pressing needs.

Two spheres where the need for collective action is the subject of continuous debate and commentary are the ability of governments to respond to the pressure of financial markets and the international framework required to resist trade protectionism. In both cases it has become increasingly clear that sovereignty can only be exercised through ever closer collaboration between states. The Bretton Woods institutions and the WTO respectively are the major multilateral actors in these spheres so they will not be discussed further here. There are many other spheres in which projected trends will have global implications. Demographic trends with regard to the percentage growth of under 5 populations and urbanization are two cases in point.

For the purposes of this paper, four global challenges requiring collective action of direct relevance to the UN Development system have been identified: sustainable development, countries in crisis, the globalization of health and the exploding presence globally of the illicit sector.

Sustainable development

The challenge of securing a path over the next 15-30 years that will yield sustainable development is one that has engaged fully UN Development for many years. The characteristics of the challenge are multi-faceted, complex and have been the subject of thorough analysis, most recently in the Global Sustainability Panel Report. There is broad consensus on the science of climate change. Food projections indicate there will need to be an increase of some 50% by 2030 to meet forecast demand. Water demand is expected to increase by some 25% by 2025. And the IEA estimates that world primary demand for energy will increase by some 40% by the year 2030. It is now well understood that these factors are not only deeply inter-related but they are increasingly taking on global dimensions. This was clearly demonstrated in the elements that came together in the 2008 food crisis.

In this mix, the issue of energy presents a particularly complex set of challenges that in many ways seems to tie together many of the strands which characterize the dramatic changes of the last decade. The growth markets have had a huge impact on the demand side. The private sector is instrumental in exploiting the supply sources in the South. This is having huge implications for development policy in many low income countries. Energy provides an excellent lens through which to grasp global change.

In this paper the focus is specifically on climate and other environmental challenges. The UN has been highly active in many of the key aspects of formulating a global response to climate change. Through the UNFCCC COP process it is deeply implicated in the global governance of climate. Through such legal instruments as the Kyoto and Montreal Protocols, the Law of the Sea and the Desertification and Biodiversity conventions it has contributed a unique set of legal instruments. It has contributed to policy formulation, funding and programmatic implementation. Perhaps most successfully, through the IPCC process, it has marshaled scientific evidence that has helped shape a set of common analyses and understandings of the challenge faced. Today, a new discussion is gaining momentum around the concept of Planetary Boundaries, articulated by the Stockholm Resource Center (see below)

Table 3
Nine Planetary Boundaries

Climate Change*
Rate of Biodiversity Loss*
Biogeochemical Flows (nitrogen* and phosphorous**)
Stratospheric Ozone Depletion
Ocean Acidification**
Global Freshwater Use**
Change in land Use**
Atmospheric Aerosol loading
Chemical Pollution

* Indicates that scientists estimate human activity appears already to have transgressed the boundaries

** Indicates that scientists estimate that humanity may soon be approaching the boundaries

The recently launched Report of the Secretary General's High Level Panel on Global Sustainability has made a number of proposals that will be debated over the next year – the Sustainability Council, the Sustainable Development Goals and the Sustainable Development Outlook Report. The UNFCCC generated COP process is in full flow following the Durban conference. Major financial proposals around the Green Climate Fund are being negotiated. And the Rio + 20 intergovernmental processes will result in a new set of recommendations at the time of the Rio Conference.

Arguably, the intensity and multiplicity of current interventions relating to the Sustainable Development agenda, the scientific case for time bound commitments and the looming threat of grave crises have combined over the last decade to reach something of a tipping point for development cooperation. Whether UN Development responds by strategically repositioning itself to be a major actor in this sphere or whether it responds opportunistically and in fragmented fashion is of critical importance. Repositioning will require much greater clarity and specificity regarding the role of the UN's operational activities.

What role should the UN play at the country level to promote sustainable development and to support capacity building for developing investment strategies in the green economy of the future? A much tighter fit will be needed between the normative and operational arms of the UN's work. The institutional fragmentation which is deplored in the GSP Report will have to be addressed. The contradiction between arguing on the one hand that sustainable development impacts on everything and therefore all agencies need to be involved in the work and recognizing on the other hand the need for the UN Development system to make strategic choices needs to be addressed. The manner in which member states answer these questions among others will have a major impact on the future direction UN operational activities take.

Countries in crisis and transition

In a globalized world, countries in crisis often command international attention and usually demand a collective response. It is the context of globalization which has propelled countries in crisis into representing a new type of global challenge. It is globalization which brings to bear the reality of the weakest link. The importance of the UN's work in this area is not contested and it is reflected in the very high level of resources the UN currently commits to fragile states. Countries in Crisis also lead to very concentrated allocations of resources to a very limited number of countries for very unpredictable periods of time. In 2009, for example, it is estimated that four countries accounted for about 25% of non-core funding to the UN Development system.

At the same time, the growth of the phenomenon of countries in crisis and transition over the last decade poses many new challenges for UN Development. The issues range from the architecture and funding required to respond effectively, to issues related to development components in peace keeping operational budgets to issues related to the overall coherence and effectiveness of the UN's response.

A key challenge for UN Development is the challenge operational work in fragile states poses for the traditional silos governing development cooperation. Increasingly the UN is required to operate in integrated peacekeeping missions in countries in which peace is being enforced on the grounds that the human rights of civilians have to be protected. In countries in crisis, the traditional boundaries between development, humanitarian, human rights, military and political work become interwoven and intermingled in highly complex ways. The need to break down silos has important implications for every aspect of operational work: the definition of functions, funding, staffing, and ultimately the overarching governance arrangements.

The creation of the Peace-building Commission, the Peace-building Support Office and the Peace-building Fund represents a major institutional effort to address the need for coherence in this increasingly complex environment. The extent to which the creation of this new architecture has contributed to repositioning the UN to respond more effectively to the challenges the international community faces is a matter for discussion.

Over the last year, the historic phenomenon of the emergence of a number of countries undergoing democratic transformation, in particular in the Arab region, poses a major challenge for the UN Development System. The challenges posed reinforce the point that many of the traditional silos need to be discarded and more integrated approaches be adopted.

Health

The dynamic of globalization led to a deep questioning of prevailing approaches to international health issues and to radical rethinking about the need for global health strategies. The concept of health as a global public good that transcended the control of individual states took root. The speed with which communicable diseases could spread in a globalized world had major implications. It had become impossible to control the spread of diseases at the border. At the very time that infectious diseases were spreading, the staff of the quarantine division of the Centre for Disease Control (CDC) was rapidly cut back

reflecting that this could not be the core of the response system. In the late 90's articles in the American Journal of Public Health, Lancet and others addressed extensively the implications of the globalization of health.

The SARS case demonstrated the value of WHO's leadership through the Global Outbreak Alert and Response System (GOARN) in collecting and disseminating data and taking decisive action on that information. GOARN demonstrated the need for the global sharing of knowledge and information. The sharing of information constitutes in this case the essence of collective responsibility and action.

As health issues become increasingly intertwined with complex trade and security challenges, health has ceased to be a silo issue. Concern has mounted with respect to the emergence of new health threats and diseases. There has been a blurring of public and private health issues: for example non-communicable diseases traditionally thought to lie in the private domain have become increasingly a matter of concern for global public health.

Finally, globalization also brought with it another game changer: a multiplication and diversification of players in the field that requires a transformation in approaches to global health. The creation of the H8 (see below) was a response to the need for greater coherence both within the UN system and with all the major public health actors.

Health 8

Health 8 (H8) is an informal group of eight health related organizations, WHO, UNICEF, UNFPA, UNAIDS, GFTAM, GAVI, Bill and Melinda Gates Foundation and the World Bank created in mid-2007 to stimulate a global sense of urgency for reaching the health related MDGs. It focuses on better ways of working, particularly within institutions, which can lead to the MDGs being achieved more quickly. And it has a remit to ensure systematic and robust knowledge management and learning around the MDG's, and to seize opportunities presented by renewed interest in health systems.

Norwegian Foreign Affairs Ministry

Health provides a good example of how the development of truly new global challenges raises fundamental questions about UN Development's role in this sphere. Current intensive discussions about WHO's core functions, funding, capacities and partnerships are testimony to this.

The illicit sector

The illicit sector is included in this paper because it represents a major global challenge and it is truly the dark side of globalization. Illicit flows from developing countries were estimated in 2000 to amount to under \$400 billion and that has now tripled to some \$1.2 trillion in 2008. Illicit trade is now thought to represent between 7-10% of the global economy.

As stated in the WEF's Major Risks analysis, 'the opaqueness of the nexus of corruption, illicit trade, organized crime and fragility has resulted in too little attention and too few resources devoted to mitigating it, and the significance of this nexus of risks has increased considerably in recent years.' The pervasive impact of illicit activity globally raises an important question for development cooperation activities. The Secretary General's 5 Year Action Plan includes addressing the heightened threat of organized crime, piracy and drug trafficking by mobilizing collective action. The Action Plan notes that 'this will require integrating rule of law, public health and human rights responses.' What is the role the UN Development system should be playing to raise the understanding among global leaders of the importance of this issue as a collective challenge? In Larger Freedom makes the point that important progress has been made in building a framework of international standards and norms for the fight against organized crime and corruption with the entry into force of several major conventions and protocols. The key challenge is for states that are party to these treaties to implement them and to have the capacity to do so.

The paper has identified four areas in which we have seen the emergence of global challenges requiring a collective response which have direct relevance to the work of the UN Development system. This list is certainly not intended to be exclusive. Nonetheless, it is noteworthy that these challenges resonate with the assessment of risks undertaken regularly by the WEF at Davos. Economic risks traditionally rank high among those identified at Davos. But it is significant that in recent years, both societal and environmental risks have been perceived also as having a high likelihood as well as impact. Among these, economic disparity, climate change, water security, storms and cyclones, biodiversity loss, fragile states and organized crime and chronic diseases all appear in or close to the highest risk quadrant. Indeed global governance failures are perceived as a major source of risk.

(iv). Changing relationship of States to markets and individuals

At the core of this third dimension is a redistribution of power between the State on the one hand and markets, individuals and civil society on the other. Across many of the global issues which the UN confronts, the challenge can no longer be understood and tackled as exclusively or in many cases even primarily a matter to be resolved through intergovernmental action. Neither the state nor national boundaries provide a sufficient framework for the character of the action that emerging global challenges require.

The social forces that have been unleashed by globalization – the private sector, civil society, technological innovation, the empowerment of individuals, the dynamic of scientific research, the impact of communications – these are all characterized by the fact that by and large they operate alongside governments and with limited regard to boundaries. They therefore represent a core challenge to the historical framework in which the UN has understood its mission.

Private sector

The critical importance of the private sector as the engine of growth has been widely affirmed during the course of the last decade. As asserted by the World Bank in its 2005 World Development Report:

'Private firms are at the heart of the development process. Driven by the quest for profits, firms of all types – from farmers and micro-entrepreneurs to local manufacturing companies and multinational enterprises – invest in new ideas and new facilities that strengthen the foundation of economic growth and prosperity.

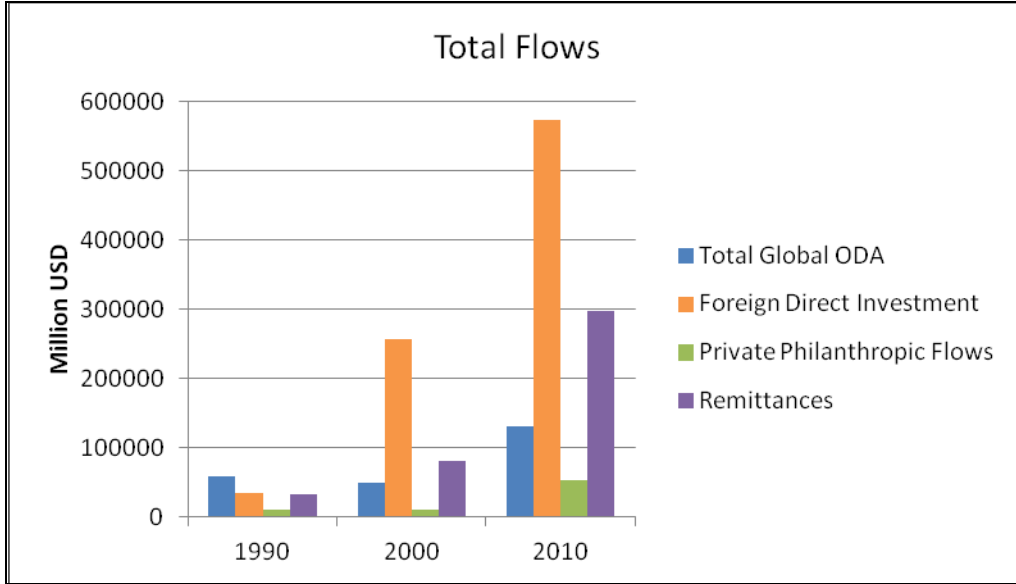
It is against this background that the PSD agenda has assumed such prominence in major intergovernmental fora over the last few years, starting with the Monterrey Conference referred to above. In 2004, the UN Commission on the Private Sector and Development co-chaired by Paul Martin and Ernesto Zedillo was launched as a result of a strong interest expressed by a number of countries, in particular in Africa, for the UN to become more active in engaging with the private sector. The OECD / DAC issued in 2006 its report 'Promoting Pro-Poor Growth: Policy Guidance for Donors ' which affirmed that the private sector is the main engine of growth and states that 'donors should regard PSD as a major, if not central part of the country assistance they provide.' At the United Nations MDG Summit in September 2010, some 10 donor agencies issued the 'Bilateral Donors' Statement in Support of Private Sector Partnerships for Development'. The declaration is noteworthy in stating 'that rather than viewing the private sector merely as resource providers, we choose to recognize the private sector as equal partners around key development issues and will enter into partnerships with local and international companies of various sizes.' Even more recently, the Action Plan on Development adopted by the G20 Seoul Summit provides another very strong indication of the commitment of the international community to the centrality of the private sector to successfully pursuing a growth and job creation agenda. All major donor agencies have integrated private sector development as a key element in their approach to development cooperation.

While it continues to be the case that economic growth and private sector development do not necessarily and automatically translate into direct benefits for the poor, there has been an increasing awareness of the centrality of a vibrant and active private sector to the everyday lives of the poor. This point was made powerfully by the Unleashing Entrepreneurship report which argued that a number of realities put the private sector at the heart of pro poor growth. It made the point that the great bulk of the poor live in the private sector. In countries with GDP per capita under \$500, microenterprises and SME's represent over 75% of all employment. 63% of health care expenditures in poor countries are in the private sector compared to half that number in OECD countries. Moreover the poor often pay more for worse products. Extreme inequality, market failures, distorted prices, disrupted supply chains – these all provide opportunities for business to be profitable while greatly supporting and helping the poor.

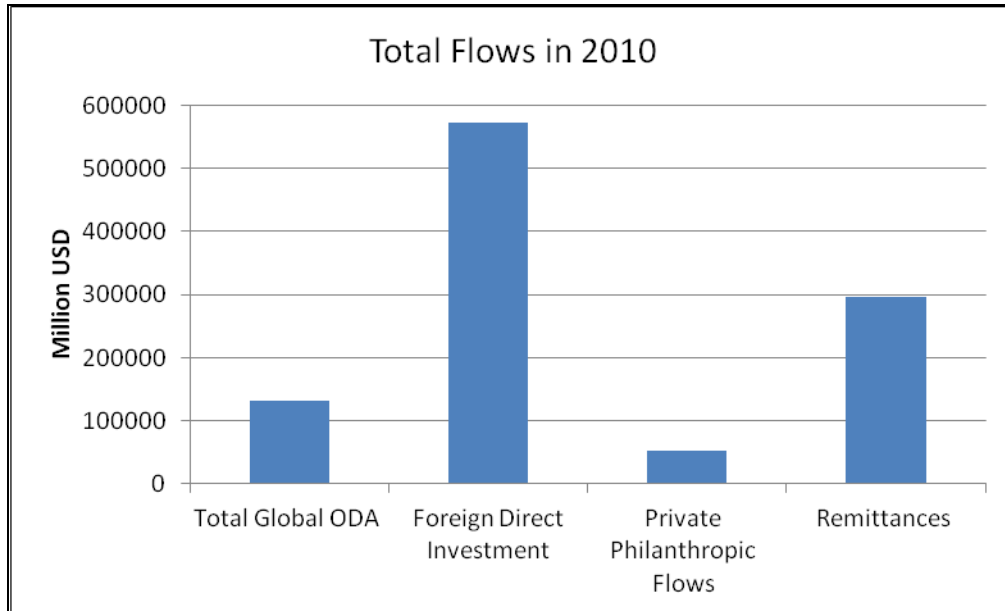
The development landscape has been heavily influenced over the last two decades by a rapid increase in international private flows. FDI inflows to developing and transition economies amounted to some \$550 billion in 2009. For the first time developing and transition economies are now absorbing half of global flows and FDI together with other sources of private finance now dwarf official development assistance. According to the Centre for Global Prosperity at the Hudson Institute, in 2007 public sector aid only constituted some 17% of donor nation's economic engagement to the developing world.

Graph 2

**Total Flows from North to South
Total flows from 1990 to 2010**



Note: Data for private philanthropic flows are for 1991 and 2009.
Sources: OECD database, UNCTAD 2011 and Index of Global Philanthropy 2011



Note: Data for private philanthropic flows are for 2009.

Another characteristic of the emerging landscape is that it is highly fragmented; there is a multiplicity of instruments and types of funds. There is also the

phenomenon of a rapidly changing complexion in the source of funds, with a dramatic increase in flows from China, India, Brazil etc. There has also been a dramatic increase in the role of financial institutions and the ability of some to participate in capital markets. At the same time it needs to be recognized that while all middle income countries are losing access to concessional lending windows, they do not in all cases yet have access to capital markets.

The public and the private are inextricably linked in finding solutions to the great majority of today's global issues. Dialogue with the pharmaceutical industry is critical to the future of global health. Estimates are that some 80% of future financing linked to investing in a low carbon future will come from the private sector. Between 2000 and 2010 it is estimated that \$200 billion accrued to African governments in oil revenue alone. The consequence for development cooperation is that it increasingly has itself to shift from trying to fix problems on its own to leveraging solutions through partnerships.

It is not possible today to have a knowledgeable discussion about issues related to climate, energy, IT, food, health and many others without recognizing the critical role played by the private sector in finding solutions. In many cases only the private sector has the technology and only they can ensure the scale and replicability. In the area of environment and climate, this was already recognized at the 2002 Johannesburg UN Environment Summit when for the first time the generation of public-private partnerships was incorporated as one of the major outcomes of the conference. The point is strongly made in a study recently completed by Gordon Conway, formerly President of the Rockefeller Foundation, which analyses how today's emerging science innovation systems require building private-public partnerships.

Civil society

The rebalancing of the relationship between state and society is reflected strongly in the growth of the dynamism of civil society. The 1990's have seen dramatic increases both in the number of civil society actors as well as in the financial resources at their disposal. Civil society has always played an important role in contributing to the UN's work starting in the development of the human rights agenda in San Francisco. Civil Society has been instrumental in moving forward the agendas on gender, sustainable development and climate change. In the 90's the inclusion of civil society in global agenda setting took on a character and significance that can only be characterized as transformative. This was captured by Boutros Boutros Ghali in a speech in 1994:

'I want you to consider this your home. Until recently these words might have caused astonishment. Within the space of a few short years, this attitude has changed. NGOs are now considered full participants in international life.'

More people are employed in the NGO development sector than by the bilaterals and multilaterals combined. Estimates for 2007 are that in the United States private development assistance was at some \$37 billion compared to \$22 billion in official development assistance. Some 70% of the contributions to international NGO's in the US are privately funded compared to the recent past where a sizable percentage of NGO's income came from public funds. This means that agendas for the use of these resources are being defined by the views of private citizens as opposed to those of elected officials. Private development assistance is much more likely to be channeled to local and

community actors than at the state or national level. The expansion of private development assistance brings with it the expectation of a much more participatory partnership which goes well beyond the boundaries of a traditional contracting relationship.

Whether its role is giving voice, advocating specific policy reforms, implementation, monitoring or promoting accountability and transparency, civil society is integral to any vision of a UN fit for purpose in the Twenty First century. Civil society has always had voice. Technology now gives that voice instantaneous, global amplification.

Technology, communications and social media

Globalization has seen a transformation in the role of core social actors such as the private sector and civil society and in their relationship with the state. This has been further amplified by the impact of technological innovation. This has been most striking in the area of traditional communications as well as in the growth of new forms of social media. The growth of modern day communications is often cited as one of the central features of globalization. For the purposes of this paper, we focus on the transformative impact of social media.

For Clay Shirky in his widely read book, "Here Comes Everybody", the development and extraordinary expansion of new social tools is leading to an epochal change. For Gary Hamel, we are witnessing the growth of a new way of organizing human capabilities. Historically there have been two ways of doing this: through bureaucracies or through markets. The last ten years have added a third way: through networks.

This paper takes the view that the development of networks has deep consequences for both the vision and the practice of international cooperation in the Twenty First century. A quick look at the mission statements of Google, Facebook or Wikipedia illustrates this. Google's aim is to organize the world's information and make it universally accessible and useful. Mark Zuckerberg has indicated that for him a core belief is that helping people self-organize is the most important thing. He sees Facebook as a contribution to moving towards a form of 'universal connectivity that is truly new in human society.' Wikipedia is based on the premise that knowledge can best be created by people self-organizing. Creating knowledge, promoting universal connectivity, making knowledge accessible – these are all ambitious, transformative global missions.

They share a number of distinctive features. They operate at an extraordinary scale. Facebook has over 800 million users. In over 30 countries, 30% of citizens use facebook. They achieve scale through the power of leverage. Self-organization empowered by technology has proven to have tremendous leveraging capability. When Facebook decided to provide versions in foreign languages, they turned to their user communities to do this. It took 1500 contributors four weeks to provide the Spanish version. By the time they got to the French version, it took 4000 people two days. And they all operate at tremendous speed. Facebook's concept of the News Feed, by posting information of interest immediately, enabled very large groups to form almost instantaneously.

Scale, leverage and speed – these are the core characteristics of the power of this new technology. Together they are having a transformative effect on the

distribution of power between states, societies and individuals. These technologies have four other characteristics of direct relevance to the challenge of creating international public value. First, the creation of knowledge, universal connectivity and access to information represent quintessential public goods. Second, these goods are being produced privately. Third they are available to the public free, financed on a model that is neither a charge to the taxpayer nor to the consumer. Fourth they are public goods that are created, disseminated and consumed globally.

The transformational impact that these technologies are having on the practice of development cooperation are already evident. The report Disaster 2.0 chronicles the extraordinary impact virtual communities had on the humanitarian response in Haiti. The World Bank's Open Aid Partnership mobilizes citizen cartographers, bringing engineers from around the globe together. Google has launched initiatives in the health field that use data searches to uncover patterns that can be used to take effective preventive action. Global Pulse is an innovation initiative being led in the Secretary-General's Office to support decision makers in using real time data to detect when populations are changing their collective behaviour in response to slow-onset crises. Global Pulse demonstrates the extraordinary potential of social media in transforming the content of international cooperation. Technology is changing the face of development cooperation. It is interesting to note that three out of eight of the microeconomic indicators used by Goldman Sachs in their influential Growth Environment Scores relate to internet / communications technology.

(v). New institutional actors

The last decade has seen the emergence of a broad range of new institutional actors. These include new actors at the intergovernmental level, for example the G20 and the BRICS. These groupings have developed major agendas and policy formulation functions across a broad range of development issues.

G20: 2011 Development Working Group Topics

1. Setting Foundations for Strong and Balanced Growth;
 - Supporting investment in Infrastructure;
 - Enhancing regional and global trade (facilitating Lower Income Countries access to global trade);
 - Private Investment, job creation and human resource development;
 - Investment in Agricultural Development (boosting global agricultural productivity);
 - Mobilizing Domestic Resources (Taxation);
2. Building Resilience and Shared Growth;
 - Food Security, Price Volatility and Risk management;
 - Nutrition and Humanitarian access to Food Supply;
 - Provide cushion for shocks through Social Protection systems;
 - Fostering migrant remittances;
 - Support Financial Inclusion;
3. New ways of development cooperation:
 - Promote knowledge sharing through platforms and networks;
 - Further triangular cooperation;
 - Enhance aid effectiveness principals (transparency, monitoring and evaluation);
 - Facilitate global development partnerships with more engagement with civil society and private sector;
4. Other Topics: Urban infrastructure, Green growth, Finance for development.

Source: 2011 Report of the Development Working Group Report

There has been a rapid growth of regional bodies and regional alliances. These bodies, such as the EU, APEC and the AU have all become significant actors in a wide range of countries. The UN is now frequently required to consult or partner with these; for example the AU has become a regular partner of the UN in peacekeeping operations. The positioning of the UN Development system with regard to these regional bodies and related regional agendas has become an increasingly important issue.

There has also been a proliferation of increasingly influential foundations, such as the Bill and Melinda Gates foundation, the Clinton Global Initiative, and the World Economic Forum. In the last several decades the number of foundations has tripled. A number of these not only carry significant financial weight but they have also developed major convening power, filling a gap that the UN appears to have been able to fill very unevenly.

Finally has been the emergence of a large number of dynamic networks that have altered the landscape for knowledge sharing and dissemination. Networks have transformed the practice of partnership and it is inevitable that they will change the meaning of presence.

II. THE UN DEVELOPMENT SYSTEM: *REDISCOVERING THE LEGACY OF ADAPTING TO CHANGE*

The changes described above constitute a major transformation in the environment in which ODA and the UN Development system is working. On the occasion of the recent announcement of the retirement of Robert Zoellick as President of the World Bank, the Financial Times quoted development experts as saying that in a world in which the bank plays less of a pivotal role in providing aid and assistance to developing countries, the institution is still looking for a definitive fresh direction. In 2009, OECD/DAC completed a two year reflection exercise to consider its role in the future, an exercise being undertaken for the first time in some 15 years. Similarly, the implications for the UN's development work are broad and deep.

The emergence of new state actors has direct implications for the practice of ODA. The emergence of new global challenges raises questions about the core functions of ODA with respect to those challenges. The enormous expansion of markets, civil society and individuals, all fueled by the power of modern technology, has changed the role of ODA. The emergence of new institutional actors has changed the playing field. All of these elements point to the need for a strategic repositioning of the role of ODA in development cooperation. This in turn requires UN Development activities to align themselves with the broader development cooperation environment.

To some extent, this has already been recognized and is for example reflected in the language of the Busan Partnership for Effective Development Cooperation. Para 28 states that ' we will rethink what aid should be spent on, in ways that are consistent with agreed international rights, norms and standards, so that aid catalyzes development.'

Michael Porter draws a distinction in strategic thinking between strategic positioning and operational effectiveness. Both can be very important but it is critical in the theory of change management to distinguish between moments that require strategic repositioning and moments that call for increased operational effectiveness. The transformational character of the changes that have occurred over the last decade require a rigorous exercise in strategic repositioning. Strategic positioning refers to the ability of the UN development system to recognize the major changes taking place in the external environment and to position itself in regard to those changes. Arguably the great bulk of current reform initiatives, including those emanating from the High Level Coherence Panel in 2006, are focused on operational effectiveness issues.

The twin proposition that the overall environment impacting development cooperation has undergone radical change in the last decade and that consequently the time is ripe for a significant repositioning of the UN's work in

development is not really contested. There is a strong consensus among most observers that real reform is needed. There is an equally strong consensus that the political blocks preventing reform are so unmovable that it is better to tinker around the edges than to engage in a new robust and analytically grounded reform initiative.

The idea deeply embedded in daily discourse that the UN development system cannot be reformed is totally contrary to historical experience. The UN development system has evolved through at least three very distinct phases where the missions, values, capacity and the entire political economy of the system have been radically different.

The UN development system was set up in the immediate post war years as a group of independent functional organizations. Each functional organization was deeply rooted in its own constituencies, each with their own governance arrangements and only very loosely coordinated. When the Expanded Programme for Technical Assistance, the predecessor of the United Nations Development Programme, was launched in 1949, it was envisaged as a programme that would provide support through the established communities of practice. Hence the financing available to the EPTA was distributed on the basis of percentage shares to the different specialized agencies so that they could manage programmes in countries.

With the onset of the Cold War and decolonization, this vision of development cooperation was turned on its head. The period from the late 1940's onwards saw the principle of state sovereignty strongly affirmed as dozens of new states entered the international system as a function of decolonization. Throughout the UN system, the concept of service to member states became central, as a response to the challenge of helping newly established states find their feet. The logic of this was a shift to country level programming and to country level financial allocations. In this historical phase the concept of service trumped the case for focus. UN Development became a myriad of numerous, often small scale, interventions responsive to a multitude of government priorities expressed across a wide range of ministries. This was not a performance based system. But the system was highly effective in delivering what it was measured against – that is volume of resources transferred. In the decades spanning the period 1950-1990, aid volume approximately doubled every decade. As an integral component of foreign policy, the allocation of these resources in national budgets had a strong constituency in donor governments.

The end of the cold war and the acceleration of globalization changed the underlying rationale for the allocation of aid. In the early 1990's the international development community anticipated enormous growth in aid budgets as a result of the "peace dividend" that would accompany the end of the Cold War. In reality, the end of the primary foreign policy rationale for foreign aid led to its rapid decline. The shift to defining clear goals and setting measurable targets was the inevitable consequence of the need to provide a new rationale for development cooperation. In the absence of a clear foreign policy goal, performance and measuring impact became critical to remaking the case for aid. The goal or target driven development cooperation has been successful in raising resources, leading to a doubling of ODA in the last decade.

However, fundraising success was characterized by a dramatic reversal in the type of resources mobilized. From a situation where 80-90% of the resources

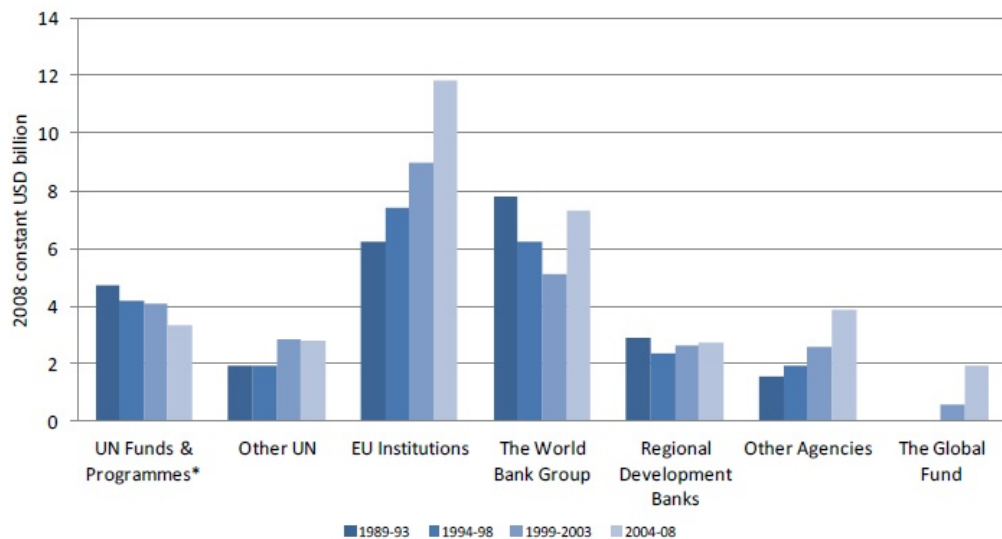
mobilized were core resources, not earmarked to specific projects, within less than ten years that percentage dropped to between 10-25%. The consequence of the emerging dominance of vertical funding has been that development agencies have run after the themes and issues that could command resources – and the popularity of any specific issue has tended to ebb and flow over time. The dynamic of vertical funding leads inevitably to deeper fragmentation. In turn, fragmentation provides a serious disincentive to pursue focus and strategic positioning. Success in markets for development services and products requires nimbleness and flexibility to respond to the market. However individual UN agencies can be successful market players while the UN development system becomes marginalized. Market success and operational effectiveness is a necessary but not sufficient condition for UN development to be strategically positioned.

The logical response to the rapid acceleration of fragmentation that characterized the 90’s was to focus on issues of operational effectiveness. Hence the dominant framework for development cooperation in the 90’s was captured in the OECD’s development effectiveness agenda as reflected in the Paris Declaration. For the UN’s development activities, this found expression in Delivering as One.

While the development effectiveness agenda has made a major contribution, it has tended to detract attention from the underlying, deeper changes taking place. At least one way to look at the dramatic shift in the position of ODA within the overall flows that characterize the relationship between North and South is reflected by looking at the evolution of ODA compared to total flows. Graph 2 above gives an overview of ODA flows as a % of total flows. For broad reference purposes, Graph 3 below gives a presentation of the composition over time of multilateral flows.

Graph 3

Aid provided by DAC countries to select multilaterals (five-year average)



Source: OECD DAC

An analysis of trends points to the importance of unpacking the UN Development system's operational activities. There are at least four broad categories of countries currently engaged in development partnerships with the UN development system:

- Fragile states
- Low income countries still heavily dependent on financial support
- Middle income countries with transition challenges
- Middle income countries engaging with the challenges of globalization

Unpacking the UN's development activities uncovers the limitations of the operational effectiveness agenda. This is captured in Severino's critique of the relevance for the future of the Paris Declaration mindset. In his analysis, for a large group of middle income countries the Paris Declaration is of very limited relevance. For a number of countries in crisis and non-performing low income countries, it is also largely irrelevant because it does not provide a credible framework for engaging in cooperation. It provides a useful framework for a small group of highly aid-dependent, performing, low income countries. Severino's critique provides an interesting insight into the relevance of an agenda focused on operational effectiveness issues in a context dominated by challenges related to strategic positioning.

III. REPOSITIONING UN DEVELOPMENT ACTIVITIES: *THE ELEMENTS OF AN AGENDA FOR ACTION*

This paper explores six different dimensions to the alignment exercises that repositioning will require. These relate to:

- Alignment of functions
- Alignment of funding practices
- Alignment of the capacity of the UN Development system
- Partnership approaches
- Organizational arrangements
- Governance arrangements

A number of preliminary recommendations for consideration are proposed in each area.

(i). Alignment of functions

As stressed above, it is important in any analysis of functions to unpack the UN's development activities. There is an important group of countries in crisis and low income countries for which traditional forms of development cooperation will continue to be extremely important. The specific needs have to be defined rigorously in each situation. They may require technical cooperation, programmatic or financial support, some of the above or a package that combines all of them.

It is also important to recognize that specific UN programmes have had enormous success in providing issue leadership around specific goals, advocacy campaigns and strong branding. In a world with instantaneous communications and the connecting power of social media, this dimension of the UN's work in development remains critical. It is critical both because of the leverage and impact it can exercise and also in terms of its branding value to the UN as a whole. The promotion of Human Rights, Women's Rights and the Rights of the Child are all deeply woven into the fabric of every aspect of the UN's work and this must continue to be strengthened.

While recognizing the complexity of the situation characterizing current resource flows, an analysis of emerging trends suggests that a number of functions will rise in prominence and relevance in response to changing needs.

The emergence of major new stakeholders in the success of globalization creates an opportunity for increasing importance to be given to the norm generation and standard setting functions of the UN's activities. Combined with the emergence of global challenges requiring collective responses, this logically could have the consequence of giving increased prominence to a global public goods agenda. Stiglitz has made the point that global public goods are produced either due to enlightened unilateral leadership or they require an environment that nurtures the space and capacity to generate shared values. The geopolitical situation today suggests that the international community faces this latter situation.

There is extensive discussion today throughout the UN Development system as to the increasing importance of norm generation as a core function of UN organisations. Martin Wolf in an article in the Financial Times (25 January 2012) entitled "the World's Hunger for Public Goods" argues that "the history of civilisation is a history of public goods." "The institutions that have historically provided public goods are states". He goes on to argue that increasingly these goods are becoming global in nature and cannot be supplied by states on their own. He ends by arguing that it will require extraordinary creativity to manage these challenges. It is interesting to note that the OECD/DAC in its reflection exercise referred to above came to the conclusion that one of its areas of focus for its future programme of work should be the global public goods agenda.

The variety of legal instruments which have been developed and are utilised within the UN system to implement collective action constitute one of its most important assets and one of its most significant contributions to the production of global public goods. The UN system has generated an enormous number of treaties and conventions which are binding on those countries that sign up. WHO's health regulations approved by the WHO's General Conference are binding on members of the conference unless a member specifically objects to the regulations within a certain time frame. Increasingly stringent provisions approved by a two thirds majority and representing at least 50 per cent of total consumption of controlled substances under the Montreal Protocol are binding on all members who agreed to the original protocol. These instruments constitute a variable geometry of decision-making processes. This is a toolbox which needs to be preserved and strengthened.

A critical ingredient in the generation of norms is the process of marshalling evidence. During the last decade the accumulation of scientific data by the Intergovernmental Panel on Climate Change (IPCC) has become a critical driver for the idea that the international community has a responsibility to exercise leadership in defining and implementing a set of global policies that will address this challenge. The role of the Global Outbreak Alert and Response Network (GOARN) in providing the evidence base on which WHO could act in the SARS case is another example. The power of data was the engine behind the global appeal of the MDGs. This is further reflected in the proposal by the Global Sustainability Panel to develop a new Global Sustainable Development Outlook Report.

A shift to align more strongly behind the UN Development's normative agenda would require changes across many different aspects of the way UN development works. It requires new kinds of leadership and staffing, a new financial model, different ways of organising capacity, new types of partnership and a new approach to governance.(see below)

It will require breaking down the silos which currently often separate the UN's work in the area of norms from its operational work. This separation is deeply inimical to optimising the value that the UN can bring in the sphere of development cooperation.

The case is often made that normative, standard setting work needs to be complemented with operational work focused on demonstration and learning. The importance of demonstration pilots remains valid but it needs to be rigorously defined in order to avoid being used as a platform for mission creep.

Focusing on norm generation and identifying the point of maximum leverage have important consequences for current practices of measurement. They present considerable measurement challenges in terms of assessing impact as well of attribution and aggregation.

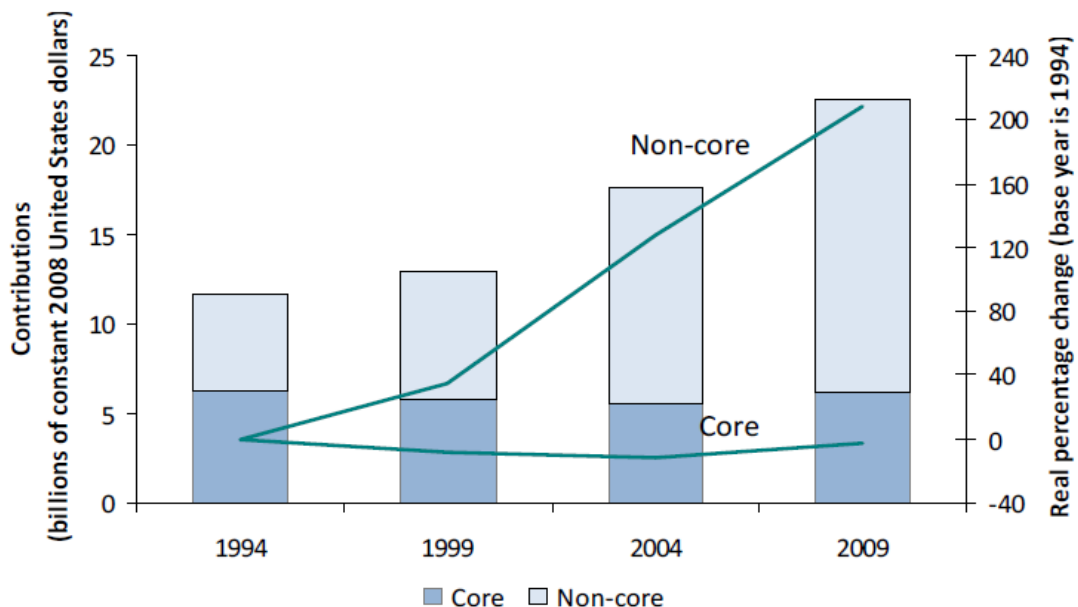
(ii). Alignment of funding practices

The international community gets the system it funds. At its inception the international community funded a decentralised group of functional agencies as the building blocks to peace. Then for some four decades it provided financial support to countries that were trying to exercise their newly won sovereignty. Since the 90's the international community has focused on funding development objectives. This evolution has created three distinctive political economies that have characterised the UN development system. In today's political economy, a senior manager in a UN development organisation exercises wise risk management by spreading risk and investing in well financed market opportunities. Inevitably this results in fragmentation, competition and an opportunistic interpretation of mission.

The resulting large increase in earmarked funding and the major relative decline in core funding are reflected in the UN Funding Report in Graph 4.

Graph 4

Trends in total contributions for operational activities for development, 1994-2009



The response of the international system found voice in the debate that took place at the time of the Secretary General's High Level Panel on Coherence. There was a strong current of thought that showed interest in resurrecting the concept of central funding to impose discipline on the system. This was an effort to revert back to the first 30-40 years of the UN's development system's existence when financing was the instrument chosen to impose some coherence in the system. In reality the diversity of funding sources that characterizes the flow of resources today and the strength of vertical funding makes this option impractical. The concept of one UN funds at the country level to complement agency funding arrangements was a small step in this direction but already just several years later this financing instrument is drying up.

Another approach to the challenge of securing funding was to develop innovative sources of funding. A number of possible approaches were analyzed in Gates' report to the G20 referred to above. The practical advantages and disadvantages of different approaches have been debated at some length both in and outside UN fora. This approach remains highly contested, but has already made some headway in groups of countries. The levy applied to airplane tickets by a number of countries provides one example. Innovative financing is a long and winding path down which progress might be made but not at great speed.

Much of the discussion around financing continues to assume that foreign assistance is a single pot of resources that gets allocated to that portion of a country's budget that is dedicated to foreign affairs. The concept of Global Public Goods suggests a very different approach. What is needed is the horizontal internalisation of the financing of the international dimensions of producing public goods. In a globalised world national line ministries have to cope with both national and international dimensions in their areas of responsibility as a matter of effective national policy making. In that sense every line ministry needs to have an internally as well as an externally oriented part of their budget. The challenge is no longer funding external relations but the international dimension of dealing effectively with a national issue.

In practice, in many countries global budget lines are developing within national sectoral ministry budget lines. For example in the US, at least 10 different government agencies allocate bilateral and multilateral ODA of which USAID and the State Department are responsible for some 62%. In reality the greatest expansion of funding for development cooperation is likely to occur through the diffusion of the responsibility of funding across broad segments of national budgets. This presents a critical change and opportunity for UN Development approaches to funding. The opportunity exists because powerful line ministries become advocates across government for global expenditures. The risk is that effective control over the purposes for which these resources are allocated becomes dissipated across government.

The production of global public goods should create the opportunity for charging for services. The World Intellectual Property Organisation (WIPO) which is largely financed from fees in the granting of patents provides one example. Public/private partnerships in the area of insurance produce the public good of prevention by projecting the private cost of risk. The financing of global public goods and the cost of the UN's contribution to that effort cannot continue to rely exclusively on public resources, nor will the route of raising global taxes be

very popular. Redesigning a financial architecture for the UN system which incorporates some market features is critical to the long term sustainability of the UN's contribution to the production of global public goods.

A major unresolved tension at the core of debates on financing relates to the contradiction between calling for a division of labour and allowing for healthy competition to determine the best entity to undertake any given task. A system that is built on the idea that tasks are allocated according to mandate and not performance is not one to generate much confidence. A system that allows market competition to allocate resources is one that should not have undue concern about duplication and mission creep. Finding the appropriate balance is a major challenge for member states. At a minimum, the UN Development system needs to organise itself so that critical mass is established in key areas of work to ensure the credibility of the UN's contribution in the international community.

It is difficult to escape the conclusion that aligning the funding system to a UN development system prioritizing norm creation and leveraging requires a rebalancing between core and non-core resources. A Grand Bargain would need to include rebalancing core and non-core resources, increased predictability, more rigorous definition of functions, and more equitable burden sharing.

(iii). Alignment of the capacity of the UN development system

Aligning the capacity of the UN Development system, and in particular the profile of its staffing, to changing needs is a major challenge. The idea of repositioning the UN development system to play a more strategic role, of engaging in normative work, of going upstream, these all require a staff capacity that is often quite different from the current profile.

Many UN agencies in their efforts to move "upstream" over the last decade have come face to face with staffing issues. This is in part explained by the historical project management skills which had been required across the system. It is also a function of the pace of change in the world and decreasing competitiveness of the UN system in attracting globally recognised expertise. Assessments done of capacity requirements in Delivering as One countries to implement the changed profiles showed serious capacity gaps. Another example is provided with the system wide review process that was created to approve project proposals funded from the MDG Achievement Fund. A remarkably high percentage of projects were rejected in the first rounds because technical experts from across the system were not satisfied as to the technical quality of the proposals.

Repositioning will not be possible unless new approaches to addressing internal capacity issues are developed. Two specific dimensions to the change process need to be emphasised. One is the need to conceive of this change process as system wide and not agency specific. A solution to the capacity gaps in the system cannot be divorced from the current organisational arrangements, and the resulting dysfunctions, an issue we revert to below. The other is to identify those capacities that need to be built internally and those that can be mobilised through far reaching partnership strategies.

(iv). How does the UN development system partner and how is it networked?

It is through an innovative and bold partnership strategy that the UN's considerable convening power can be fully leveraged. Over recent years, the Secretary General has launched a number of major partnerships, including the Task Force on Food Security, Every Woman, Every Child and Sustainable Energy for All. These partnerships all share a number of key characteristics, in particular the Secretary General's leadership in convening actors within and outside the UN development system to bring together the strongest possible team, the provision of a clear policy framework and outreach to a wide variety of stakeholders. In the case of Sustainable Energy for All for example, a High Level Group co-chaired by the Director General of UNIDO and the Chairman of the Bank of America and consisting of an impressive range of stakeholders provide leadership to the process. The organisational implications of these new partnership initiatives are considered further below.

With Global Pulse the Secretary General's office has launched a major initiative in partnering with the social media. The Global Compact has provided an important framework for multiple partnerships with the private sector. Several important entry points exist within the system for engagement with civil society. The challenge for the UN development system is to bring these partnerships to scale, to ensure they exercise real leverage, and to institutionalise these partnerships securely.

A critical set of partnerships and networks relate to scientific communities. Gordon Conway, referred to above, has demonstrated how science innovation systems have evolved over the last 15 years as complex global, public - private partnerships. The GSP Report makes the case for a chief scientific adviser to be attached to the Secretary General's Office. If the UN development system is to reposition itself with a heavy focus on normative work, data gathering, and the dissemination of scientific findings, consideration should be given to a networks of scientists attached to all the major functional and policy setting organisations of the system.

The World Economic Forum in its Global Redesign project concludes that 'the revolution that is required is our conception of the international system – in our understanding of the additional modes of cooperation and sources of capability available in a more interconnected and interdependent world.' 'We can start', the WEF's report goes on, 'by embedding our intergovernmental institutions and processes in wider processes and networks that permit ... continuous interaction among all stakeholders and sources of expertise in global society in the search for better solutions.'

Maximizing leverage of ODA requires attention to be paid to the development impact of both domestic resource mobilization and international private flows. Indeed often they are connected. As pointed out recently to the G20 meeting, tax dodging by companies operating internationally costs developing countries around \$160 billion, a loss that is comparable to the total volume of ODA. The consequence of this new reality will be that voice and transparency become essential elements of development effectiveness and a key dimension of any partnership vision.

(v). Organizational arrangements

The Organizational arrangements that characterize the UN Development system in reality defy representation in an organigramme. They reflect the historical accumulation of new layers of functions and entities over a period of some 50 years. It needs to be recognized that the system was set up as a group of independent functional organizations deeply rooted in their own constituencies with their own governance arrangements and only very loosely coordinated. New layers and entities have invariably been added alongside the old ones and only very rarely have they replaced existing structures.

The proposition that the current dysfunctional arrangements are a major hindrance to a significant repositioning of the system would not be strongly contested. As one example, the GSP Report speaks of the need to “overcome the legacy of fragmented institutions “in the area of sustainable development. Indeed already In Larger Freedom, the Secretary General had called for ‘a more integrated structure for environmental standard setting, scientific discussion, monitoring and treaty compliance.’ This broad dissatisfaction with the current arrangements is reflected in the fact that a number of approaches are regularly discussed to reform the organizational arrangements.

One approach would be to commit to a process of deep integration of organizations performing overlapping functions over a number of years. The starting point would be a process for eliminating overlapping functions. The model would focus on the benefits of bringing similar functions together to create critical mass and improve performance rather than to cut costs. A carefully constructed incentive system would need to support such an initiative. The creation of UNWomen is one of the very few examples of deep integration, in this case leading to a major upgrade in the capacity and status of the organization.

Historically reform initiatives have often turned to providing institutional leadership as the key to providing coherence and critical mass. In the late 70's the post of Director General for Development was created by the General Assembly to try and provide leadership over the UN's work in development. The creation of the post was designed to spearhead a broader set of reforms that would promote coherence. The rest of the proposals were never approved and the Director General emerged as another thin layer without the support and capacity to bring real leadership to the UN in development. Subsequently, some have looked to the office of the Deputy Secretary General to play this role. Kofi Annan turned to the Administrator of UNDP as Chair of the United Nations Development Group to provide the necessary leadership.

Another approach is to focus on country level reform on the grounds that it is politically impossible to implement major reform at the headquarters level. This was the outcome of what came out of the Secretary General's High Level Panel on UN System Wide Coherence (2006). The Delivering as One initiative is currently being assessed. While the assessment is likely to show some clear benefits, these will most likely qualify as improvements in operational effectiveness but are unlikely to point to systemic improvements in strategic positioning. Delivering as One is a necessary element of any reform initiative but it cannot on its own lead to the strategic repositioning that is currently required.

At the country level Vietnam and Mozambique provide examples of experimentation which have succeeded in building effective teams. In Mozambique the country team has moved beyond the concept of joint programming to the idea of policy clusters that provide the UN with cross discipline policy capacity. This has been implemented for example in the areas of social protection and most recently in maternal and child health. The example of the policy cluster on social protection is particularly interesting because of the strong normative basis of this work which was anchored in a global initiative called the Social Protection Floor Initiative in which a number of agencies participated at headquarters. In Vietnam the country team has developed the concept of Programme Coordination Groups. The idea is to bring together the expertise and skill mix available from across different UN agencies and to provide a forum for policy dialogue.

Over the last several years, the creation of task forces (referred to above) has suggested a promising way forward. The partnership of concerned agencies both within and outside the UN system to meet the challenges posed by the G20 to come with a food security strategy provides a good example at headquarters level of the real impact that the UN development system can have when it really brings all its assets together. Similarly the coordinated response to the threat of pandemic influenza demonstrates the value of institutionalized coordination arrangements that are task specific, goal oriented, and reach out beyond the UN to bring together a broader set of key actors.

Because of its light touch, the task force approach may not be able to resolve the deeper structural issues, thus preventing it from contributing significantly to sustainable strategic reform. The challenge in these cases is how to truly institutionalize the arrangements so that accountability develops UN system wide roots. The impressive record of the Multi-Partnership Trust Fund which has raised close to \$6 billion provides an example of successful institutionalization and demonstrates the role the UN Development system can play when it is organized in an effective and coherent manner.

The broader challenge is for the task forces to lead to more effective organizational approaches. This requires that the current dysfunctional arrangements be addressed. Whatever specific reforms are implemented, the result needs to lead to much more flexible arrangements that bring to bear critical mass to priority issues and that enable the UN to exercise maximum leverage to provide solutions. The Secretary General's indication of his intention to establish a Partnership Facility could represent an important step forward.

Organizational reform requires at a minimum:

- An institutionalized process which allows for periodic strategic reprioritization around a limited number of key issues with respect to which the UN can leverage fully its convening power
- Flexibility in the allocation of resources to ensure critical mass
- Incentive systems to impose networks over structures
- The necessary authority to be vested in the Secretary General. This could include a resource envelope that would be deployed to provide the necessary incentives to create global partnerships and task forces that respond to global issues that demand a UN response

(vi). Governance arrangements

The need for changes in the governance arrangements to align with the changes in the overall environment for the UN Development system's operational activities is recognized. The governance of the UN development system was by design deeply fragmented and over time this fragmentation has only deepened. The Charter provided for only very loose coordination arrangements between ECOSOC and the specialized agencies. Subsequently the establishment of specific Executive Boards for many of the programmes and funds further diluted the ability of ECOSOC to exercise any real authority.

For decades, the reform of ECOSOC has been debated with little effect. With the Delivering as One initiative, the situation was created where there was no single location where a One UN Document could be approved for the system as a whole. In this connection, the High Level Panel suggested the creation of a Sustainable Development Board which would bring together the entire UN development system to review One UN Documents. Yet again the constitutional realities embedded in the original design of the system made this proposal too contentious and it was never seriously considered.

Nonetheless raising a number of questions and acting on a number of concrete recommendations might not be beyond reach. In the context of this rapidly changing world, what is it that member states really seek to govern when they sit together collectively in a headquarters location?

Is it the oversight of operations in a context in which UN operational activities represent an ever decreasing proportion of total flows into the great majority of countries? In the vast majority of cases, the proper place for review and approval of UN country programmes is in the country, with the full participation of government and all relevant stakeholders. There are ample ways to ensure the participation of non-resident concerned parties and it would be a simple matter to make provision for those cases where member states decided to undertake the review process in a headquarters location.

Or is the governance function increasingly about monitoring trends and performance, sharing empirical data and knowledge and providing high quality analysis? The importance of this role has been emphasized in many fora and was reflected in recommendations relating to the strengthening of ECOSOC made In Larger Freedom. In this scenario, the governance arrangements would have to ensure the quality of the documents provided and the transmission of data and knowledge in a manner that would be useful to policy makers. Participation would need to be substantive. The sharing of knowledge and lessons learnt would displace the negotiation of inter-governmentally agreed text as the major output of the meetings.

Or finally, is the governance of the future increasingly going to be about developing a common language and generating norms and standards? In this scenario the quality of the inter-action occurring between participants becomes the highest priority. Moreover if the purpose of the meetings is to share knowledge and generate norms, then governance arrangements in the future will have to successfully incorporate a much wider community of stakeholders than is currently the practice. Engagement with the private sector and civil society will need to be integrated in a more substantive manner. The recent debate about the establishment of a Committee C in WHO which would

introduce into WHO's intergovernmental machinery a broader stakeholder group is perhaps a harbinger of things to come.

A repositioning agenda will require a thoroughgoing analysis of the purpose of the governance arrangements being proposed. The ultimate purpose of a set of governance arrangements is to ensure the relevance of the institutions being governed.

IV. CONCLUDING REMARKS

For the last ten years, strengthening the coherence of the UN development system and the reform of the system has been treated as more or less synonymous. This is reflected in the title of the major reform initiative relating to the UN development system of the last decade, the High Level Panel on System wide coherence.

The fragmentation of the UN Development system has been a major impediment to its effectiveness and addressing this issue continues to be necessary. The focus on coherence was the natural consequence of a phase of extraordinary growth in the UN system in project activities financed from a myriad of sources.

In today's rapidly changing world, a change which is occurring at a historic pace, it is external positioning and strategic relevance that poses the major challenge. The UN development system will be measured on its ability to leverage its unique assets in a world where the role of ODA is rapidly evolving.

The question that requires thorough examination is when is leverage maximized by the system working as a system, when by individual agencies acting individually and when do specific configurations need to be tailored to the specific issue at hand.

It is improbable that there is a one size fits all prescription for maximizing leverage. What is required at the system level is the ability to identify the priority challenges that need to be addressed, to align behind these challenges and to respond flexibly to maximize leverage. Repositioning will require a system wide strategic capacity to prioritize, to make choices, to organize critical mass and to impose networks over structures. This in turn requires more authority be vested in the Secretary General and more flexibility be introduced into decision making processes.

V. ISSUES FOR FURTHER CONSIDERATION

Member states may wish to give further consideration to a number of issues raised in the paper. Below is a list of ten key propositions put forward in the paper. Member states may wish explicitly to endorse, reject or alternatively to initiate a process for further consideration of each of these propositions.

Proposition 1: Strategic repositioning

The overall environment impacting on development cooperation has undergone radical change in the last decade. The changing weight of state actors, new global challenges, deep change in the relationship between states, markets and individuals and the growth of new institutional actors have impacted deeply the development landscape. The consequent need to rethink the functioning and role of ODA has been clearly affirmed in many fora. Member States may wish to initiate a process to analyse in concrete terms the consequences of these changes for the practice of development cooperation.

Proposition 2: Strategic repositioning

The growth economies are transforming the global economy with major consequences for the functioning and role of the UN Development system. There is a broad consensus that there is an urgent need for the UN's work in development to be responsive to a rapidly changing world. Member states may wish to consider a rigorous and inclusive process to review different options for translating this consensus into a medium term plan for strategic reform to strengthen the relevance of the UN development system.

Proposition 3: Functions

The logic of globalisation and the emergence of global challenges requiring collective responses create an extraordinary opportunity for the UN Development system's normative, standard setting and fact finding functions to assume a new significance. Meeting this challenge requires fresh thinking with regards to new financing models, different ways of organizing capacity, much higher priority to people management, investment in partnerships and networks, and new approaches to governance. (see below)

Proposition 4: Funding

The growing challenge of providing global public goods requires new and innovative forms of financing (line ministry global budgets, fees for services etc.). Identifying the appropriate sources of financing in the future requires a vigorous debate which the UN should facilitate.

Proposition 5: Funding

The international development community gets the UN Development system that it finances. Repositioning of the UN Development system requires a post Busan bargain that would see a significantly more rigorous and strictly observed delineation of functions, a rebalancing between core and non-core resources, increased predictability and more equitable burden sharing.

Proposition 6: Capacity

An annual process should be initiated which identifies in a very limited number of key priority areas the critical mass required for the UN development system to play an effective leadership role on pressing global issues. Innovative approaches to pooling system wide assets and resources and partnering externally need to be promoted.

Proposition 7: Partnerships

Bold initiatives such as the stated intention of the Secretary General to establish a Partnership Facility should be launched to find innovative ways of developing and institutionalizing key partnerships around a limited number of critical development challenges. Furthermore, consideration should be given as to how appropriately to strengthen multi stakeholder participation in current governance arrangements, reviewing experience gained to date.

Proposition 8: Partnerships

The GSP Report makes the case for a senior scientific adviser to be attached to the Secretary General's office. A network of scientific advisers should be established throughout the functional areas covered by the UN development system, including the specialized agencies as appropriate. Collectively they should provide scientific analysis in particular to inform the UN Development system's normative agenda.

Proposition 9: Organisational arrangements

A credible process of organisational reform requires at a minimum the following components:

- an institutionalized process which allows for periodic strategic reprioritization around a number of key issues with respect to which the UN can leverage fully its convening power
- flexibility in the allocation of resources to ensure critical mass
- incentive systems to impose networks over structures
- the necessary authority be vested in the Secretary General. This could include a resource envelope that would be deployed to provide the necessary incentives to create global partnerships and task forces that respond to global issues that demand a UN response

At the country level, the Delivering as One principles should be pursued with the benefit of the recommendations emanating from the recently concluded evaluation. Current innovative approaches to the establishment of policy clusters and programme coordination groups should be supported and encouraged

At the headquarters level, a five year strategy should be developed to eliminate overlapping functions and use savings to achieve critical mass in priority areas.

Proposition 10: Governance arrangements

Governance arrangements need to be differentiated between three distinctive features:

- Oversight of operations,
- Monitoring of trends and performance and the sharing of empirical data,
- Generation of norms and standards

Approval of country programmes should be delegated to the country level (with provision for exceptions) and the strengthening of the monitoring of trends and the dialogue around emerging normative agendas need to form the core of a new reform initiative led by ECOSOC.