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**Barbara Adams and Jens Martens (2015), *Fit for whose purpose? Private funding and corporate influence in the United Nations*. Bonn/New York: Global Policy Forum**

Submitted in lieu of an expert paper by Barbara Adams<sup>\*</sup>

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*“A new business model is emerging at the United Nations—one where governments, businesses, investors, and civil society gather to solve global problems.” (SD in Action 2014)*

*“The expenses of the Organization shall be borne by the Members as apportioned by the General Assembly.” (UN Charter, Article 17.2, 1945)*

## 1. Overview: The changing landscape of global governance funding

The United Nations (UN) is embarking on a new era of selective multilateralism, shaped by intergovernmental policy impasses and a growing reliance on corporate-led solutions to global problems. As Member States set an agenda from 2016 until 2030 that is intended to make the UN “fit for purpose” it is time to ask, “whose purpose will it be fit for”?

A continuation of the existing funding patterns without improved oversight and governance will draw the UN further from its original and ongoing purpose and further from democratic governance. As the UN confronts its future, its leadership and its Members (States) cannot avoid addressing the role of the private funding and corporate influence in international public matters and governance.

Being “fit for purpose” should be driven by “purpose” first, then “fitness”.

A “fit for purpose” objective must address inefficiencies, remove internal competition and duplication and establish a coherent approach to attracting private financing to UN causes. But this is not enough. The UN must reclaim and re-own the public space.

The UN’s ‘niche’ is public service, not market fitness. Rather than how to be a more efficient competitor in a crowded value-free market place, the challenge it faces is how it can continue to uphold and strengthen the internationally agreed norms and standards as it is expected to fulfill an ever increasing number of mandates.

**The UN’s ‘niche’ is public service, not market fitness.**

It is time for the UN to think twice. If the trends and practices analysed in this study continue on their present track, they risk giving the UN stamp of approval and legitimacy to many initiatives not framed and shaped by UN values and standards of inclusiveness. These trends will not only continue to weaken global (economic) governance, they will endorse the replacement of a UN value-based framework for governance with a voluntary one, characterized by a hotchpotch of *ad hoc* deals that favour brand and image management over durable programmes that advance human rights and promote economic development founded on a true understanding of ecological sustainability.

The key features of these disturbing trends and practices are the following:

### **Growing gap between the scale of the global problems and the (financial) capacity of the UN to solve them**

While global economic, social and ecological crises have intensified in recent years, the ability of states and multilateral organizations to tackle these crises appears to have diminished. Policies adopted by Member States, including negotiated UN agreements, have been too often sectorally fragmented, partial, short-term and misguided, with an overreliance on market self-regulation. But it has been these market approaches that, in large measure, have caused or at least failed to prevent the crises themselves. The mindset of many opinion leaders and political decision-makers worldwide continues to be focused on unfettered economic growth and market-driven solutions as the panacea for economic, social and environmental problems. One result of this mainstream thinking is the dramatic underfunding and distorted distribution of the provision of public goods and services in all sectors, including precisely those needed to tackle global problems, from economic and financial crises and escalating inequality to health and natural disaster emergencies to rising carbon emissions to ever-increasing climate change. In turn, this thinking has resulted in the underfunding of the providers of public goods and services, from local authorities at the community level to national governments at the country level, to the United Nations and its funds, programmes and specialized agencies at the global level.

This mindset has extended to embracing the partnership ‘quick win’ solution without distinguishing between respective public and private responsibilities and capabilities. From evidence and experience to date, public-private or multi-stakeholder partnerships will not close the funding gaps—in health, energy, poverty, hunger, or climate change reduction. Further, they risk undermining long-term solutions as they become competitors for what are viewed politically as scarce resources for financing the UN system needs and public services. Their proliferation, while appearing to increase stakeholder participation, fosters partial and piecemeal actions, and a disturbing move away from global frameworks for solutions that require universal responses.

### **“Minilateralism” instead of Multilateralism: The growing share of non-core contributions and earmarked trust funds in UN finance**

The piecemeal and market-menu approach has had severe consequences for the multilateral quality of the UN system, and has driven major long-term changes. Since the 1980s, donor contributions to the UN development system, while increasing in amount, have shifted away from core funding towards non-core or earmarked funding—mostly for projects from a single or small group of donors, on programme-specific topics. Only a relatively small percentage of the non-core funding has taken the form of “not specified” contributions (see glossary in Box 1 for brief definitions of the various forms of UN funding).

This change in funding practices has deep implications for global governance. Earmarking runs the risk of turning UN agencies, funds and programmes into contractors for bilateral or public-private projects, eroding the multilateral character of the system and undermining democratic governance. Multilateral mandates become increasingly difficult to carry out, as a profusion of earmarked projects fosters confusion and undermines coherence, planning and coordinated action. Donor earmarking of funds can exacerbate “mission creep” within UN development bodies by pushing them to undertake projects outside their core mandates. This furthers fragmentation and incoherence across the UN system, weakening accountability and risking the reliance on and consequent capture of UN institutions by a limited number of donors. The many calls for UN reform ignore the reality that this process is already well underway. The changing funding patterns are not only influencing programme priorities; they are also distorting the practice of governance.

### **Growing reliance on the corporate sector— opening of the UN to corporations and philanthropy**

A related phenomenon is the growing trend towards the adoption of “partnerships” between the UN, governments and public and private actors, as an extension or spin-off of non-core financing strategies. For the last two decades, the UN system has invested heavily in these “partnerships” to bring in and engage private companies and philanthropic foundations, which they regard as key to achieving sustainable development. These partnerships, a large number of which are termed multi-stakeholder, build on the understanding that governments are not able to solve global problems by themselves. Corporations are seen as the main driver of economic development, as the “principal engine” of growth and job creation. Their economic size and financial power have fueled the recommendations by the UN Global Compact to create “business-led” global issue platforms aligned to specific sustainability challenges. The UN Global Compact urges governments to ensure that the Post-2015 Agenda be designed with business engagement in mind—“allowing for maximum alignment with corporate strategies and multi-stakeholder partnerships.”

There also has been a marked change in the way in which corporate foundations have engaged with the UN over the last two decades, in regard both to the size of their financial contributions and to the nature of their engagement.

### **Outsourcing funding and decision-making to global partnerships**

The engagement of the UN in the partnership boom has reached a new level, promoted as the key to the achievement of both the Millennium Development Goals (MDGs) and more importantly, to the Sustainable Development Goals (SDGs). The UN Secretary-General and senior officers have been actively involved in the creation of several new global partnerships in the areas of health, education, nutrition and energy, including Every Woman Every Child, Sustainable Energy for All, and Scaling Up Nutrition.

However, this shift to global partnerships brings a number of risks and side-effects that have not received careful consideration regarding compatibility with UN mandates; and their extra-budgetary funding lines remove the global partnerships from regular review and impact assessment. New rules and tools for UN engagement with the business sector and for the reporting of extra-budgetary funded programmes are long overdue. The important role being allocated to partnerships in the Post-2015 Agenda makes the adoption of such rules and tools a matter of urgency not only for the review and follow up of the UN development responsibilities but also for the future role of the UN in the multilateral sphere.

In this regard, the following questions should be addressed:

- » **Growing influence of the business sector in the political discourse and agenda-setting:** Do partnership initiatives allow the corporate sector and their interest groups growing influence over agenda setting and political decision-making by governments?
- » **Fragmentation of global governance:** How can governments avoid the risk that partnerships will lead to isolated solutions, which are poorly coordinated, contribute to the institutional weakening of the UN system, hinder comprehensive development strategies, and risk crowding out a focus on UN norms and standards?
- » **Weakening of representative democracy:** Inasmuch as partnerships purport to give all participating actors equal rights, do they sideline the special political and legal position occupied legitimately by public bodies (governments and parliaments)?
- » **Unstable financing—a threat to the sufficient provision of public goods:** Will the funding of the UN become increasingly privatized and dependent on voluntary and ultimately unpredictable channels of financing through benevolent individuals or private philanthropic foundations? Are the financial resources committed in the existing partnership initiatives actually new and additional? Have they effectively increased the available resources?
- » **Lack of monitoring and accountability mechanisms:** What instruments should be put in place to guarantee that partnerships act in an open and transparent manner and can be held accountable for their actions?

The chapters that follow take a closer look at the changing landscape of UN funding and the growing role of the corporate sector.

Chapter 2 gives an overview of the (precarious) funding situation of the UN system in general and that of the UN's core activities in particular.

Chapter 3 analyses the role of the UN Fund for International Partnerships, the UN Office for Partnerships, the UN Foundation and the UN Global Compact as the central gateways for philanthropic and corporate sector influence and financing in the UN.

Chapter 4 examines these changing funding patterns as they affect the operational activities of the UN system for development. Sixty per cent of total UN funding goes to support development-related programmes and humanitarian assistance. But the organizations of the UN development system are facing similar challenges to those facing the UN itself: stagnating or even shrinking core funding and growing dependence on non-core, mostly earmarked contributions. As a consequence, they are seeking to broaden their donor base, particularly by intensified engagement with the corporate sector and philanthropic foundations.

A striking example of the public governance funding crisis and the move towards soliciting greater funding by the corporate sector and foundations is that of the World Health Organization (WHO). Chapter 5 describes recent developments in WHO funding, the special role of the Bill & Melinda Gates Foundation (BMGF) in this regard, and current efforts to adopt a comprehensive Framework of Engagement with non-State Actors.

Chapter 6 examines the partnership phenomenon in what is a significant and far-reaching change in global governance: the creation of multi-stakeholder partnerships in the areas of health, education, nutrition and energy. The chapter looks at three global partnerships, Every Woman Every Child, Sustainable Energy for All, and Scaling Up Nutrition, and their implications not only for funding but also for governance, showing how they demonstrate new forms of public-private governance largely outside UN mandates but waving the UN flag. It examines the extent to which these initiatives have mobilized new and additional resources, particularly from the private sector, whether they have increased policy coherence, and how they have influenced (inter-) governmental policymaking and affected the role of the UN.

The study's concluding Chapter 7 offers a collection of findings and policy recommendations to address the chronic underfunding, distorted financing patterns and failures of governance confronting the UN.

The findings and recommendations underline the perilous consequences of these trends and the risks they pose to transparent and accountable public governance. They highlight the need for reforms related to the public funding of the UN system, the setting of norms and standards to govern the interactions of the UN with the corporate sector, and the strengthening of the intergovernmental framework of the UN for monitoring and oversight of "partnerships."

Detailed and specific, the demands range from adopting measures to limit earmarked funding as a percentage of total funding, to establishing an intergovernmental framework for partnership accountability, undertaking systematic impact assessments and independent evaluations, building UN institutional capacity to monitor and review partnerships, and reevaluating the relationship with the UN Foundation.

The findings call for fundamental changes in the discourse about global public governance.

Equally important, they also call for fundamental changes in the discourse about global public governance, changes indispensable to counter the new “business model” of global governance, reverse course and to make the United Nations really fit for its purpose.

### Box 1

#### UN glossary of terms

N.B. The fundamental argument advanced in this study is that Member States do not contribute sufficient resources to the core work of the United Nations. But the word “core” is used differently by different parts of the UN system. The study therefore follows the terminology that the UN itself uses, as follows:<sup>1</sup>

##### **Assessed contributions**

*This category reflects contributions received as an assessment, a contributory unit or other payment scheme mandated in a Convention or other basic instrument of an organization.*

##### **Voluntary contributions, not specified**

*This category reflects contributions received by the organization in support of its mandate or programme for which no specific use is required by the donor. No individual reports are made on the use of such contributions.*

##### **Voluntary contributions, specified**

*This category reflects all revenues received by an organization for which the nature and the use of the funds are specified. Generally, each contribution will have an individual reporting requirement.*

##### **Revenue from other activities**

*This category reflects all other revenue recorded by the organization that is not considered a contribution under the organization’s accounting policies.*

##### **Budgetary or core revenues**

*Traditionally, the terms “budgetary” and/or “core” were used interchangeably to reflect funds received by an organization to undertake its programme of work. This revenue included assessed contributions, voluntary contributions, not specified, or other earned or miscellaneous income. While the revenues received were in support of the core activities or budget, the total amounts actually received (with the exception of assessments) normally did not correspond to the approved budget. In general, core revenues equated to assessed contributions plus voluntary contributions, not specified, and other revenues.*

##### **Extra-budgetary or non-core revenues**

*These two terms were used interchangeably to reflect funds for which the use was specified by the donor. Because they were traditionally considered to be outside the budget, especially for assessed organizations, these funds were denoted as extra-budgetary. In practice, there are many types of revenue which are outside the budget but for which the use is not actually specified. In general, revenues previously reported as extra-budgetary or earmarked contributions are the same as the new category of voluntary contributions, specified.*

<sup>1</sup> Cf. UN Secretary-General (2014), pp. 10–11.

## 7. Findings and recommendations

### Overall findings

Member States have failed to provide reliable—on time and predictable—funding to the UN system at a level sufficient to enable it to fulfill the mandates they have given it. While global economic, social and ecological risks and challenges have intensified in recent years, the ability of the UN system to tackle these challenges appears to have diminished.

#### Shift to earmarked contributions

The increase in voluntary, as well as non-core and earmarked, resources in the last few years continues a trend already well underway in the behaviour of the Member States over the last two decades. In 1997, for example, 48 per cent of the UN's operational activities for development were financed through core resources. This ratio declined to 25 per cent in 2013, so that 75 per cent of the UN's operational activities for development are now financed through non-core and mostly earmarked resources. Multilateral mandates become increasingly difficult to carry out, as a profusion of earmarked projects fosters fragmentation and a loss of coordinated action.

75 per cent of the UN's operational activities are financed through non-core resources.

Many Member States, particularly the large donors, pursue a dual approach of calling for coherence in UN development activities while at the same time increasing their use of earmarked contributions and non-core funding.

Earmarking tends to turn UN agencies, funds and programmes into contractors for bilateral or public-private projects, eroding the multilateral character of the system and undermining democratic governance.

This pick and choose dynamic, together with ongoing financial constraints, has not only opened the space for business and corporate sector engagement but has also contributed to the pressure on the Secretary-General and the heads of UN agencies to facilitate such engagement as they look to those sectors for funding and political support.

Many governments have supported the UN's outreach to the corporate sector while others have remained silent, even though they may be uncomfortable or unsure about recent developments. Some have adopted double-standards, letting the business sector in while keeping civil society at bay on the grounds that the inter-governmental nature of the organization should be preserved.



### Expanded engagement with the business sector

This ambivalence on the part of Member States has resulted in a new UN approach to engagement with the business sector, one that has shifted from that of impartial rule-setting and balanced engagement to that of privileging the sector.

Partnerships are promoted as the new business model for solving global problems.

The UN Secretary-General and UN heads of agencies have become energetic advocates of business sector engagement and partnerships, voluntary initiatives and multi-stakeholder arrangements. Beyond viewing these arrangements as a new source of funds, increasingly the UN is promoting and supporting market-based approaches and multi-stakeholder partnerships as the new *business model* for solving global problems. Driven by a belief that engaging the more economically powerful is essential to maintaining the relevance of the UN in addressing today's global challenges, this practice has harmful consequences for democratic governance and general public support, aligning more with power centres and away from the less powerful.

For their part, corporations and the business sector, after years of neglect or indifference, view the UN system with increasing interest. They recognize that by increasing their investment in UN-related activities only marginally, they can gain greater access and influence over agenda-setting.

The same is true of corporate philanthropy, whose contributions to international development have increased significantly, especially over the last five years. As UNDP stated in its response to a 2012 evaluation of UNDP partnerships with global funds and philanthropic foundations: "In addition to committing much larger amounts of money, foundations have fundamentally changed the ways they operate and the roles they play in international development."<sup>295</sup>

This UNDP report concluded:

"Foundations see themselves as fully fledged development partners rather than donors, and expect close involvement in activities such as policy discussions, advocacy and problem analysis. They have become a source of valuable development knowledge. They run highly visible campaigns in the media and influence international development policy."<sup>296</sup>

As a result of the various funding shifts, most UN funds and agencies now follow a multi-layer fundraising strategy in their efforts to raising private resources:

<sup>295</sup> Cf. UN Doc. DP/2012/24 para. 49.

<sup>296</sup> *Ibid.*, para. 54.

- » Stabilizing and sustaining core contributions from governments and broadening the donor base by increasing contributions from “new donors” (BRICS etc.);
- » Exploring new forms of “core-like” funding modalities, including pooling resources in Multi-Donor Trust Funds;
- » Soliciting expanded voluntary contributions from the private sector, civil society and philanthropic foundations;
- » Setting up or participating in new multi-stakeholder partnerships to raise additional funds from public and private actors who are not able or willing to give additional support to the respective UN institutions directly.

### Widening governance gaps

As private sector initiatives become more central in UN efforts to respond to global challenges, they aggravate the shift from democratic global governance to a “pay to play” system. These partial, self-selected, stakeholder-oriented initiatives represent a subtle strategy of UN reform, as the functioning of the UN and the effectiveness of global governance are slowly being changed through activities and financing rather than through multilateral, inclusive, transparent and nationally accountable decision-making.

The shift from democratic global governance to a “pay to play” system.

The weakening of the inter-governmental nature of decision-making widens the governance gap and dilutes the oversight of UN staff. It also leaves more initiative with the Secretary-General and UN senior officials.

### Unresolved funding crisis

The UN funding crisis has many dimensions but overall it is one of under-funding. This situation is compounded by the insistence over many years of Western governments, led by the USA, on a doctrine of zero-growth to the UN assessed (core) budget. Further some Member States have failed to pay their assessments in full and on time. Additionally many Member States have reduced their contributions to the UN system’s core voluntary funds, having increasingly shifted to non-core and further to earmarking the majority of their contributions to specified programmes. The result has been increasing reliance on voluntary and non-core funding, as well as a series of *ad hoc* and disparate partnerships.

While the past 20 years have witnessed changes in the engagement between the UN system and the business and corporate sector, these changes have not been reflected in the related financing arrangements. These arrangements are extra-budgetary, not subject to the same oversight and scrutiny as assessments and core contributions; thus tracking the total volume of contributions to the UN Secretariat and the UN system is difficult and cumbersome. A frequently articulated concern is that the robust scrutiny and tendency to micro-management that accompany inter-governmental oversight would deter interest and investment from the

business sector. Yet even without this constraint, private funding has not been substantial.

As described in Chapters 3, 4, 5 and 6, the engagement of corporate philanthropy has detoured far from providing full funding for UN mandated and designed programmes. Increased attention and contributions from philanthropy have been accompanied by a shift to accommodating their interests and priorities.

The volume of institutionalized philanthropic funding for development cooperation projects has increased steadily in recent years; this funding is now estimated by UNDP to be between US\$4 billion and US\$6 billion annually. UNDP states:

“That increase in volume, as well as philanthropic investments leveraging large-scale, enterprise-based projects in socially sensitive fields such as education and health, has brought to the fore concerns about how foundations measure up in terms of transparency and accountability.”<sup>297</sup>

Today, private funding of UN activities takes a variety of forms, including contributions to UN Trust Funds, country-level programmes, and support for specific initiatives and activities. Some funding is contributed directly and some through US-based foundations, such as the UN Foundation and the Foundation for the Global Compact. If not yet significant in aggregate terms, such funding can represent a significant and dominant share of support for specific programmes and at the country level. This is particularly evident in the health sector, which is now largely influenced by the Bill & Melinda Gates Foundation (see Chapter 5).

### **Programme and mission distortions**

The pursuit of non-core and voluntary contributions, including from the corporate sector, has been undertaken without due attention to the distortions in programming and governance or to the lessons learned from the UN’s own analyses of the impact of such funding patterns on its operational activities for development, analyses well documented in QCPR reports and resolutions, most recently in GA resolution A/RES/69/238 of December 2014.

#### **Negative effects of earmarked contributions.**

Many UN studies and Member State resolutions have documented and decried the negative effects of earmarked contributions, yet the trend continues—driven by the very Member States that critique it. Perhaps understandable as a response to the failures of governments to finance their global obligations and agreements, this pragmatic approach to broadening the UN financial base also seizes on the reality that governments alone cannot solve the global challenges and provides space for the essential role of non-state actors.

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297 Cf. UN Doc. DP/2012/24 para. 53.

At the same time, however, this approach contributes to re-defining and replacing *the* global UN partnership, which is one among states, with a range of partnerships of different kinds and at different levels. This can have an impact on agenda-shaping and further dilute state responsibilities, abetting efforts by many Member States to re-frame their role in governance (national and global) from provider to manager.

A recent example of these shifts in financing and priorities is seen in the inadequate WHO response to the Ebola crisis, primarily owing to cuts in emergency response staff and the reallocation of resources to other priorities (see Chapter 5).

The experiences of the global partnerships such as EWEC, SE4All and SUN show that the business sector and corporate philanthropy exercise growing influence in policy-shaping, priority-setting, and programme development—and often for relatively small financial contributions. While the estimates of overall financing needs run to billions and even trillions, the contributions are limited to millions. Furthermore, these arrangements function mainly outside the formal, established methods of reporting and governance.

Perhaps the best example of this is the shift from tackling structural problems to identifying quick-win solutions, focused largely on technical aspects rather than on long-term planning, institutional strengthening or capacity building. This is particularly evident in health care where, for example, the Bill & Melinda Gates Foundation has promoted the need to expand vaccines for all sorts of diseases, and funneled money into the provision of such vaccines—building market dependency on the one hand and diverting efforts from the need to strengthen the institutional capacity of the public health system on the other.

While there may be instances of complementarity, often termed win-wins, between the interests of the UN and the business and/or philanthropic sector, these provide limited means to secure the mandated responsibilities of the UN, and are far from transformative in terms of long-term development.

As the UN and its Member States apply more and more of the UN's finite resources for policy analysis and programme delivery to these “win-wins”, they risk crowding out the essential normative work of the UN, and shifting the weight of the public governance architecture to a voluntary one. This risks redefining the purpose and essence of the United Nations, while also raising questions of potential conflict of interest when the UN is working for the highest bidder rather than the best interests of humanity.

Win-Wins risk crowding out the essential normative work of the UN.

This mission-bending away from a central focus on the UN standard-setting and policy coordination functions further erodes the support for the organization. This comes at a time when the value-based authority that the UN can muster is crucial in order to tackle the enormous global challenges of ecological sustainability, promoting human rights and social norms, and managing global public goods.

### **Lack of transparency, disclosure and accountability**

Very limited public disclosure requirements conflict of interest regulations and accountability standards.

To date, UN partnerships have very limited public disclosure requirements if any, and conflict of interest regulations and accountability standards are not in place. As a result, such accountability that exists is only for those who participate voluntarily in specific partnership arrangements.

As a result of a myriad of “innovative” arrangements, the UN system finds itself in partnership with some controversial transnational corporations that have been frequently accused by civil society groups of violating or undermining environmental, labour or human rights standards.

Also the UN lends its name—and reputation—to US-based non-profit organizations that support a range of initiatives and campaigns many of which are not directly related to the work of the UN, a practice particularly noticeable in the case of the UN Foundation.

As the UN Foundation has broadened its activities and strengthened its institution, it has spearheaded many partnerships and campaigns that have not been developed with or are directly related to the entities of the UN system and its designated counter-part, UNFIP. Mindful of reputational risk for the UN, the OIOS has recommended the establishment of policies and procedures to ensure that funds are from acceptable donors.

The UN Foundation now offers informal advice and communications support to the Secretary-General in an *ad hoc* and in-kind manner—a practice that would be frowned on if performed by individual Member States.

The nature of the UN Foundation’s association with the UN is governed by the revised and restated Relationship Agreement and is guided by the newly established Joint Coordination Committee and the UNFIP Advisory Board that is chaired by the Deputy Secretary-General. However, this new agreement and the minutes of the Advisory Board are not in the public domain or subject to regular reporting and review.

The participation of a few Member States in some of these partnerships does not secure the public accountability or result in effective global governance. In fact, in some cases partnerships have even become a funding channel for Member States to evade multilateral oversight. In other cases they use partnerships to promote their domestic corporations at the country level.

The failures and weaknesses of the UN system are not by accident but the result of deliberate decisions by powerful governments, UN heads of agencies and programmes, and influential corporate actors.

Inasmuch as partnerships purport to give all participating actors equal rights, the special political and legal position occupied legitimately by public bodies (governments and parliaments) is sidelined. Multi-stakeholder partnerships implicitly devalue the role of governments, parliaments and intergovernmental organizations, and overvalue the political status of private actors, including transnational corporations and philanthropic foundations involved in these models of corporation.

Partnerships implicitly devalue the role of governments, parliaments and intergovernmental organisations.

Whether or not partnerships purport to actually undermine democratic decision-making depends entirely on who selects the participants, how transparent the partnership is, how representative its composition is, and how accountable the partners are to their own constituencies, as well as to public mandates. If members are handpicked without institutional representation, then the partnership simply gives the illusion of democratic participation. Additionally, if the partners are self-nominated and exclude important groups affected by the partnership's activities, then it cannot purport to be democratically legitimate.

### Undue reliance on Global Compact Principles

If global partnerships are not to stand in the way of a democratic multilateralism, they need clearly to fulfill criteria that ensure that the long-term interests of the public are not damaged by the particular partnership initiative. This demands both a set of sophisticated guidelines and systematic impact assessments.

There is a need for greater scrutiny, transparency, coordination and regulation. The UN core document for business engagement is the Guidelines on Co-operation between the United Nations and the Business Sector, and these guidelines in turn reference the ten Principles of the Global Compact, which provide “an overall value framework for cooperation with the Business Sector.”<sup>298</sup> However, full compliance with these Principles is not a requirement for joining the Global Compact. This approach sets the bar very low; relying on the “voluntary” nature of the Global Compact is an inadequate standard for procurement and use of public monies.

The Global Compact Principles are a pale and partial reflection of the body of UN norms, standards and treaty obligations. They essentially risk making voluntary some UN fundamentals.

Global Compact Principles are a pale and partial reflection of the body of UN norms, standards and treaty obligations.

Further, the Global Compact consistently positions itself as supplementary and complementary to other approaches including monitoring and regulation. Its business model is one of relationship-building, mutual

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298 Cf. UN (2009), para. 9.

learning and encouragement, striving to bring the for-profit sector, especially its major players, into UN activities and operations. It relies on other “stakeholders” to scrutinize and criticize practices and bad behaviour. It promotes a win-win mindset and seeks to avoid confronting areas of tension and conflicting objectives and interests.

Yet these are unavoidable, as starkly described by the head of the WHO, Margaret Chan, with regard to the corporate influence on health promotion and the “business interests of powerful economic operators”:

“In my view, this is one of the biggest challenges facing health promotion. [...] it is not just Big Tobacco anymore. Public health must also contend with Big Food, Big Soda, and Big Alcohol. All of these industries fear regulation, and protect themselves by using the same tactics.”

“Research has documented these tactics well. They include front groups, lobbies, promises of self-regulation, lawsuits, and industry-funded research that confuses the evidence and keeps the public in doubt. ”

“Tactics also include gifts, grants, and contributions to worthy causes that cast these industries as respectable corporate citizens in the eyes of politicians and the public. They include arguments that place the responsibility for harm to health on individuals, and portray government actions as interference in personal liberties and free choice.”

“This is formidable opposition. Market power readily translates into political power. Few governments prioritize health over big business. [...] This is not a failure of individual will-power. This is a failure of political will to take on big business.”<sup>299</sup>

### **Runaway Partnerships?**

The concept of multi-stakeholder partnerships promotes a false sense of equality. Lumping CSOs and corporate actors together according to their non-State status ignores the profound differences in their orientation, interests and accountability.

A number of concerns regarding partnership arrangements and activities have made their way onto the UN and Member States agenda in the context of the active promotion by the Secretary-General of his proposal for a Partnership Facility (see Chapter 6). While this proposal has since been withdrawn, the concerns themselves and the requirements to address them could form the basis for further considerations by the UN and Member States. Proposals discussed by some Member States in this regard include:

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299 Cf. Chan (2013).

- » regular reporting to the General Assembly on the activities of partnerships of the United Nations system, including full disclosure of funding and resources raised or pledged, detailed information on projects, and assessments of project implementation and impact;
- » a process of consideration and approval of proposals for new multi-stakeholder partnership initiatives;
- » full compliance of all partnership initiatives using the UN name, emblem or are in association with it or any of its agencies, funds and programmes with the UN Charter, mission, principles and mandates adopted by Member States and measures to prevent conflicts of interest;
- » ex-ante disclosure/description of financial arrangements for each partnership and of clarification to Member States regarding values involved or contributed to the UN by partnering entities, their source, destination, use and applicable liabilities or responsibilities of respective parties;
- » a framework of accountability for partnerships which includes reporting, monitoring and review;
- » standard guidelines for partnerships involving the UN system, and articulation that would ensure compliance of partnerships with the UN Charter and relevant mandates, including the regulations and rules of the General Assembly, financial regulations and rules, operational activities for development (OAD) resolutions;
- » clarification of the responsibilities of any new partnership entity in the UN secretariat and how they relate to and differ from those of the Global Compact and the UN Office for Partnerships.

## Moving forward

In order to make the UN system really “fit for purpose”, for the purpose to respond adequately to the global environmental, social and economic problems, Member States and UN bodies have to take bold action to overcome selective multilateralism, the weakening of democratic governance, and the financial erosion of public institutions. They have to close the gap between the scale of the global problems and the (financial) capacity of the UN to solve them; they have to overcome “minilateralism” by reducing the share of non-core contributions and earmarked trust funds in UN finance; they have to reconsider the often unconditioned opening of the UN to the business sector and corporate philanthropy; and they have to reverse the trend of outsourcing funding and decision-making to global partnerships outside the UN system.

Basically, actions and reforms are necessary in four areas:

- » The **public funding** of the UN system
- » The **setting of norms, standards and guidelines** to govern the interactions of the UN with the corporate sector



- » The **intergovernmental framework and the institutional capacity** of the UN system for monitoring and oversight of “partnerships”
- » Multi-stakeholderism as the **dominant discourse** and business model of the UN.

While some of the recommended actions below can (and should) be implemented immediately as they build upon current discussions and negotiating processes (e.g., in the context of the partnership resolution of the UN General Assembly), others require long-term, bottom-up changes. The mindset that considers the public sector played out in terms of addressing global problems in society will not be changed top down by governments or diplomats; it is essential to reclaim the concept of the public good, at the UN and in society as a whole.

CSOs and social movements also play a crucial role.

While government responsibility in this regard is paramount, CSOs and social movements also play a crucial role. They should denounce the precarious state of (global) public finance; they should problematize the growing influence of the business sector in the political discourse and agenda-setting; and they should highlight the related problems of increasing fragmentation of global governance, the weakening of representative democracy and its institutions (e.g., parliaments), the unpredictable and insufficient financing of public goods, and the lack of monitoring and accountability mechanisms. In light of these problems, CSOs engaged in partnership initiatives should evaluate the impact and side-effects of these initiatives and potentially reconsider their involvement. Addressing global problems, the belief that some attempt is better than no attempt is not an adequate justification.

## Key recommendations

Governments and UN bodies should initiate actions in four clusters:

### Public funding of the UN system

#### 1. Increase the financial capacity of the UN system

Member States have to provide on time, predictable and reliable funding to the UN system at a level sufficient to enable it to fulfill the mandates they have given it. They should reverse the trend towards voluntary, non-core and earmarked contributions and the increasing reliance on private sector engagement. This requires:

- » Payment of assessed contributions in full and on time.
- » Abandonment of the zero-growth doctrine for the regular budget of the UN and its specialized agencies.
- » Voluntary contributions to be made as core and a commitment undertaken to seriously limit any earmarking.

Furthermore, Member States should adopt the following obligations regarding earmarked funding:

- » They cannot contribute earmarked funds unless they are fully paid up on assessed contributions;
- » They cannot finance through non-core and earmarking without contributing first to core. A track record of core contributions must be established before becoming eligible to earmark;
- » Non-core contributions can never exceed 50 per cent of total contributions at the individual donor level and per institution;
- » All earmarked contributions—UN Trust Funds as well as contributions to the UN development system—will be assessed a 10 per cent levy to fund system-wide, integrated programming dedicated exclusively to supporting the norm setting, policy and advocacy work of the UN.
- » A working group composed of representatives from Member States and the Chief Executives Board, and independent experts will develop proposals for a funding mechanism, to be further elaborated by the Committee for Development Policy. Any proposal will be subject to a mandatory public comment phase before adoption and implementation.

## **2. Establish new sources of funding based on the solidarity principle**

In order to increase the predictability of income flows and reduce the dependence on individual donors, additional sources of public financing should be established complementary to the regular contributions of Member States. Member States should establish a new normative framework of burden-sharing based on the solidarity, common but differentiated responsibilities and “polluter pays” principles.

One obvious source is taxation. Taxation based on the “polluter pays principle,” which holds that the costs of pollution have to be borne by those who cause it, could be extended to a range of global problems, all of which the UN is asked to address. In the context of the recent financial crisis, for example, many have asked for the ‘polluters’—that is, banks and the financial industry—to bear the costs of the crisis.

One way to do this is through the introduction of a financial transaction tax. Imposition of the tax should be internationally coordinated and performed by the responsible national fiscal authorities, but countries should be encouraged to start applying it even before it becomes global. In order to ensure that tax revenue is not used solely to fix budget deficits but is also spent for social and environmental purposes, a substantial part of the revenue should be dedicated and distributed through a fund under UN auspices.

## **3. Take into account the negative consequences— direct and indirect—of partnerships**

The emphasis on multi-stakeholder partnerships can be in conflict with strengthening public administration and UN institutions. Not only are private resources pro-cyclical (depending on the overall economic situation) and generally not made available to support the norm setting, policy and advocacy work of the UN, the use of public resources to secure these partnerships can drain depleted public funds at crucial times.

Partnerships can have high transaction costs, resulting from the need to manage the partnership. These costs are generally underestimated and often the adequate recovery of institutional costs associated with partnership activities is not guaranteed.

UN Member States should ensure that partnerships with UN involvement are not subsidized by core UN resources with consequent negative effects on the availability of remaining core resources. Full cost recovery for multilateral management and demonstrable compliance with UN standards must be guaranteed.

UN administrations should undertake comprehensive cost-benefit analyses of any individual partnership with UN involvement, taking into account not only the direct costs but also the opportunity costs of its engagement.

## Norm and standard setting, guidelines and reporting

### 4. Ensure the Secretary-General's report on UN-business interactions is comprehensive and transparent

As the UN system seeks to upscale business sector engagement, it is critical that it re-examines and acts on some of the lessons learned from its experiences with that sector, particularly regarding integrity, transparency and coherence. The Secretary-General's report on global partnerships from 2013 concurs:

“[...] as partnerships with the private sector become more widespread and significant, it is essential that the United Nations put in place and improve existing integrity measures at all main interfaces with the private sector to protect its brand and reputation, promote responsible business practices and United Nations values and achieve greater coherence between the agendas of the United Nations and businesses.”<sup>300</sup>

Therefore, in line with the subsequent resolution of the General Assembly on global partnerships, the Secretary-General, in collaboration with agencies, funds and programmes should report on efforts to:

- » improve the Guidelines on Cooperation between the United Nations and the Business Sector, including from a gender perspective;
- » disclose the partners, contributions and matching funds for all relevant partnerships, including at the country level;
- » strengthen due diligence measures that can safeguard the reputation of the organization and ensure confidence-building;
- » ensure that these elements are coherently reflected in relevant system-wide reports.<sup>301</sup>

This Secretary-General's report should be undertaken through an open and transparent consultative process, and should be updated regularly in the same manner.

### 5. Upgrade UN standards related to reporting and transparency

Changing the way in which the UN interacts with the business sector also requires an open and transparent reporting process. This should include:

- » Guidelines for transparency and public reporting of existing practices and regular reviews of their relevance and adequacy to fit their purpose. These guidelines should also provide for comprehensive reporting requirements for UN-business partnerships.

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<sup>300</sup> Cf. A/68/326, para 6.

<sup>301</sup> Cf. A/RES/68/234, para. 13.

- » Tracking and coordination across the UN development system in order to prevent duplication and competition within it, and for coherent reporting to the inter-governmental processes.

## **6. Adopt mandatory conflict of interest and public disclosure policies**

The United Nations should adopt a system-wide conflict of interest policy for all interactions with non-State actors, with additional requirements specific to the respective funds, programmes and specialized agencies.

All UN entities should disclose to their governing bodies and make public any situation that may appear as a conflict of interest, and take appropriate action.

They should also disclose if an UN official or professional under UN contract has any kind of relationship with the corporate sector, including corporate philanthropy. Specific requirements in the code of ethics for UN employees could also help address the potential conflicts of interests raised by the circulation of senior staff between UN entities and national governments, private foundations, and corporations. A “cooling off” period during which former senior UN officials cannot start working for lobby groups or lobbying advisory firms could be considered.

## **7. Increase transparency on funding by the private sector**

The UN should disclose the funding it receives from the business sector in a more transparent manner. There is currently no systematic reporting of the funds that the UN receives in the form of extra-budgetary resources, and they are not subjected to regular surveillance by Member States.

Improved reporting is also needed for funds committed in the context of multi-stakeholder partnerships, such as Every Woman Every Child or Sustainable Energy for All. While these initiatives claim billions of US dollars in pledges and investments, it is usually difficult to assess whether the promised funds have actually been disbursed, whether the funds have been new and additional to existing commitments, where the money has gone and what its impacts have been.

## **8. Undertake systematic impact assessments and independent evaluations of partnerships**

Before the UN enters into new multi-stakeholder initiatives or partnerships with business actors, the possible impacts of these activities should be systematically assessed. This should include: evaluating the added value of the initiative for the realization of the UN’s goals; the relation between the risks, costs and side-effects and the potential benefits; human rights impacts; the existence of safeguards on the use of public resources; and the possible alternatives to the planned activities. It should

also include a mandatory public comment phase prior to adoption and implementation.

*Ex ante* impact assessments and ex post evaluations should be carried out by neutral bodies and not by institutions that see themselves as promoters of the partnership approach and are pursuing the rapid expansion of global partnerships (e.g., the Global Compact Office). The results of the investigations must be publicly accessible and open for debate.

The commercial interests of the corporate partners involved must not serve as an excuse for the UN to limit the access to information and the transparency of the funding, impact assessments and evaluations.

Criteria for independent impact assessments and evaluations could be developed or facilitated by the UN Committee on Development Policy.

## **9. Re-evaluate the relationship with the UN Foundation**

After nearly two decades of its special relationship with the UN Foundation, and after signing the revised and restated Relationship Agreement in October 2014, the UN should commission a thorough independent evaluation of this relationship. This evaluation should look, *inter alia*, at the decision-making and oversight structure, including the new Joint Coordination Committee of the UN and UN Foundation and the UNFIP Advisory Board, at the reporting obligations to Member States and at the opportunity costs of this kind of funding arrangement for the UN, including the potentially competitive consequences of Member State contributions. The revised agreement and the results of the evaluation should be made publicly accessible and open for debate.

## **Governance and institutional reforms**

### **10. Take the discussions on the WHO Framework of Engagement with non-State Actors as a test case for reviewing the rules of engagement across the UN system**

The WHO negotiations raise the issue of whether or how to develop frameworks of engagement with the corporate sector in other UN agencies; the UN system's policies on conflicts of interest are still in their infancy.

The ongoing discussions on a Framework of Engagement with non-State Actors within the WHO have identified elements essential for a comprehensive standard for UN-business interactions, which could also be used as precedent for other parts of the UN system.

The negotiations on the Framework are still ongoing, with subsequent drafts rejected twice already by Member States at the World Health Assembly 2014 and 2015. The challenge remains of how to develop a

system of legal and ethical regulation that would protect WHO's integrity in decision-making and its financial independence, restore the much shaken public confidence and return priority setting power to the Member States of the WHO.

At a minimum the Framework should address the following risks for the WHO of engagement with non-State actors, all of which could endanger the WHO's reputation and credibility:

- » undue or improper influence exercised by a non-State actor on WHO's work, especially in, but not limited to, normative and standard-setting, and regulatory activities;
- » the collaboration being primarily used to serve the interests of the non-State actor concerned with limited benefits for WHO and public health;
- » the collaboration conferring an endorsement of the non-State actor's name, brand, product or activity;
- » the whitewashing of a non-State actor's image through association with WHO;
- » a competitive advantage for a non-State actor.

Furthermore, the WHO Framework should distinguish clearly between corporate actors and civil society organizations and refrain from treating fundamentally different actors as equivalent.

Finally, WHO Member States should formulate overarching principles for WHO's engagement with (corporate) non-State actors; they should remove poorly defined or ambiguous terms from the Framework, such as *inclusiveness* and *trust*, and they should check the appropriateness of different types of interactions, including financial contributions and staff secondments, from a conflict of interest perspective.

The outcome of the further negotiations will determine whether the WHO Framework will increase corporate influence in the global health and nutrition arena or whether global public health governance will be better shielded from undue influences.

### **11. Ensure that intergovernmental standards and principles govern UN-business partnerships across the UN system**

An intergovernmental framework similar to the one of the WHO should be adopted by the UN General Assembly to set minimum standards for the participation of the UN in global partnerships and for the shape and composition of UN initiatives involving the private sector.

These standards should prevent undue corporate influence on UN policies and prevent companies who violate internationally agreed environmental, social and human rights standards or otherwise violate UN principles (via corruption, breaking UN sanctions, lobbying against UN

global agreements, evading taxes, etc.) from participation in UN events, participation on expert or high-level panels and from eligibility for UN procurement.

There have been a number of initiatives and mandates from the UN Secretariat and Member States to govern UN engagement with the business and corporate sector, such as the Guidelines on Co-operation between the United Nations and the Business Sector or the Bali Guiding Principles on Partnerships for Sustainable Development (see Box 9). While they are limited, non-comprehensive and have been poorly implemented, they provide starting points for framing this engagement.

### Box 9

#### **The Bali Guiding Principles on Partnerships for Sustainable Development (UN Doc. A/RES/56/76)**

- (a) Partnerships are voluntary initiatives undertaken by governments and relevant stakeholders, e.g. major groups and institutional stakeholders;
- (b) Partnerships should contribute to the implementation of Agenda 21, the Programme for the Further Implementation of Agenda 21 and the Johannesburg Plan of Implementation, and should not divert from commitments contained in those agreements;
- (c) Partnerships are not intended to substitute commitments made by Governments but to supplement the implementation of Agenda 21, the Programme for the Further Implementation of Agenda 21 and the Johannesburg Plan of Implementation;
- (d) Partnerships should have concrete value addition to the implementation process and should be new—that is not merely reflect existing arrangements;
- (e) Partnerships should bear in mind the economic, social and environmental dimensions of sustainable development in their design and implementation;
- (f) Partnerships should be based on predictable and sustained resources for their implementation, include mobilizing new resources and, where relevant, result in transfer of technology to, and capacity building in, developing countries;
- (g) It is desirable that partnerships have a sectoral and geographical balance;
- (h) Partnerships should be designed and implemented in a transparent and accountable manner. In this regard, they should exchange relevant information with Governments and other relevant stakeholders.

## **12. Establish an intergovernmental framework for partnership accountability**

Setting up standards and guidelines for regulating UN-business interactions and partnerships will be a good step forward but by itself is not enough. The growth in the volume and scope of global partnerships increases the opportunities to offshore governance and by-pass intergovernmental decision-making processes not only for some Member States



but also for senior UN officials. Therefore, greater accountability of UN interactions with the private sector and global partnerships requires governments to build the intergovernmental structures for monitoring and oversight within the UN.

This is particularly important with the adoption of the Post-2015 Agenda, for which the High-Level Political Forum (HLPF) becomes the hub for monitoring and review. The HLPF could provide the institutional framework to monitor and review the partnerships with UN involvement related to the Post-2015 Agenda. It should also provide a formal space for independent civil society engagement in these review processes.

### **13. Build UN institutional capacity to monitor and review partnerships**

An institutional framework for partnership accountability will require new and additional capacity in the UN secretariat. Staff is needed for the tasks of screening partnerships, monitoring, evaluation and impact assessments. Minimum standards and guidelines for interaction with corporate actors will remain useless if not systematically implemented. This task should be fulfilled by a new entity established within the UN secretariat. It should carry out its task in a neutral manner instead of acting in a biased way as promoter of partnerships with the corporate sector. Therefore, the UN Office for Partnerships and the Global Compact office would not qualify for this task. Rather their initiatives would be subject to its standards and scrutiny.

## **Changing the discourse**

### **14. Reclaim the public space by and within the UN system**

The measures listed above are indispensable to counteract the growing, non-monitored influence of corporate interests in the UN. But these measures are not ends in themselves. There is a need to reconsider the current mainstream approach based on voluntary governance and an uneasy partnership among diverse ‘stakeholders’. It is important to re-establish a clear distinction between those who should regulate and the party to be regulated and to reject any discourse that obfuscates the fact that corporations have a fundamentally different primary interest from that of governments, UN agencies, CSOs, and social movements: their prime interest—enshrined in their fiduciary duty—is to satisfy the interests of their owners and shareholders. The stakeholder discourse blurs this important distinction between the different actors.

Certainly, meaningful engagement with all sectors of society is a pre-requisite for democratic decision-making as well as providing invaluable and essential expertise in the identification of problems and solutions. The UN should continue to develop its commitment and capacity in this

area without relying on a one-size-fits-all approach. It should develop a model which will allow all actors in society to make contributions and to protect against the influence of vested interests. It should emphasize its role as “an honest broker that promotes fair play” (see Box 10).

### Box 10

#### Margaret Chan on the growing influence of vested interests

“The influence of stakeholders, especially the private sector, in multiple sectors is growing very rapidly at a time when the institutional and regulatory capacity of many countries remains weak.

In the absence of adequate legislation, human and regulatory capacity, the private sector takes on an enlarged role, with little control by the government over the quality and costs of the services being provided. The vital role of government in protecting the public interest is diminished.

In one especially alarming trend, provisions for the settlement of investor-state disputes are being used to handcuff governments and restrict their policy space. For example, tobacco companies are suing governments for lost profits when national legislation, aimed at protecting health, interferes with their business interests.

When private economic operators have more say over domestic affairs than the policies of a sovereign government, we need to be concerned.

If multisectoral collaboration and multi-stakeholder engagement are the reality for sustainable development in the post-2015 era, we need to debate what type of mechanisms are required to allow all stakeholders to make contributions and to protect against the influence of vested interest. We also need to consider the UN’s role as an honest broker that promotes fair play.”<sup>302</sup>

Rather than continuing to “innovate” through “outsourcing” tasks to piecemeal partnerships with decision-making structures outside the UN, it is time to call explicitly for the needed political leadership—and to put in place the necessary regulatory and global governance framework.

Member States must require the United Nations to be a leader in the establishment of democratic global governance, not a victim or a reflection of governance failures.

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302 Cf. Chan (2014).