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.

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).
Overview: The changing landscape of global governance 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:¹

**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.

¹ Cf. UN Secretary-General (2014), pp. 10–11.