United Nations DP/2018/25

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
2 July 2018

Original: English

Second regular session 2018
4-7 September 2018, New York
Item 5 of the provisional agenda
Evaluation

Evaluation of UNDP inter-agency operational services

Executive summary

Contents

18-10891X (E) 100718

I. Introduction

1. The UNDP Independent Evaluation Office (IEO) has carried out an evaluation of UNDP inter-agency operational services as part of the IEO multi-year evaluation plan, approved by the UNDP Executive Board at its first regular session 2018. The evaluation aims to strengthen UNDP accountability to global and national development partners; to support better oversight, governance and risk management practices in UNDP; and to support organizational learning.

2. The objectives of the evaluation were to assess the effectiveness and efficiency of UNDP in providing inter-agency operational services and to provide findings, conclusions and recommendations to improve and inform the contributions of UNDP as a provider of inter-agency operational support services. The evaluation covered the period 2010 to 2017, and the scope of the evaluation looked broadly at the operational structures in place to address the following questions: how effective and efficient is UNDP in providing operational services to other United Nations entities? what are the areas where UNDP has been successful and what are the areas for improvement? what is the value added for other United Nations entities to have UNDP provide inter-agency operational services? and what are the value added, benefits and challenges for UNDP to provide inter-agency operational services to other United Nations entities?

3. The evaluation methodology followed a theory-based[1] approach building from an abridged theory of change including assumptions for how UNDP inter-agency operational services are expected to be adding value to the effectiveness of United Nations agencies' contributions to the Sustainable Development Goals. Choices of questions, methods and proposed strategy for undertaking the evaluation have been grounded in testing these assumptions.

4. A desk review of existing studies and key strategic documents, both internal and external, covered evaluative work from multiple sources, including work conducted by the Joint Inspection Unit and internal and external oversight entities. Assessments of inter-agency activity commissioned by the United Nations Development Group (UNDG) on pilot business operations strategy programmes and common United Nations business operations at the country level were also reviewed. In addition, the evaluation looked at the Secretary-General's report, 'Shifting the management paradigm in the United Nations: implementing a new management architecture for improved effectiveness and strengthened accountability';[2] and the 2018 review of the management function and business processes of UNDP. The review included a financial trend analysis of cost-recovery data and other quantitative information made available by UNDP.

5. Coding and meta-synthesis of UNDP assessments and audits were conducted, including the joint assessment of UNDP institutional effectiveness, the evaluation of the Strategic Plan and global and regional programmes, 2014-2017, as well as UNDP audits relating to global shared services and the initial documentation of the audit of clustering of operational services functions.

6. Field missions for data collections were conducted in 16 headquarters and country offices,[3] chosen to represent different modalities of operational services, countries implementing business operations strategies and countries with integrated service centres, as well as countries where basic common services are provided without such strategies. In selecting countries, the team also ensured that the following were included: countries under the "Delivering as One" modality; countries from all regions; and examples of the operational support provided by UNDP in conflict-affected settings. In addition, IEO consulted with the Joint Inspection Unit team assessing inter-agency operational

[1] Theory-based evaluations are usually based on a theory of change that seeks to explain causality and changes, including underlying assumptions.
[2] A/72/492/Add. 2.
[3] Nairobi (including Somaliaoperations for the country office), Brasilia, Kuala Lumpur, Copenhagen, Hanoi, Luanda, Moroni, Bamako, Bogota, Asuncion, Praia, Geneva, New York, Paris, Vienna and Rome.

effectiveness in the United Nations system and built upon the complementarities between both evaluations in terms of key informant interviewees, data collection and analysis.

7. Semi-structured interview and focus groups were conducted with over 350 people from United Nations entities, Governments and UNDP staff at headquarters, global shared services centres, regionals hubs and country offices. Interviewees' answers were coded by type of questions asked and analysed both quantitatively and qualitatively and then organized and classified into major subthemes. The analysis of data collected was grounded in the theory of change for UNDP operational services support and triangulated against evidence from surveys and desk and country case studies.

8. A meta-synthesis of corporate and external surveys was conducted that covered different aspects of the efficiency and effectiveness of UNDP operational services. The survey results were used to consider possible trends and correlations with findings of the evaluation.

9. IEO client satisfaction and service provider surveys were then developed and used for the evaluation, to further triangulate report findings. The service providers' survey was sent to a sample of UNDP staff, which included: operations managers; deputy country directors and country directors; regional hubs operations managers; staff in the Copenhagen and Kuala Lumpur Global Shared Service Units (GSSUs); and staff working in inter-agency operations services in UNDP headquarters in New York. In total, 219 responses were received from 61 countries. The client satisfaction survey was sent to all United Nations country team (UNCT) representatives and agency heads at headquarters, regional and country levels. In total, 377 responses were received from 112 countries, representing 30 United Nations entities.

10. Quality assurance for the evaluation was ensured by a member of the International Evaluation Advisory Panel, an independent body of development and evaluation experts. Quality assurance was conducted in line with IEO principles and criteria to ensure a sound and robust evaluation methodology and analysis of the evaluation findings, conclusions and recommendations. The panel member reviewed the application of IEO norms and standards for quality of methodology, triangulation of data collected and analysis and independence of information and credibility of sources. The evaluation also underwent internal IEO peer review prior to final clearance.

11. The evaluation has been carried out during a period of considerable operational change for the United Nations and its funds, programmes and independent agencies. In 2017, the General Assembly, in its resolution 71/243 of 21 December 2016 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, urged greater cohesion and coherence in United Nations support to Member States. In response to proposals from the Secretary-General, the Assembly subsequently adopted resolution United Nations72/279 of 31 May 2018 on the repositioning of the United Nations development system (UNDS) in the context of the quadrennial comprehensive policy review of operational activities for development of the United Nations system. The Secretary General is expected to present an implementation plan to Member States by September 2018. There are expectations that reforms will go into effect in January 2019. Shifts in operational services are expected, including a target to co-relocate some of the United Nations agency offices within common premises over the next several years. The scope of UNDP responsibilities at the country level will change as a result of these reforms. While the information set out in this evaluation and the timing of its release may be useful as the UNDS reform moves forward, it offers no comment or recommendations on these reforms. Its intent is aimed directly at UNDP and its current provision of operational services.

II. Context

12. The widespread country presence of UNDP has served as an operational platform for United Nations entities and other partners for many years. UNDP was the initial technical assistance arm of the United Nation in programme countries, therefore the first agency able to carry out operational support to other United Nations entities since its inception. Many United Nations entities utilize UNDP implementation capacity to enable them to operate

more efficiently and effectively, and in difficult and sometimes risky operational contexts or in countries where they do not have a large enough programme to open an office.

13. What has changed over time is that the UNDS has greatly expanded. UNDP is currently serving over 80 United Nations entities in over 170 countries. Some agencies also developed their own capacities for operational services, including to provide these services to other United Nations entities. In the past, support from UNDP was sufficiently covered by UNDP regular resources. Only in 1982, the UNDP Governing Council decision[4] on 'Reimbursement of services provided by UNDP field offices to executing agencies' authorized UNDP to recover the costs of providing services to the United Nations. Another important development was Executive Board decision 2012/27, which reiterated the principle of full cost recovery as stipulated in General Assembly resolution 62/208 of 19 December 2007 on the triennial comprehensive policy review of operational activities for development of the United Nations system. In decision 2013/9, the Executive Board reaffirmed that the guiding principle governing the financing of all non-programme costs should be based on full cost recovery, proportionally, from regular and other resources. This obligated UNDP to ensure full cost recovery of the services provided. Nevertheless, to this date UNDP has not been able to fully recover the costs for services provided to other United Nations entities for reasons that will be discussed.

14. What also has changed is the continuing rapid expansion of the availability and transfer of data, cloud computing, ever-improving and cheaper software and increased offshoring of operational services. The United Nations system, however, is typically a follower, not a leader in embracing new technologies and operational solutions. While these changes should enable faster and less costly updating of systems and create new dynamics for where, and by whom, operational support should be provided more efficiently, that has not always been the case. Over the years, United Nations entities have often demonstrated competing and overlapping agendas working in their own silos and creating significant inefficiencies, especially at the country level.

15. Many reforms have taken place to try to address these inefficiencies.[5] Most recently, in the above-mentioned 2018 report of the Secretary-General, priority is being given to advancing common business operations in UNCTs to build on the progress made through the "Delivering as One" approach and to scale up the business operations strategies[6] that country offices are developing.

16. Contingent on UNDS entities progressing on mutual recognition[7] of policies and procedures, the assumption is that to facilitate active collaboration across agencies'[8] common business operations could yield savings to be redirected to programmes and allow the United Nations to better integrate technologies and apply advanced management practices, thus: improving the quality of services in terms of client satisfaction and compliance with risk metrics and controls; allowing United Nations entities to focus more on their mandates and programmatic functions; and reducing transaction costs for Governments and collaborating agencies. The Secretary-General has set an expectation for the establishment of common

[4] UNDP Governing Council decision 82/33 https://digitallibrary.un.org/record/33683?ln=en

[5] As early as 1979, in resolution 34/213 of 19 December 1977 on Implementation of section V of the annex to General Assembly resolution 32/197 on the restructuring of the economic and social sectors of the United Nations system, the General Assembly requested the Secretary-General to ensure, in consultation with the Governments and the executive heads of the organizations concerned, that the resident coordinator, normally the UNDP resident representative, shall be enabled to help in the implementation at the country level of the objective stated in paragraph 32 of the annex to resolution 32/197, namely the achievement of maximum uniformity in administrative, financial, procurement and other procedure.

[6] The business operations strategy is the UNDG pilot results-based framework to plan, monitor, implement and evaluate operational activities.

[7] Mutual recognition is a principle approved by the General Assembly in 2016 that allows agencies to use each other's processes without having to do additional due diligence to re-prove competitiveness, legal contracting or external auditing. It enables cross-agency service delivery by allowing United Nations system organizations to rely on one another's policies, procedures, tools and related operational mechanisms.

[8] General Assembly resolution 71/243, operative paragraph 52.

back offices for all UNCTs by 2021 and options will be explored for networks of shared service centres to be managed by the larger entities in the systems, taking advantage of their scale and geographic coverage to offer services to other entities in the system.[9]

17. The reform has had and will continue to have major ramifications for UNDP and its traditional administrative role. Nevertheless, General Assembly resolution 72/279 gives due consideration to the role of a responsive UNDP as the support platform of the UNDS providing an integrator function in support of countries in their efforts to implement the 2030 Agenda for Sustainable Development. It remains to be clarified what the role of integrator will mean, but the Secretary-General's report says that repositioned as the integrator platform, UNDP assets and expertise may be put at the service of a wider development system as the operational bedrock for UNCTs and the new resident coordinator system with full separation of the functions of the resident coordinator and UNDP resident representative.[10] This evaluation takes into consideration this shifting playing field but bases its assessment on what has been officially documented and triangulated from consultations with key stakeholders. Based on interviews with UNDP senior management, this evaluation is working with the assumption that, by its commitment to support countries in achieving the Sustainable Development Goals and the principle of leaving no one behind, UNDP reasserts its universal presence, being in or ready to operate even in countries where there is no business case or financial viability for multiple agencies to be present. The presence or proximity access of UNDP to these localities allow the organization to be strategically positioned as an integrator in support of countries and the United Nations partners in their efforts to realize the 2030 Agenda and to serve United Nations entities with its operational backbone.

18. Key documents normatively driving this assessment were the previous Strategic Plan, 2014-2017 and the current Strategic Plan, 2018-2021. The current Strategic Plan states that "the work of UNDP in 170 countries around the world is anchored in diverse and effective partnerships which are vital to the critical roles at the country level as an operational backbone for the United Nations and other partners." In the plan, UNDP committed to improving operational service arrangements for the United Nations family in response to the General Assembly's call, in resolution 71/243, for progressive implementation, where appropriate, of standard operating procedures and business operating strategies and the need to seek further synergies and adopt flexible, cost-effective and collaborative models for its field operations.

19. The UNDP business model performance stream aims to strengthen its client orientation within the United Nations system. The steady improvement in its operational efficiency is expected to allow UNDP to offer other agencies better operational support on request, either towards implementing programmes in countries where funders are not present, or to reduce the need for other agencies to have operational capacities on the ground. Specific actions include development of a client feedback mechanism for United Nations entities regarding quality of service provision, formulation of service-level agreements as appropriate, support to the formulation of business operation strategies as part of the United Nations Development Assistance Framework (UNDAF) formulation efforts, and development of a more transparent and clear methodology for calculation of service costs to be included in the universal price list.

20. A global network of UNDP professionals delivers services to United Nations entities from three dedicated locations, New York headquarters and the Copenhagen and Kuala Lumpur GSSUs, as well as from regional hubs in Panama City, Amman, Bangkok, Addis Ababa and Istanbul and the UNDP presence in 170 countries. The services comprise human resources, procurement, financial services, administrative services, information and communication technology (ICT) services, security services and legal support services.

[9] A/72/492/Add, 2, paragraph 18.
[10] Ibid.

21. The Bureau for Management Services at headquarters is the centralized hub for operational services in New York, leading operational policies and overseeing operational services.

22. The GSSU in Copenhagen hosts the Staff Administrative Services. It comprises two units, Benefits and Entitlements Services and Global Payroll Services. In the area of procurement, the Copenhagen GSSU concentrates on complex procurement capacity-building and training and specialized advisory and business partnering for elections, health, crisis response and energy and environment. The GSSU in Kuala Lumpur provides global financial shared transaction, analytic and associated training services to UNDP units. It also provides non-specialized procurement services and conducts procurement for delivery of all goods and services upon request from bureaux and country offices.

23. The Junior Professional Officers (JPO) Service Centre in Copenhagen administers the Junior Professional Officer Programme and the Special Assistant to the United Nations Resident Coordinator Programme.

24. The regional hubs in the past also provided inter-agency services, but in 2017, operational transactions for management support services (finance, human resources, information technology and procurement) were moved to the GSSUs. There are still some services related to security, common services and administration within some regional hubs.

25. UNDP country offices provide services to other United Nations entities and in 92 per cent of countries, offices are implementing common services with other UNCT agencies. Half of the country offices (49 per cent) across all regions are implementing "Operating as One".[11]

26. Integrated service models were also developed in Brazil, Cabo Verde and Viet Nam. The common service unit in Viet Nam, the joint operations facility in Brazil and the joint office in Cabo Verde were also developed, in the context of the business operations strategy, to streamline key operational areas of participating United Nations participating in these counties by consolidating support services into one facility at the country level.

III. Findings

Financial flows and operational trends

Finding 1. United Nations entities receiving services

27. UNDP has the largest geographic footprint of operational services all United Nations agencies. It currently provides services to over 80 United Nations entities, including specialized agencies, missions, funds and programmes in over 170 countries. An increase in the number of United Nations clients of 9 per cent is observed from 2010 to 2017.

Finding 2. Cost-recovery trends

28. UNDP has only partially[12] recovered the cost of providing services to agencies, a total of $427 million between 2010 and 2017, an average of about $53 million per year, which is less than 10 per cent of the total amount UNDP recovers for implementing its own development projects. A decrease of 11.4 per cent in recovered costs from agencies services was observed in 2017, following an 18 per cent increase in 2016.

Finding 3. Payroll and benefit services trends

29. UNDP provides global payroll, benefits and entitlements for almost as many staff members from other United Nations entities as from UNDP. The amount of services has

[11] Operating as One is a business model that provides United Nations country teams with an outline for common operational support to the implementation of the One Programme by capitalizing on existing agency operational capacities and consolidating service provision.

[12] There is variation in the level of cost recovery; some units are recovering in full such as the JPO Service Centre and others much less.

remained relatively stable over the years. The organization is one of the few agencies able to make payments in local currencies, with existing banking and customary arrangements.

Finding 4. Procurement trends

30. UNDP procurement for other United Nations entities amounted to $1.966 billion between 2010 and 2017. An increase of about 20 per cent is observed since 2015. UNDP remains competitive despite the fact that other agencies are increasingly able to provide comparable procurement options and services.[13]

Finding 5. Transaction and investment trends

31. UNDP has managed a total of $1.6 billion in financial transactions and $7 billion in investments for United Nations entities, including UNDP, between 2010 and 2017. The organization has a solid banking network and is the only agency in most countries able to receive contributions and make payments in local currencies.

Effectiveness and efficiency of UNDP operational services

Finding 6. Effectiveness and areas of success

32. The effectiveness of UNDP in providing operational services to other United Nations entities has varied across different services and locations. United Nations entities expressed being more satisfied with services provided by UNDP specialized units, and less so with services provided at the country level, which display greater variation and often require follow-up. The organization has been most successful[14] providing JPO services and global payroll, benefits and entitlements and treasury services.

33. Where clients were more satisfied, the key factors positively influencing the quality and level of satisfaction with UNDP services were: client orientation with flexibility to address clients' needs; key performance indicators (KPIs), service-level agreements (SLAs) appraisal systems and feedback channels; high capacity staff and low turnover; and solid cost-recovery model.

34. Progress includes: reduced duplication of functions and administrative transaction costs; UNDP providing operational services to other United Nations entities and common support services in 123 country offices; approaches to procurement harmonized across 53 countries, with common long-term agreements for 103 countries; common human resources introduced in 42 countries; common ICT services in 70 countries; and common financial management services in 37 countries.[15]

Finding 7. Efficiency and areas for improvement

35. There is room for improvement in the efficiency of UNDP operational services provision and the organization indicates commitment to changes in the promises of the recently approved Strategic Plan, 2018-2021 to make the organization more nimble, innovative and enterprising to better serve as catalyst and facilitator of support to the United Nations system and to accelerate efficiencies gains through business operations strategies, mutual recognition and broader operational harmonization.

36. United Nations entities, on average, indicated being to some extent satisfied with the efficiency of UNDP and the quality of its services. United Nations entities also found to some extent that UNDP was timely, client-oriented and provided services of good quality, and to a small extent was flexible and cost-effective.

37. Areas most highlighted for improvement included billing, payments and financial transactions as well common premises, and advice on procurement and human resources.

[13] The United Nations Office for Project Services, for instance.

[14] Triangulation for assessing effectiveness and success included responses to IEO and other surveys, with coded interviews with United Nations entities receiving services and UNDP staff providing services, as well as how satisfaction contributed to the positive assumptions of the theory of change as opposed to the risks together with the number of delivered services requested.

[15] Data from 2017 results-oriented annual reports.

Client orientation was identified as lacking, except in the areas identified in previous section (JPO Service Centre, human resources in Copenhagen and treasury), with the need for enhancements to: collect and act upon feedback from clients; lower transaction costs; simplify transactional processes; improve governance arrangements for service provision; provide better quality of services with adequate client orientation focus; provide more automated processes; and improve reporting and billing.

38. Key factors negatively influencing the quality and level of satisfaction are: lack of leadership to ensure a client-oriented culture and proper staff capacities for timely quality services; lack of SLAs, KPIs, appraisal systems and feedback channels; different enterprise resource planning (ERP) systems, limited access to Atlas,[16] outdated systems and inadequate tools generating duplications, errors and delays; and lack of clarity about value for money, cost recovery, billing and whom to contact for what.

Finding 8. Client orientation and staff capacities

39. Overall, where clients were unsatisfied, UNDP lacked client orientation, linked to varying degrees of adequate staffing capacities to provide timely quality services and transparency in billing and cost recovery, which is worse at the country level.

40. Fewer than 22 per cent of the United Nations entities consulted found UNDP operational services to be timely or client-orientated.[17] Some country offices provide quality services but others view support to the other agencies as a hindrance and distinctly lower priority than the needs of UNDP. The current service provision arrangements in UNDP country offices depend on varying quality and interest from personnel across those offices, with negligible feedback loops on customer satisfaction and no performance measures that take into account the quality of services to other United Nations entities.

Finding 9. Harmonization and mutual recognition

41. Mutual recognition is not yet widely accepted and the lack of harmonization of policies, procedures and systems throughout the United Nations system challenge integration of provision of services.

42. Historically, each United Nations agency has developed its own systems, polices, rules and procedures. This has been recognized as being highly inefficient and has come in for criticism and recommendations for change, through the quadrennial comprehensive policy review of operational activities for development and other means. "The organizational cultures and arrangements of the United Nations have not been conducive to a whole-of-system-response, including slow progress in harmonization and simplification of business practices."[18]

43. The push for mutual recognition has been driven at the level of United Nations Headquarters; however, the trickle-down process to the country level will take time, and country-level staff have expressed confusion on the meaning, extent and system changes required for mutual recognition. In resolution 71/243, the General Assembly requested the UNDS to further simplify and harmonize agency-specific business practices, processes and reporting in alignment with the UNDAF or equivalent planning framework. Nevertheless, requirements and timetables for changing procedures at country office level are not clear. The UNDG and High-level Committee on Management are presently working on improving the communication to the field but it is important to remember that while senior people at the corporate level often make considerable progress in harmonizing and streamlining, this is not always filtering through, and changing the mindsets and practices at the country office level may take time.

[16] UNDP ERP software.

[17] IEO client satisfaction survey.

[18] Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2018: report of the Secretary-General (A/73/63-E/2018/8).

Finding 10. Service level agreements and key performance indicators

44. UNDP does not make consistent use of SLAs and KPIs. There are SLAs developed at the corporate level, but at the country level, for the most part, these are not in place, nor does the organization or agencies have prioritized consistently tracking and monitoring them.

45. There are SLAs developed at the corporate and GSSU levels. The specialized units in New York and GSSUs have KPIs and, according to corporate reports, generally deliver well on them. At the country level, however, these do not often exist and services are not aligned to any corporate operational standard. Observations suggest a high degree of informality in the provision of services, which creates a high degree of variability in service quality and customer satisfaction across all country offices. Clustering of services means that specialized service units are generally better positioned to deliver against SLAs with KPIs to ensure minimum standards with some uniformity. However, there is not yet a well-established offshoring system in place that could serve the needs of all country office or carry some of the load during peak demand periods.

Finding 11. Appraisal systems and feedback channels

46. UNDP lacks adequate appraisal systems for quality and satisfaction of services it provides to agencies, and there are no automated feedback channels for real-time adaptive management.

47. The organization issues annual or biannual corporate satisfaction surveys, but with limited reach, which clients find insufficient. Fifty-six per cent of UNDP staff indicated that their offices never or not often enough consulted about client satisfaction. Interviews highlighted that nowadays, service providers are expected to provide real-time appraisal data and feedback. Clients expect to be able to assess services at the time that services are rendered and they expect feedback channels that also minimally respond in real time. Eighty per cent of UNDP operational staff consulted for the 2018 review of the management function and business processes responded that an online or automated real-time monitoring system is needed to replace the current tools in place.

Finding 12. Transparency of costs and value for money

48. The lack of transparency about the pricing of UNDP services and poor communication on the subject drives agencies to question value for money, despite recognizing that services are often much cheaper than having their own entities provide the services.

49. Fifty-eight per cent of United Nations entities surveyed do not find the UNDP methodology for calculating cost recovery to be transparent. This is particularly true for the case of the services charged based on the universal price list at the country level. For common shared services, local price lists and bilateral agreements negotiated directly with headquarters, there is more clarity about the calculations and prices can be to some extent negotiated. When agencies understood the calculations, although some still view the price to be expensive, they highlight it as fair and transparent, therefore seeing more value for money. UNDP staff consulted for the 2018 review of the management function and business processes also rated ‘policies and procedures related to cost recovery’ as ‘least satisfactory’. In particular, the lack of transparency prevents UNDP from having a fact-based, transparent discussion with clients when setting prices for its services.

Finding 13. Underinvestment in information technology

50. Investments in ICT saw a spike from $2.6 million in 2016 to $8.5 million in 2017 to adjust to the restructuring of UNDP offices and functions, and as a result ICT underinvestment during the period 2013-2016. However, the organization is still challenged by outdated systems, inadequate tools and a limited number of IT staff to adequately address needs and demands.

51. Atlas, the UNDP ERP system, needs updating and was heavily criticized by United Nations entities and UNDP staff. It was seen to have a negative impact on efficiency. The main concerns regarding Atlas include: outdated technology and processes; complicated

ecosystem requiring high maintenance; difficulties of compatibility with other ERP software and resulting duplication of work and errors; lack of accessibility; and limitations in producing customized reports

Finding 14. Clustering

52. Full clustering of United Nations entity services that are not location-dependent could deliver greater efficiencies, savings and economies of scale. However, UNDP lacks a clear vision for clustering, adequate resources, tools, processes and implementation plans.

53. Interviews and other assessments highlighted the following key factors currently hindering clustering: absence of a clear action plan, business case and functional analysis; resistance from country offices and regional bureaux; constraints caused by the current decentralized model; lack of user-friendly automated and integrated systems aligned to Atlas; absence of a clear costing methodology for services; poorly defined roles of GSSUs and weaknesses of structure and budget allocation; an internal corporate accountability framework in need of adjustments; and a need for policy owners to clarify standard operating procedures and secure resources.

Finding 15. Advantages of integrated service models

54. Integrated service models at the country level are not necessarily more efficient and cost-effective but they have provided UNCTs with more ownership over operational services strategies and higher satisfaction levels. Models studied in Brazil, Cabo Verde, Viet Nam and Copenhagen displayed more neutral, less biased and shared governance mechanisms, improved client orientation and provided more open space to build on the professionalization of operations staff.

55. United Nations entities, including UNDP, showed high levels of satisfaction with the effectiveness of operational support where a common integrated shared services arrangement was in place, compared to the traditional lead agency model. Clients were satisfied where UNDP led the common services, as in Copenhagen, but were more satisfied when the integrated services unit was independent of an agency and reported to the operations management teams, as in Viet Nam. Shared governance and costing have opened the way for shared accountability and a more desirable level of independence. It was particularly less burdensome for UNDP as well, as it did not have to subsidize other United Nations entities, due to low cost recovery.

Finding 16. Challenges of the integrated models

56. Integration of operational services arrangements at the country level is still challenged in terms of buy-in by United Nations entities, financial sustainability and dependence on UNDP as the legal entity, a role which has inherit costs, risks and liabilities.

57. As the legal entity having a standard basic assistance agreement with Governments, UNDP assumes the legal accountability, risks and liabilities for United Nations entities that request services and all integrated arrangements. Thus, UNDP has to provide or sign for certain services on behalf of the integrated unit. UNDP also provides financial oversight to all integrated service units but for the most part does not fully recover costs for absorbing the associated risks.

58. The financial sustainability of these integrated initiatives is not certain and represents a risk, especially for UNDP. Some efforts are needed to identify the break-even point for these integrated structures; for most of the examples analysed, UNDP is still subsidizing part of the cost of services for the other United Nations entities. In this sense, beyond the strategic relevance of leading and helping to consolidate effective operational integration experiences, cost-efficiency and financial sustainability are is equally important to protect investments made by UNDP and to avoid new ones.

Value added for United Nations entities to have UNDP as service provider

Finding 17. Value added for United Nations entities

59. Cost savings and value for money are key initial values added, but cost efficiencies are not enough to achieve and maintain the satisfaction of United Nations entities, which also expect improved processes, quality and timeliness of services, responsiveness and risk reductions.

60. United Nations entities were driven to UNDP only to a small extent by the expectation of value for money and cost savings. Interviews elucidated that not all agencies conducted a cost-benefit analysis when choosing UNDP as a service provider. Some agencies highlighted that they were willing to pay higher prices as long as they received quality timely services. United Nations entities, however, did indicate that services becoming more expensive would to a great extent influence them moving away from UNDP. But almost as important in an eventual decision to leave UNDP would be the lack of timely provision of service, quality services and adequate customer services. Cheaper alternatives would be ranked lower in the level of priority for their decision-making, with over 20 per cent of respondents not considering that at all a key factor.

61. To a more limited extent, United Nations entities surveyed found that UNDP inter-agency operational services also added value to the following: United Nations coordination; less duplication of efforts; synergies among United Nations entities and reduced risks; improved transparency, simplification of processes and procedures; cost savings; gender equality and women's empowerment; and innovations.

Value added for UNDP to provide operational services to other United Nations entities

Finding 18. Value added for UNDP

62. Economies of scale are the most tangible value-added benefits to UNDP from providing services to other United Nations entities. Other benefits are more intangible and include opportunities to position UNDP as a leader in the United Nations system; synergies built among United Nations entities; enhanced United Nations coordination; and greater visibility. To a limited extent, UNDP also benefits from generated innovations and improvements to address other agencies' needs. Advantages from which UNDP is not benefiting are full cost recovery for its services and efficiencies at the country level from further offshoring of agencies' services and integration of back office support services.

63. The most easily identified economies of scale from which UNDP benefits are related to common services and premises; procurement; banking; and foreign exchange. By concentrating demands from agencies, UNDP is better positioned to identify common needs and increase its bargaining power. The volume of services in certain service lines, such as finance and treasury, can also generate advantages in the negotiation of banking services.

64. The lead position of UNDP in the provision of operational services is also recognized as having a positive effect on the visibility of UNDP, strategically positioning the organization vis-à-vis donors, partners and host Governments. Knowing that UNDP serves the other United Nations entities helps Governments and donors to see UNDP as a credible and trusted partner to implement their work, while at the same time potentially enhancing United Nations coordination, promoting synergies among United Nations entities and influencing the leveraging of resources.

65. Cost recovery, despite its current limitations and low significance in absolute numbers, has the potential to be an important value added for UNDP. With more adequate models and capacities to fully recover the cost of services provided to other United Nations entities, the additional income generated can improve operational capacities and efficiencies. With back office support services in integrated common units and with offshoring of clustered operational functions, efficiencies could also allow savings to be redirected to programmes.

Challenges to UNDP in providing operational services

Finding 19. Challenges for UNDP

66. UNDP faces challenges in providing services to other United Nations entities due to the lack of financial and human resources, inadequate managerial tools and systems and its inability to properly price and fully recover the costs for providing services to United Nations entities. This is to some extent negatively affecting the reputation of UNDP and its attention to its development mandate and partners.

67. Key factors challenging UNDP provision of services to other United Nations entities include: inadequate business models to fully price and recover the costs for providing services to agencies, including oversight and liabilities; lack of adequate staffing capacities to deliver quality and timely services; lack of financial resources to invest in adequate ICT tools and systems; and lack of buy-in by country offices for the mandate to serve other United Nations entities.

68. A significant challenge faced by UNDP has been identifying and benchmarking the cost of operational services and transparently presenting these costs to United Nations entities and UNDP staff. In all cases business units at all levels generally bill only for some of their direct costs incurred at the individual business unit level, not indirect costs. UNDP overhead and capital investments are not taken into account either. A marginal costing approach is used at country level to recover costs. It is not always realistic to assume that staff at country level have spare time to provide the services to the agencies, while also providing services to UNDP; this stems from a time when regular resources were enough for staff to provide additional services. Only 16 per cent of country offices consulted indicated having sufficient time to provide the required operational services to other United Nations entities with adequate quality.[19]

69. The unwillingness of some United Nations entities to pay full cost is also a key challenge for UNDP. UNDP has tried to adjust the price of services over time, but it was faced with much resistance, mainly at corporate levels. At country level, however, United Nations entities often complain about price during consultations, but when costs were presented transparently with clarity as to how they were calculated, they often admitted the price was fair. The appropriate disclosure of the costing method is potentially an element that could help overcome this resistance to full cost recovery.

Finding 20. Lack of incentives and a vision with boundaries.

70. The absence of incentives to serve other United Nations entities, such as performance assessments, and the absence of a vision with boundaries has often led to lack of buy-in and demotivates UNDP staff to provide quality services to other United Nations entities.

71. Performance assessments of staff consulted at the country level currently do not include performance in serving other United Nations entities. Although this may apply to some staff in some countries, the practice is not consistent throughout all country offices. This builds a sense of informality in conducting those services, which influences the level of commitment and motivation of staff, potentially affecting the overall quality of services. Occasionally, UNDP staff in country offices are not even well informed as to why they are providing these services, and some mistakenly consider them a favour.

72. The strict adherence to a decentralized approach to operations lacks consistency, generates risks and limits efficiencies. Decentralization is important to programming; it empowers regions and countries in supporting development in alignment to the needs of countries. However, a similar decentralized approach to operations is not efficient; it has prevented economies of scale, generated inconsistencies in operational quality standards across the different offices, diffused responsibilities and diluted accountability.

73. Serving United Nations entities with insufficient resources at times has deviated the attention of UNDP from its own development mandate and from partners in order to

[19] IEO survey of service providers.

accommodate or favour the needs of other United Nations entities, with staff seeing the cost-recovery charges as a way to augment the country office's income. But more often, United Nations entities reported feeling they are served second. Staff and clients consulted indicate that these constraints affect the reputation and reliability of UNDP. On the other hand, UNDP also cannot offer adequate services without the guarantee of fully recovering its costs.

74. It is not clear what UNDP means by its commitment in the Strategic Plan to serve as an operational backbone of the United Nations and partners. UNDP lacks a vision with boundaries. Even though UNDP can provide nearly all services to United Nations entities from nearly all country offices, and this is a competitive advantage, it is not clear whether UNDP is well positioned to continue to provide all services everywhere or whether it should. What is clear is that an operational backbone to serve the United Nations system needs to provide consistent quality of services and client orientation at all levels. With the new leadership, internal critical reflections and assessments are taking place, such as the 2018 review of the management function and business processes of UNDP, which aim to improve UNDP management services and business processes and better position UNDP to become a preeminent operational backbone for the United Nations system.

IV. Conclusions

Conclusion 1. UNDP lacks a vision for its role as an operational backbone to the United Nations system.

75. With the largest geographical footprint of all United Nations agencies around the globe, building on a long history of providing operational support, UNDP is well positioned to serve as an operational backbone to the UNDS in support of the Sustainable Development Goals and the principle of leaving no one behind. Yet it is no longer a foregone conclusion that UNDP will maintain this leading role. The reform of the UNDS, the delinking of the resident coordinator system from UNDP, the advancement of Delivering as One, the establishment of United Nations business operations strategies and the rising use of offshored global shared services units from other United Nations agencies, all suggest there is a paradigm shift underway in terms of how the United Nations operates and coordinates operational services. While UNDP remains an important player, the organization can no longer assume that its role as the only operational "backbone" will continue. There are other agencies offering competitive services and UNDP lacks a clear vision on how to operate in this changing environment and deliver operational services more efficiently and effectively, within existing resource, policy and procedural constraints.

Conclusion 2. UNDP has not been consistently carrying out operational services with a customer-first orientation.

76. There are significant inefficiencies in the UNDP service delivery model and widely inconsistent quality of services. Transactional speed and quality handling of services for other agencies are too often attributed to personal relationships, and there is a perception that UNDP business is the priority. Cost-recovery schemes and billing processes are not clear. UNDP does not make consistent use of SLAs and KPIs and there are no appraisal systems with adequate feedback channels for gauging customer satisfaction.

Conclusion 3. Underinvestment by UNDP in ICT systems and tools, staffing and training have prevented more efficient provision of services.

77. UNDP has not maintained an optimal level of human capacities and financial investment for timely and high-quality operational services and systems. The outdated version of Atlas in use and its limited access and interface with other ERPs create high maintenance costs. Without user-friendly systems, country offices often revert to local solutions and manually executed controls, which heighten the risk of errors and lead to slower, less cost-effective services.

Conclusion 4. UNDP has been unable to adequately set prices and recover costs for services to United Nations entities.

78. The universal price list is insufficient and the marginal costing scheme, counting on staff having spare time to serve the United Nations entities after serving UNDP, is not a client-oriented approach and does not properly take into consideration that many country offices have reduced numbers of staff. It is also difficult to predict and plan for the volume of operational services requested by United Nations agencies, and there is resistance from the agencies to pay at a level that allows UNDP to fully recover the costs for these services.

Conclusion 5. Specialized central units are better suited to cover non-location dependent services.

79. GSSUs have better capacity than individual country offices to provide non-location dependent services with more consistent quality, greater efficiencies and reduced risk. Unfortunately, the decentralized model of operations has proven inefficient. The lack of a unified vision with strong leadership has led to the current approach of clustering only a few services for a few country offices on a voluntary basis, which is not conducive to achieving the full potential of clustering to generate significant efficiencies and economies of scale.

Conclusion 6. Common integrated or joint operations service arrangements at the country level are well positioned to provide location dependent services and are superior to lead agency arrangements.

80. Common integrated arrangements normally report to the UNCT instead of a lead agency, which generates more neutral governance, ownership and trust, and can improve managerial capacities for more client-oriented provision of services. This model is also less financially burdensome for UNDP, as it means that UNDP does not have to subsidize services for agencies due to low cost recovery.

V. Recommendations

Recommendation 1. UNDP should develop a clear vision refining its role vis-à-vis the UNDS reform to serve United Nations entities with improved customer orientation and quality of services.

81. In developing a clear vision, UNDP should strategically specify boundaries – what services are to its advantage to offer and how – and demonstrate that it wants the business of United Nations agencies with a plan to improve client orientation through proper incentives to improve quality of services. This includes developing SLAs with mandatory reporting of KPIs and establishing a real-time appraisal system with automated feedback channels incorporated into service delivery to ensure quality of services and timeliness of response.

Recommendation 2. The Bureau for Management Services should appropriately price and implement full cost recovery for all services to United Nations entities.

82. It will thus be important to revise current cost-recovery methodologies, reconsider the universal price list and offer tools and capacity-building for country offices to customize costing methods that better capture the process chain behind each service line, including the cost of managing risks and liabilities absorbed by UNDP as a service provider. As it devises a more detailed costing strategy, UNDP should also identify where efficiency gains can be made in processes, compared to other agencies and include the cost of business sustainability enhancements.

Recommendation 3. UNDP should incrementally implement full clustering of non-location dependent services, for all regions and all country offices, on a mandatory basis at least for services to agencies.

83. The Bureau for Management Services will thus need to assess the current capacities available at the GSSUs and develop a strategy to develop adequate structures and professionalize services, adapting locations as needed for languages and time zones. The role of leadership is pivotal to ensure that all regional bureaux adjust to this centralized model

needed for further economies of scale and efficiencies. As the UNDS reform establishes new service hubs led by other United Nations agencies, these should be considered to absorb part of the services to be rendered to other United Nations entities, as appropriate.

Recommendation 4. UNDP should promote common shared integrated service arrangements at the country level for location-dependent services.

84. The Bureau for Management Services will need to conduct a more critical assessment of what are currently considered location-dependent services and identify which services are absolutely necessary to be kept in country and cannot be provided by GSSUs. UNDP should then promote the idea that all location-dependent services be provided by local common shared integrated services arrangements, by establishing a well-defined corporate structure to support an improved model for roll-out of United Nations business operations strategies to support these integrated arrangements. At the same time, to strategically position UNDP, the organization should make available tools, such as the business operations strategy automated cost-benefit analysis, to help UNCTs and UNDP country offices make more transparent and data-informed decisions around the cost and efficiencies of local shared integrated service arrangements.

Recommendation 5. UNDP should develop a phased approach to invest in ICT tools and systems improvements over the next five years and ensure that critical staff and an effective strategy are in place to harvest such investments.

85. This includes investing in an upgrade of the ERP to improve its user interfaces and a real-time appraisal system with automated feedback channels to monitor and improve the quality of services. UNDP should also consider partnering with other agencies for e-commerce solutions and explore business partnership solutions to co-develop and pilot innovative and state-of-the-art tools and systems, including eventually the replacement of the current ERP, better customized to the needs of all United Nations entities.