



IEO | INDEPENDENT
Evaluation Office
United Nations Development Programme

EVALUATION

OF UNDP INTER-AGENCY
OPERATIONAL SERVICES



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FOREWORD

It is my pleasure to present the evaluation of UNDP inter-agency operational services. The evaluation covered the period 2010 to 2017 and examined the efficiency and effectiveness of UNDP inter-agency services, with the aim to provide useful recommendations to improve and inform UNDP's performance as a provider of inter-agency operational services. The analysis of the evaluation covered 16 countries and UNDP Global Shared Services Centres, and collected feedback from more than 350 interviews and 600 surveyed respondents from UN entities at the central, regional and country office levels.

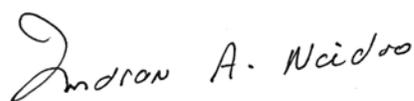
The evaluation comes at a time when reforms are underway to reposition the United Nations development system (UNDS) to support the 2030 Agenda with greater coherence and accountability through better collaboration and enhanced synergies to strengthen effectiveness. While the information set out in this 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. The range of UN system-wide reforms is expected to impact UNDP significantly. The evaluation found that such changes require UNDP to rethink its vision and business models to ensure its strategic positioning as an operational backbone to the UN system.

In this context, the evaluation points to areas in which UNDP operational services function well and areas that need improvements. It highlights the value added for UN entities to have UNDP as their service provider and the challenges faced by UNDP. The evaluation found that

looking across its operational services globally, wide variations can be discerned in UNDP efficiency and effectiveness. This is hardly surprising across operations in 170 countries and the varying scope and roles for UN agencies across these countries. UNDP, where it performs well, has contributed to efficiencies and economies of scale, strategically positioning the organization vis-à-vis donors, governments and partners. However, the quality of inter-agency services is not consistent, particularly at the country level, services lack client-orientation and costs are not fully recovered.

The evaluation offers ways in which these operational services can be improved and further enhanced. It includes UNDP developing a clear vision and putting in place adequate incentives to serve UN entities as well as UNDP initiatives with customer orientation and improved quality of services. The evaluation also highlights the need for a revised cost-recovery approach; improved and expanded clustering of non-location dependent services and common shared integrated arrangements for location dependent services.

I hope this evaluation will inform how the organization will more strategically position itself and enhance the way it provides operational services to other UN entities in support of the Sustainable Development Goals.



Indran A. Naidoo
Director
Independent Evaluation Office, UNDP

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ACRONYMS AND ABBREVIATIONS

| | |
|----------|--|
| BMS | Bureau for Management Services (UNDP) |
| BOS | business operations strategy |
| DOCO | United Nations Development Operations Coordination Office |
| ERP | enterprise resource planning |
| GSSU | Global Shared Services Unit |
| ICT | information and communication technology |
| IEO | Independent Evaluation Office (UNDP) |
| JPO | Junior Professional Officer |
| KPI | Key Performance Indicators |
| LPL | local price list |
| LTA | long-term agreement |
| SBAA | Standard Basic Assistance Agreement |
| SDG | Sustainable Development Goal |
| SLA | service level agreement |
| UNCT | United Nations Country Team |
| UNDG | United Nations Development Group |
| UNDP | United Nations Development Programme |
| UNDS | United Nations development system |
| UNDSS | United Nations Department of Safety and Security |
| UNEG | United Nations Evaluation Group |
| UNFPA | United Nations Population Fund |
| UNICEF | United Nations Children's Fund |
| UNOPS | United Nations Office for Project Services |
| UN Women | United Nations Entity for Gender Equality and the Empowerment of Women |
| UPL | universal price list |
| WFP | World Food Programme |

EXECUTIVE SUMMARY

The UNDP Independent Evaluation Office (IEO) has carried out an evaluation of the 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 in 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.

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 such support services. The evaluation covered the period 2010 to 2017 and looked broadly at the operational structures in place. It assesses whether UNDP is managing these operational services effectively and efficiently, while meeting the needs and expectations of the other United Nations entities receiving this support at the global, regional and country levels.

The evaluation has used a methodology to inform data gathering and assess the performance of UNDP as it relates to the satisfaction experienced by the clients, taking an iterative approach to gathering multiple perspectives to measure satisfaction and performance. Evidence has been collected from document reviews, a meta-analysis of evaluations and audits, country case study missions, interviews, focus groups and two comprehensive surveys with clients and service providers serving as strong valid empirical basis for final triangulation of evidence and analysis. The evaluation covered 16 countries, including the two Global Shared Services Units, UNDP Headquarters and underwent internal IEO peer review and quality assurance by the Evaluation Advisory Panel prior to final clearance from IEO directorate.

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 Programme review of operational activities for development of the United Nations system, urged greater cohesion and coherence in UN support to Member States. In response to a proposal from the Secretary-General, the Assembly subsequently adopted United Nations resolution 72/279 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 will present an implementation plan by September which has to go through a review by the UN General Assembly's Fifth Committee. Reforms are expected to 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.

Below are the key findings, conclusions and recommendations of the report.

FINANCIAL FLOWS AND OPERATIONAL TRENDS

Finding 1. UN entities receiving services. UNDP has the largest geographical footprint of operational services among all UN agencies. It

currently provides services to over 80 UN entities, including specialized agencies, missions, UN funds and programmes in over 170 countries. An increase in the number of client UN entities of 9 percent is observed from 2010 to 2017.

Finding 2. Cost recovery trends. UNDP has only partially¹ recovered the cost of providing agencies services - a total of US\$427 million between 2010 and 2017, an average of about \$53 million per year, which is less than 10 percent of the total amount UNDP recovers for implementing its own development projects. A decrease of 11.4 percent in recovered costs from agencies services was observed in 2017, following an 18 percent increase in 2016.

Finding 3. Payroll and benefit services trends. UNDP provides global payroll, benefits and entitlements for almost as many staff members from other UN entities as from UNDP. The amount of services has 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. UNDP has procured \$1.966 billion for other UN entities between 2010 and 2017. An increase of about 20 percent is observed since 2015. UNDP remains competitive even though other agencies are increasingly able to provide comparable procurement options and services.²

Finding 5. Transactions and investment trends. UNDP has managed a total of \$1.6 billion in financial transactions and \$7 billion in investments for UN entities, including UNDP, between 2010 and 2017.³ 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. The effectiveness of UNDP in providing operational services to other UN entities has varied across different services and locations. UN entities expressed being more satisfied with services provided by UNDP specialized units, and less so with services provided at the country level that display greater variation and often require follow-up. The organization has been most successful⁴ providing Junior Professional Officers services, global payroll, benefits and entitlements and treasury services.

Finding 7. Efficiency and areas for improvement. There is room for improvement in the efficiency of UNDP operational services provision and the organization indicates commitment to such improvements in the promises of the recently approved 2018-2021 Strategic Plan to “make the organization more nimble, innovative and enterprising to better serve as catalyst and facilitator of support to the UNS; and to accelerate efficiencies gains through BOS [business operations strategy], mutual recognition and broader operational harmonization.”

Finding 8. Client orientation and staff capacities. 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.

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

2 UNOPS, for instance.

3 \$5.9 billion from pooled financing, administered by the Multi-Partner Trust Fund Office.

4 Triangulation for assessing effectiveness and success included IEO and non-IEO survey responses, with coded interviews with UN 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.

Finding 9. Harmonization and mutual recognition. Mutual recognition is not yet widely accepted by UN entities and the lack of harmonization of policies, procedures and systems throughout the UN system challenges integration of provision of services.

Finding 10. Service Level Agreements (SLAs) and Key Performance Indicators (KPIs). 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.

Finding 11. Appraisal systems and feedback channels. UNDP lacks adequate appraisal systems for quality and satisfaction it provides to agencies, and there are no automated feedback channels for real-time adaptive management.

Finding 12. Transparency of costs and value for money. 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 UNDP's services are often much cheaper than having their own entities provide them.

Finding 13. Under-investment in information technology. Investments in ICT saw a spike from \$2.6 million in 2016 to \$8.5 million in 2017 to adjust to the UNDP restructuring of offices and functions, and as a result ICT under-investment of the period 2013-2016. However, the organization is still challenged by outdated systems, inadequate tools and a limited number of IT staff to address needs and demands adequately.

Finding 14. Clustering. Full clustering of agencies non-location dependent services could have been delivering greater efficiencies, savings and economies of scale. However, UNDP lacks a clear vision for clustering with the adequate resources, tools, processes and implementation plans.

Finding 15. Advantages of integrated service models. Integrated service models at the country level are not necessarily more efficient and cost-effective but they have provided UN Country Teams (UNCTs) with more ownership over operational services strategies and higher satisfaction levels. Models studied in Brazil, Cape Verde, Viet Nam and Copenhagen displayed more neutral, less-biased and shared governance mechanisms, improved client orientation and more open space to build on the professionalization of operations staff.

Finding 16. Challenges of the integrated models. 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 with inherent costs, risks and liabilities.

VALUE ADDED FOR UN ENTITIES TO HAVE UNDP AS SERVICE PROVIDER

Finding 17. Value added for UN entities. Cost savings and value for money are key initial values added, but cost efficiencies are not enough to achieve and maintain UN entities' satisfaction. Agencies expect improved processes, quality and timeliness of services, responsiveness and risk reductions.

VALUE ADDED FOR UNDP TO PROVIDE OPERATIONAL SERVICES TO OTHER UN ENTITIES

Finding 18. Value added for UNDP. Economies of scale are the most tangible value-added UNDP benefits from providing services to other UN entities. Other benefits are more intangible and include opportunities to position UNDP as a leader in the UN system; synergies built among UN entities; enhanced UN coordination; and greater visibility. To a limited extent, UNDP also benefits from generated innovations and improvements to address other agencies' needs. Advantages UNDP is not benefiting from 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.

UNDP CHALLENGES TO PROVIDE OPERATIONAL SERVICES

Finding 19. Challenges for UNDP. UNDP faces challenges in providing services to other UN entities, due to the lack of financial and human resources; inadequate managerial tools and systems; and its inability to properly price and fully recover cost for agencies services. This is to some extent negatively affecting UNDP's reputation and attention to its development mandate and partners.

Finding 20. Lack of incentives and a vision with boundaries. The absence of incentives, such as performance assessments to serve other UN entities, 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 UN entities.

CONCLUSIONS

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

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. 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. 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. 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. The Bureau for Management Services will need to conduct a more critical assessment of what are currently considered location dependent services and identify which ser-

vices 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. 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.

Chapter 1

INTRODUCTION

1.1 BACKGROUND

As part of its multi-year evaluation plan, approved by the UNDP Executive Board at its first regular session in January 2018, and in line with the UNDP Evaluation Policy, the Independent Evaluation Office (IEO) of the United Nations Development Programme (UNDP) has undertaken an evaluation of the effectiveness and efficiency of UNDP inter-agency operational services. The results will be presented to the Executive Board at its second regular session in September 2018.

The evaluation has been conceived within the overall provisions contained in the UNDP Evaluation Policy with the purposes to strengthen UNDP accountability to global and national development partners, including the UNDP Executive Board; to support better oversight, governance and risk management practices in UNDP; and to support organizational learning.

1.2 OBJECTIVES AND SCOPE OF THE EVALUATION

The objectives of this evaluation are 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 UNDP's performance and results as a provider of inter-agency operational support services.

The evaluation covered the period from 2010 to 2017 to align with the structural changes that ensued in UNDP following the 'Agenda for Organizational Change' launched by the UNDP Administrator in 2010 which included efforts

designed to improve efficiencies and a review of UNDP's business model.⁵

The evaluation looked broadly at the operational structures in place and operational services but did not assess each area in detail. The aim was to consider whether the current provision of services across the various operational structures are being carried out effectively and efficiently and are meeting the needs and expectations of the UN entities receiving these services.

This evaluation coincides with an internal review of the UNDP Bureau for Management Services (BMS). Findings and recommendations of the evaluation are expected to feed into this internal review. The evaluation has also taken place during a time when the whole UN development system (UNDS) is undergoing review and reform. UN efforts to build greater cohesion across the UN entities working at the country level have a direct and significant impact on the operational services that UNDP provides to other UN entities. While this evaluation takes note of the ongoing UNDS reform, the team has not tailored its findings, conclusions and recommendations to the envisioned reforms, as they are yet to be finalized.

1.3 KEY EVALUATION QUESTIONS

The following key questions deriving from the theory of change in Annex 1 are addressed in this evaluation:

- How effective and efficient is UNDP in providing operational services to other United Nations entities?

5 E/2011/35.

- 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?
- What are the value added, benefits and challenges for UNDP to provide inter-agency operational services to other United Nations entities?

1.4 APPROACH AND METHODOLOGY

The evaluation methodology followed a theory-based⁶ approach building from an abridged theory of change (see Annex 1). The theory of change was developed based on a desk review of key documents and in discussion with key staff and clients. It includes assumptions for how UNDP's inter-agency operational services are expected to be adding value to the effectiveness of United Nations agencies' contributions to the Sustainable Development Goals (SDGs). Choices of questions, methods and proposed strategy for undertaking the evaluation have been grounded in testing these assumptions.

The evaluation methodology adheres to the United Nations Evaluation Group (UNEG) Norms & Standards.⁷ Mixed methods for data collection, both quantitative and qualitative, included: calibrated surveys with UNDP service providers and UN entities; a sample of desk and case studies; financial flows and trend analysis; and interviews and focus groups with key stakeholders and beneficiaries. All operational services provided by UNDP have been considered in selecting a diverse sample of desk and country case studies, and an equity-focused and gender-responsive evaluation approach was used to

the extent that the operational scope allowed. The methodology was applied in the following stages:

Desk review of existing studies and key strategic documents, both internal and external, was carried out first. The review included evaluative work from multiple sources, including work conducted by the UN Joint Inspection Unit (JIU) as well as internal and external oversight entities. Assessments of inter-agency activity commissioned by the United Nations Development Group (UNDG) on business operations strategy pilot programmes and common UN 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' (under Agenda Item 134: Review of the United Nations efficiency of administrative and financial functioning)⁸ and the 2018 review of the management function and business processes of UNDP. The analysis included a financial trend analysis of cost-recovery data and other quantitative information made available by UNDP.

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.

Field missions for data collection were conducted in 16 headquarters and country offices⁹, chosen to represent different modalities of operational services, relevant business operations strategies (BOS) implementing countries and

6 Theory-based evaluations are usually based on a theory of change that seeks to explain causality and changes, including underlying assumptions.

7 <http://www.uneval.org/document/detail/21>.

8 A/72/492/Add. 2.

9 Nairobi (including Somalia operations for the country office), Brasilia, Kuala Lumpur, Copenhagen, Hanoi, Luanda, Moroni, Bamako, Bogota, Asuncion, Praia, Geneva, New York, Paris, Vienna and Rome.

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, the IEO consulted with the Joint Inspection Unit team assessing inter-agency operational effectiveness in the United Nations system and built upon the complementarities between both evaluations, in terms of key informant interviewees, data collection and analysis.

Semi-structured interviews and focus groups were conducted with over 350 people from United Nations entities, Governments and UNDP staff at headquarters, Global Shared Services Centres (GSSCs), regionals hubs and country offices. Interviewees’ answers were coded by the 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.

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 the findings of the evaluation.

Client satisfaction and service provider surveys were then developed and used for the evaluation, to further triangulate report findings. The online surveys were open between 9 March and 17 April.

- 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 Kuala Lumpur and Copenhagen GSSCs and staff working in inter-agency operations services in UNDP headquarters in New York. In total 219 responses were received from 61 countries.
- The clients’ satisfaction survey was sent to all United Nations country teams representatives and agency heads at headquarters, regional and country levels. In total 377 responses were received, from 112 countries, representing 30 United Nations entities.

Figure 1. IEO surveys: total number of respondents and countries



Figure 2. IEO client and service provider surveys: gender distribution of respondents

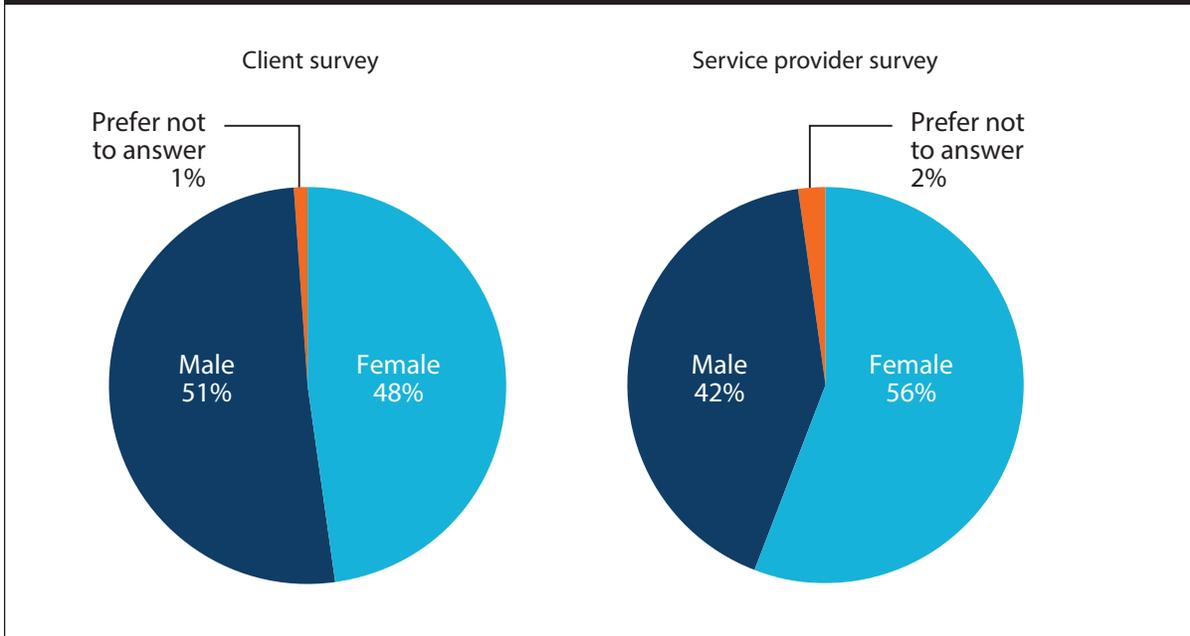
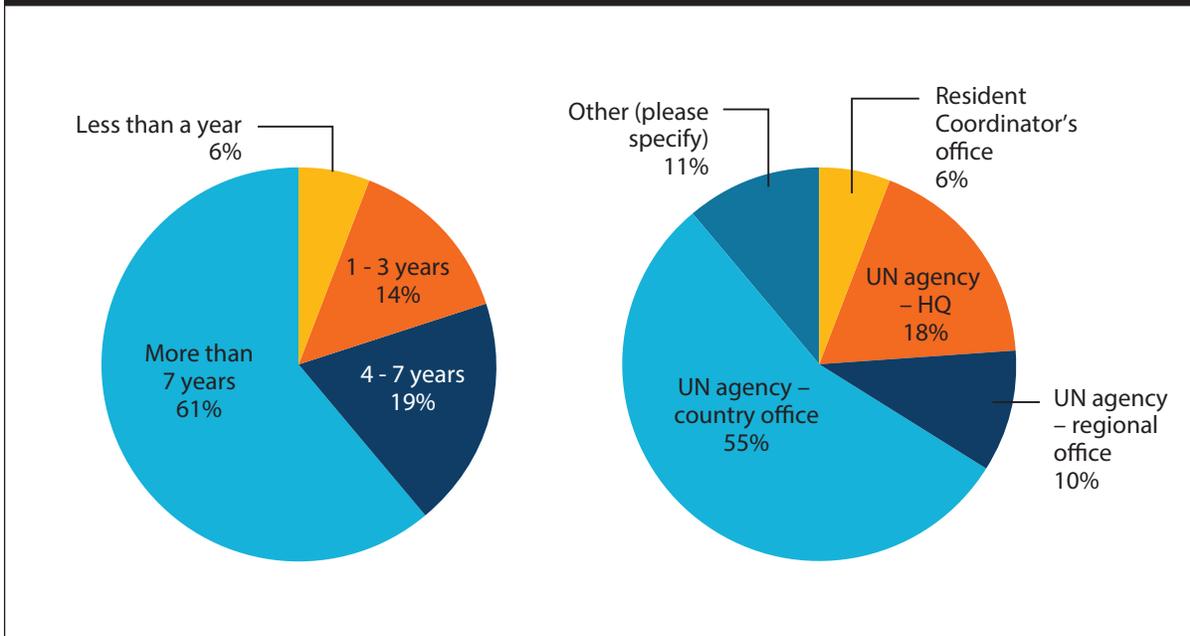
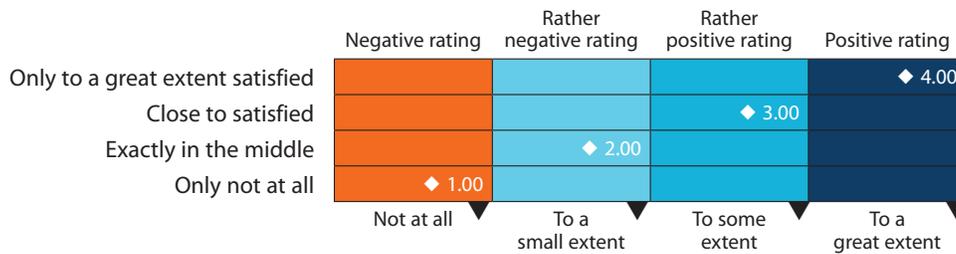


Figure 3. IEO client survey: length of service with UNDP, duty stations and distribution of clients





- The scale of assessment varied from ‘to a great extent’ (4) ‘to some extent’ (3) ‘to a small extent’ (2) and ‘not at all’ (1). The report primarily used weighted averages calibrated for analysis. The higher the weighted average, the higher the perception or better the rating. The figure above illustrates how to read the average rating.

Quality assurance for the evaluation was ensured by a member of the 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.

1.5 LIMITATIONS

In evaluating inter-agency operational services, the evaluation took into account a high level of complexity and variability. There are a multitude of actors and, over time, the UN system operational mechanisms in different countries and different contexts evolved in different ways. Some countries have common business operations strategies, others do not; some countries have integrated services units, others do not; some have a long menu of services provided by UNDP, others less. Therefore, the different stakeholders’ experiences and perceptions that form a component of the evidence base in the process of assessing UNDP’s effectiveness and efficiency in providing operational services can vary significantly. This rendered challenging the interpretation of quantitative evidence-

gathering methods such as surveys, because the knowledge level of respondents needed to be calibrated since not all clients could provide feedback on all offered services. Some questions with a small number of answers or excessive ‘don’t knows’ were excluded from the analysis as well. This was further ensured for final judgement through triangulation of additional evidence gathered.

Tight timelines in the midst of UNDS reform also constituted a significant constraint. Of necessity, the evaluation scope was kept limited, addressing the most relevant issues highlighted in preliminary discussions with key stakeholders.

Given the limited amount of time and resources to cover more ground in a relatively short time, the evaluation utilized some field mission data from ongoing UNDP country programme evaluations. This reduced travel for the team and ensured a wide coverage of sample countries. The evaluation utilized focus groups where possible which also significantly helped the team to cover larger numbers of UNDP clients.

The evaluation also faced significant challenges incorporating an equity-focused and gender-responsive evaluation approach. Related questions required much probing as respondents had difficulties understanding how gender influences the quality of operational services. For example, interviewees repeatedly indicated UNDP should not be expected to integrate or promote gender in operations as a service provider to other UN entities, only in programming work. Interview data was then triangulated with survey data and documentation review where possible to highlight gender aspects. As much as possible, the evaluation kept women participation in the interviews and surveys under observation as well, to make sure that gender balance among respondents was achieved.

Chapter 2

OPERATIONAL SERVICES PROVIDED BY UNDP TO OTHER UN ENTITIES

This chapter describes the context in which UNDP has provided operational services to other UN entities over the past 10 years to contextualize the assessment and findings provided in the next chapter.

2.1 CONTEXT

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

What changed over time is that the UNDS has greatly expanded. UNDP is currently serving over 80 United Nations entities¹⁰ 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's regular resources. Only in 1982, the then UNDP Governing Council decision¹¹ 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 the Executive Board Decision 2012/27 that 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. Decision 2013/9 also reaffirmed that the guiding principle governing the financing of all non-programme costs should be based on full cost recovery, proportionally, from core and non-core funding sources. This obligated UNDP to ensure full cost recovery of the services provided. Nevertheless, UNDP has not been able to fully recover the costs for services provided to other United Nations entities for reasons that will be discussed.

What also has been changing 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, 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.

10 See list of UN entities in Annex 5 (available online).

11 UNDP Governing Council decision 82/33 <<https://digitallibrary.un.org/record/33683?ln=en>>.

Many reforms have taken place to try to address these inefficiencies.¹² Most recently, in the 2018 report of the Secretary-General (A/72/492/Add.2) on ‘Shifting the management paradigm in the United Nations: implementing a new management architecture for improved effectiveness and strengthened accountability’, priority is being given to advancing common business operations in the UNCTs to build on the progress made through the ‘Delivering as One’ approach and to scale up the business operations strategy¹³ that country offices are developing. Contingent on UNDS entities progressing on mutual recognition¹⁴ of policies and procedures, the assumption is that to facilitate active collaboration across agencies¹⁵ 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, 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 back offices for all UNCT by 2022 and options will be explored for networks of Global Shared Services Units to be managed by the larger entities in the systems, taking advantage of their scale and geographical coverage to offer services to other entities in the system.¹⁶

The reform will have major ramifications for UNDP and its traditional administrative role. Nevertheless, General Assembly resolution 72/279 of 31 May 2018¹⁷ 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. It remains to be clarified what the role of integrator will mean, but the Secretary-General’s report (A/72/492/Add.2) 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.¹⁸

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 SDGs and the principle of leaving no one behind, UNDP reasserts its universal presence. UNDP’s presence or proximity access 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

12 As early as 1979, in resolution 34/213 of 19 December 1977 on Implementation of section I 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.

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

14 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.

15 General Assembly resolution 71/243, operative paragraph 52.

16 SG Report, 2012/17. OP 18.

17 A/RES/72/279.

18 SG Report, 2012/17. OP 18.

2030 Agenda and to serve United Nations entities with its operational backbone.

Key documents normatively driving this assessment are the previous and the current UNDP 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.

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 agencies 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.

The Bureau for Management Services is the central Bureau tasked with the above and the development of corporate strategies, policies,

tools and systems in key cross-cutting management areas, grounded in country applications, which should be fed back into the corporate strategies, policies etc. The BMS is currently undergoing a review to support UNDP to become the pre-eminent global management services provider in the UN system and to assist with the operationalization of the Strategic Plan.

The regional bureaux and country offices, following the decentralized development approach to programming, are also responsible for implementing the operational corporate strategies, using the policies, tools, and systems available in serving the UN entities on the ground. There are strengths to this decentralized model that empowers regions and countries in supporting development in alignment with the needs of countries. However, there are also challenges in following the same approach to operations, diluting accountability and generating inconsistencies in operational quality standards across the different offices. This will be discussed further in the next chapter.

2.2 KEY OPERATIONAL SERVICES PROVIDED BY UNDP TO UN ENTITIES

A global network of UNDP professionals delivers services to United Nations entities from three dedicated locations, New York Headquarters and Copenhagen and Kuala Lumpur GSSUs, as well as from regional hubs in Panama City, Amman, Bangkok, Addis Ababa and Istanbul; and UNDP presence in 170 countries. The following services are provided:

Human resources. Global payroll constitutes the highest share¹⁹ of human resource services provided to UN agencies by UNDP, the second being benefits and entitlements. UNDP also provides strategic staff realignment and organizational design, as well as business process review and analytics; it has the role of coordinating sal-

¹⁹ In terms of number of people served.

Figure 4. Key Management Support Services provided by UNDP to UN entities since 2008



Source: BMS 2018

ary surveys (both staff and Service Contracts) and running the whole SC modality; and provides the following HR-related services to UN agencies: management of the Resident Coordinator System globally on behalf of UNDG; UN Common System advocacy and partnership with other organizations and the International Civil Service Commission (ICSC) as Chair of the HR Network Standing Committee Field Duty Stations (Field group); policy coordination on most HR issues in field offices; administration of the common system staff entitlements in field offices. In addition, the Junior Programme Officers (JPO) Service Centre in Copenhagen administers the JPO Programme and the Special Assistant to the UN Resident Coordinator (SARC) Programme.

Procurement. Specifically for UN clients, UNDP provides the following procurement services: a) purchase order-based procurement; b) collaborative procurement projects led by UNDP; and

c) procurement certification and training. Some of the most significant categories include construction, travel, security and management of common services procurement in most country offices. UNDP also plays a lead role in the High Level Committee on Management Procurement Network, instrumental in promoting collaborative procurement and harmonization of policies and procedures in the UN system. In addition, UNDP leads the procurement professionalization efforts in the UN system as well, having trained over 10,000 students in the globally recognized Chartered Institute of Purchasing and Supply standards.

Financial services. UNDP provides accounts and treasury, and investment management services to other UN entities. Accounts services include preparation of financial statements. Treasury services are comprised of banking services, inter-fund settlements, disbursement process-

ing, foreign exchange operations and investment management.

Administrative services. UNDP provides shared premises and assets management and travel services to external UN clients, directly managing the leasing, renovation and upkeep of properties at headquarters. In country offices, UNDP also shares and, in many cases, manages premises with other UN agencies and often runs those premises, provides common services and offers travel management. UNDP is also a global travel services provider to UN agencies. In 2015, a new travel management services provider was contracted at headquarters, as well as an online booking tool for self-service reservations, reducing travel agency expenses.

ICT services. UNDP provides infrastructure and information technology and services around the globe. Users receive integrated solutions and help desk support. Many agencies use UNDP's enterprise resource planning (ERP) software system, Atlas. Applications services that UNDP provides to UN agencies include all the software modules for UNDP's ERP: financial, procurement, payroll and human capital management functionalities, and International Public Sector Accounting Standards reporting capabilities.

Security services. Security services typically involve common premises security and access control, including blast and seismic assessments of premises, and security advisory support. Accommodation services are occasionally requested particularly in post-conflict and early recovery environments. They consist of establishing a joint UN staff accommodation facility that ensures the security and well-being of personnel, where security concerns are substantial and available accommodation is not up to UN Minimum Operating Security Standards.²⁰

Legal support services. The Legal Office provides advice and assistance on a range of legal

matters relating to UNDP's (including its affiliated agencies United Nations Capital Development Fund, and United Nations Volunteers) operations, programming and administration.

The inter-agency operational services are provided across the globe, with global reach as follow:

- The **Bureau for Management Services at headquarters** is the centralized hub for operational services in New York, leading operational policies and overseeing operational services. The BMS provides services to 18 agencies, funds and programmes plus 24 UN Secretariat entities on a cost-recovery basis. This includes seven agencies using Atlas, the ERP used by UNDP, for whom UNDP provides payroll and payment services.
- The **Global Shared Services Unit** is composed of the Global Shared Services Units (GSSU) in Copenhagen and Kuala Lumpur.
 - 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 to 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 the bureaux and country offices.
- The **regional hubs** in the past also provided inter-agency services, but in 2017, operational transactions for management support services (finance, HR, IT and procurement) were

20 Since clients consulted were confused about what services are provided by UNDSS and UNDP, this component could not be assessed by the evaluation.

moved to the GSSUs. There are still some services related to security, common services and administration within some regional hubs.

- **The Resident Coordinator System (RCS)** provides support to UN Country Teams; 92 percent of UNDP country offices are implementing common services with other UNCT agencies, including common long-term agreements, harmonized approaches to procurement, human resources and finance and common approaches to information
- **The Integrated Service Centre in Viet Nam, the Joint Operations Facility in Brazil and the Joint Office in Cape Verde** were also developed, in the context of the BOS, to streamline key operational areas of United Nations participating in these countries by consolidating support services into one facility at the country level.

and communication technology. Half of the country offices (49 percent), across all regions, are implementing 'Operating as One'²¹.

21 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.

Chapter 3

ASSESSMENT OF UNDP INTER-AGENCY OPERATIONAL SERVICES

This chapter presents a brief analysis of financial flows and operational trends and the assessment of the effectiveness and efficiency of UNDP in providing operational services to other UN entities. It presents the areas where UNDP has been successful and areas for improvement, highlighting factors contributing to and hindering satisfaction with the quality of services. Finally, it indicates the value added for UN entities to have UNDP provide services to them as well as the value added for UNDP to be a service provider to other UN entities; and the key challenges UNDP has faced to provide these services.

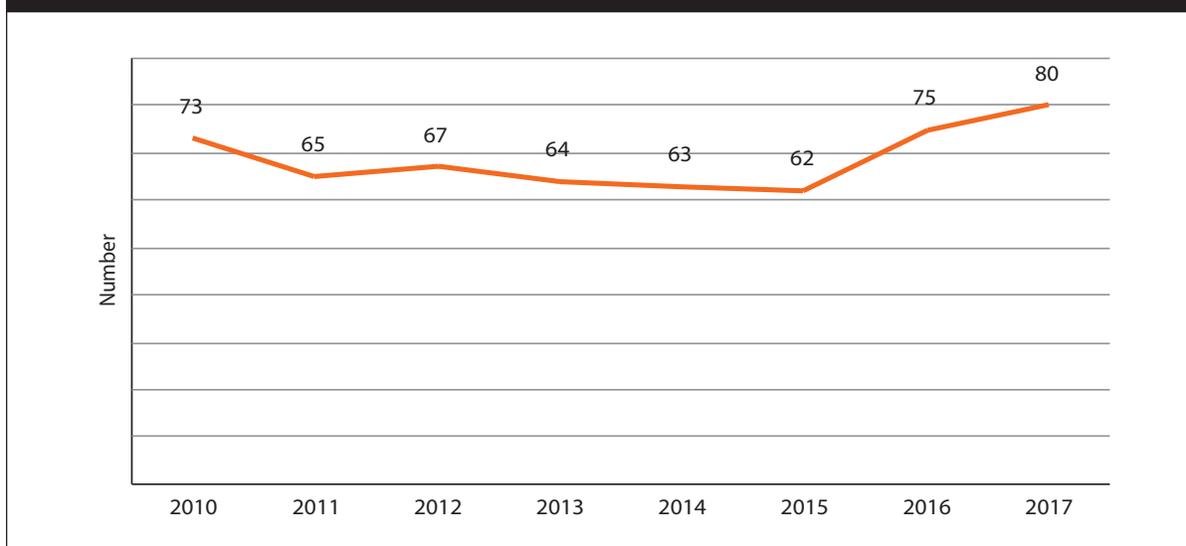
3.1 FINANCIAL FLOWS AND OPERATIONAL TRENDS

All trends presented below will be explained further in findings ahead.

Finding 1. UN entities receiving services. UNDP has the largest geographical footprint of operational services among all UN agencies. It currently provides services to over 80 UN entities, including specialized agencies, missions, UN funds and programmes in over 170 countries. An increase in the number of client UN entities of 9 percent is observed from 2010 to 2017.

Finding 2. Cost recovery trends. UNDP has only partially²² recovered the cost of providing agencies services – a total of \$427 million between 2010 and 2017, an average of about \$53 million per year, which is less than 10 percent of the total amount UNDP recovers for implementing its own development projects. A decrease of 11.4 percent in recovered costs from agencies services was observed in 2017, following an 18 percent increase in 2016.

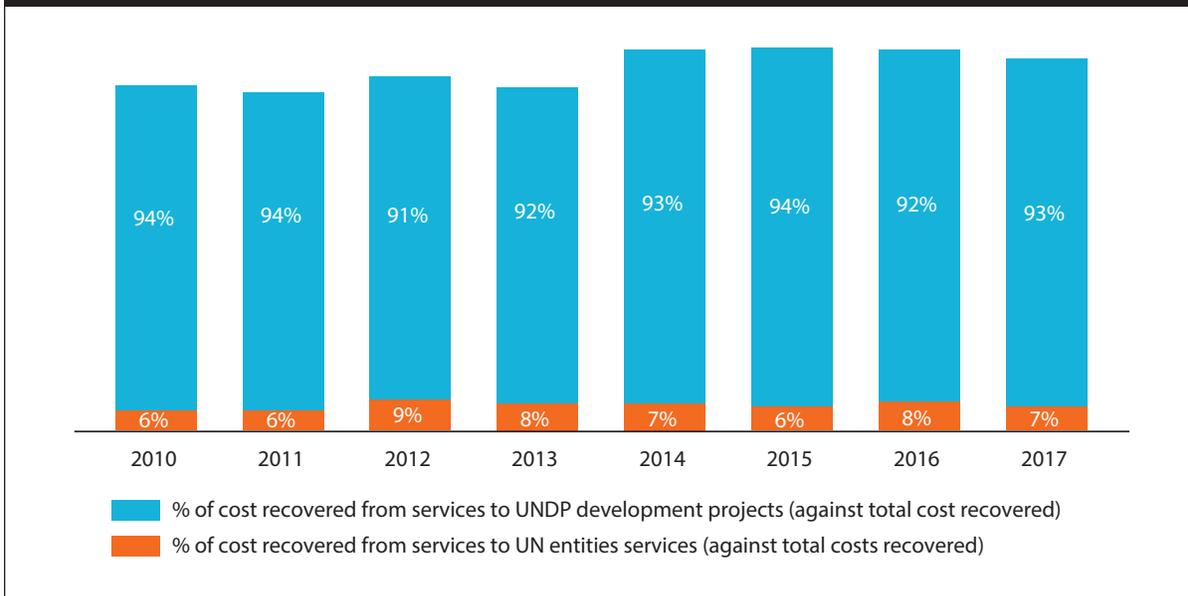
Figure 5. Number of UN entities receiving UNDP operational services



Source: BMS 2018

²² There is variation in the level of cost recovery, some units are recovering in full, such as the JPO Service Centre, others much less.

Figure 6. Cost recovery from UNDP project services and agency services

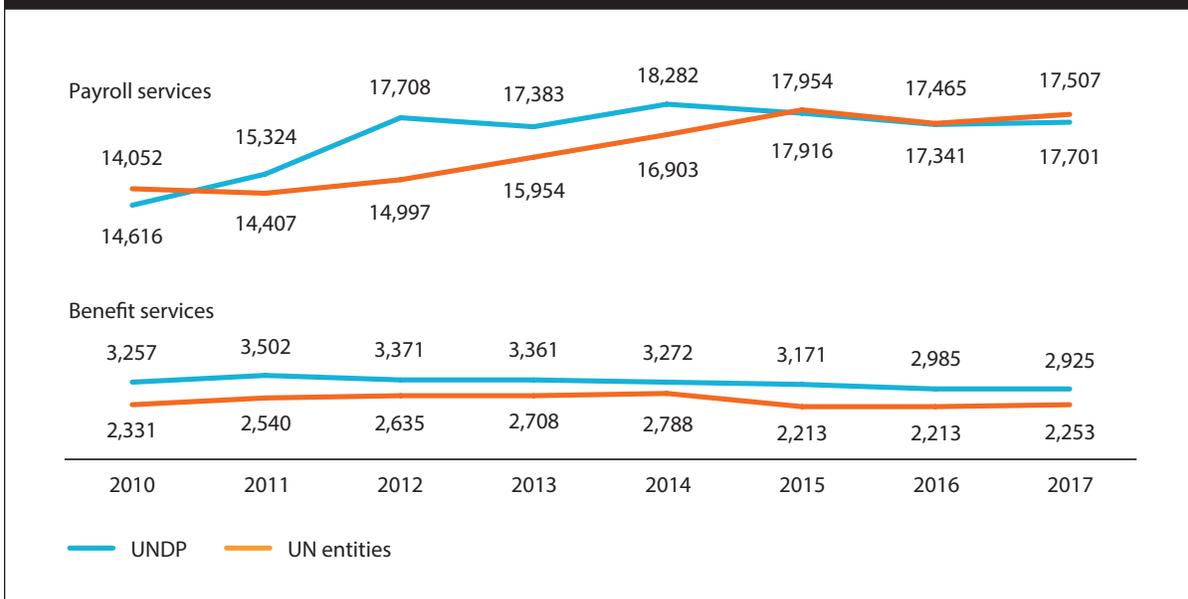


Source: BMS 2018

Three external agencies customers account for over 60 percent of all inter-agency services (United Nations Population Fund [UNFPA], United Nations Entity for Gender Equality and Women’s Empowerment [UN Women], and United Nations Department of Safety and Security [UNDSS]).

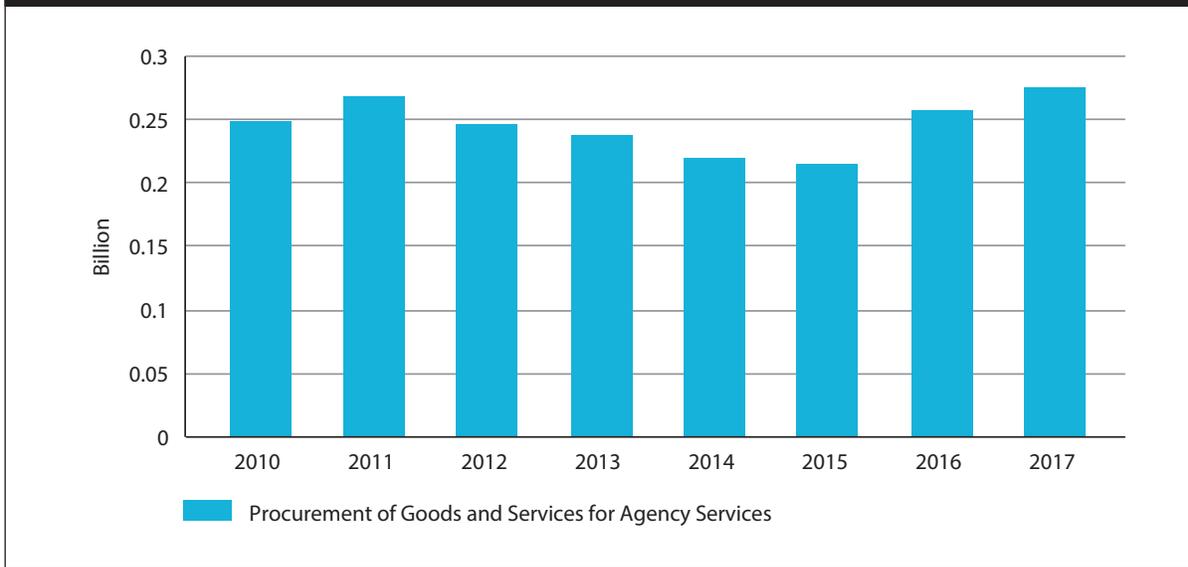
Finding 3. Payroll and benefit services trends. UNDP provides global payroll, benefits and entitlements for almost as many staff members from other UN entities as from UNDP. The amount of services has remained relatively stable over the years. The organization is one of the few agencies able to make payments in local currencies, with existing banking and customary arrangements.

Figure 7. Number of staff served in payroll and benefit services



Source: BMS 2018

Figure 8. Total procurement of goods and services for UN entities (in US\$ billion)

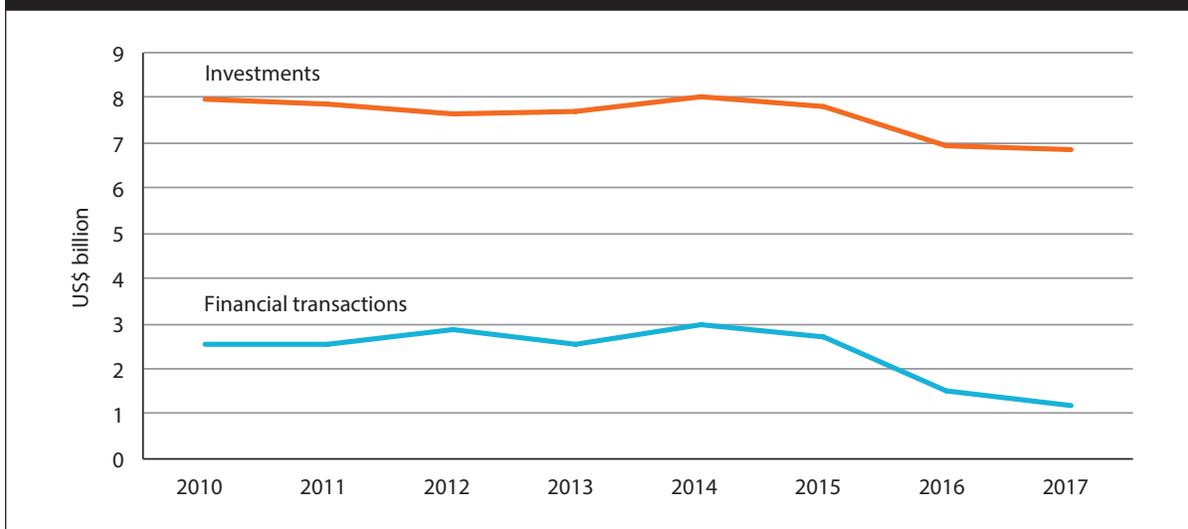


Source: BMS 2018

Finding 4. Procurement trends. UNDP has procured \$1.966 billion for other UN entities between 2010 and 2017. An increase of about 20 percent is observed since 2015. UNDP remains competitive even though other agencies are increasingly able to provide comparable procurement options and services.²³

Finding 5. Transactions and investment trends. UNDP has managed a total of \$1.6 billion in financial transactions and \$7 billion in investments for UN entities, including UNDP, between 2010 and 2017.²⁴ 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.

Figure 9. Amount of UN entities' investments and financial transactions managed by UNDP

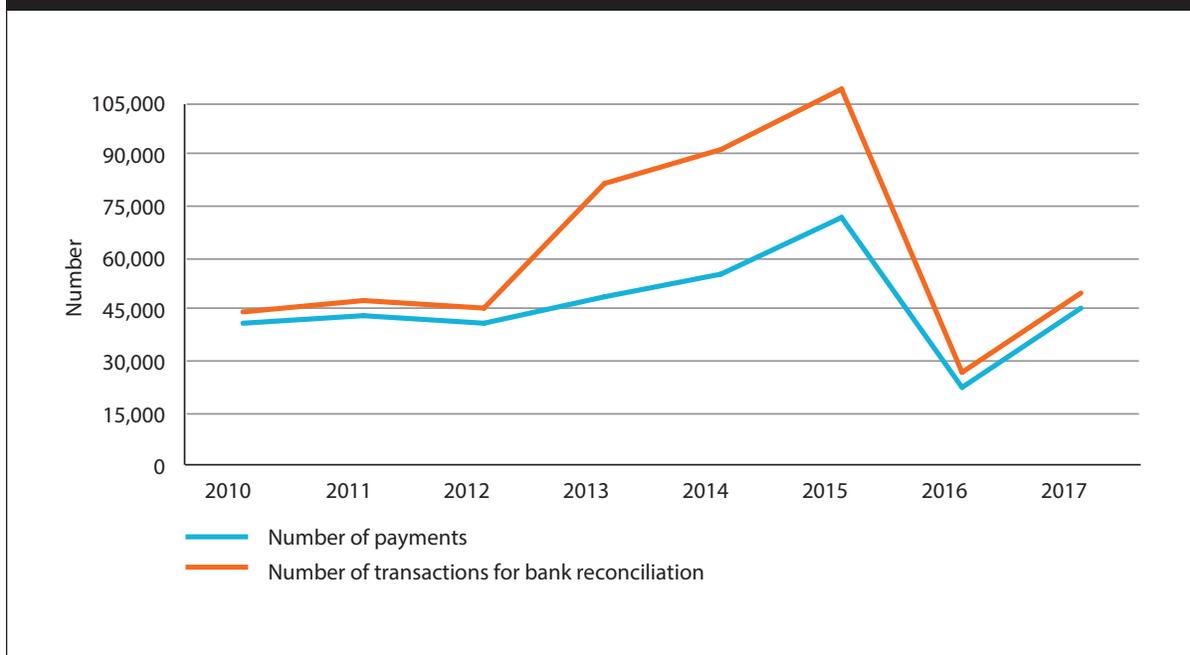


Source: BMS 2018

²³ UNOPS, for instance.

²⁴ \$5.9 billion from pooled financing, administered by the Multi-Partner Trust Fund Office.

Figure 10. Number of payments and transactions made by UNDP for UN entities



Source: BMS 2018

The declines observed in the figures above are mostly linked to the UN Office for Project Services (UNOPS) leaving UNDP in 2016; and agencies, including UNDP, deciding to outsource the investment of their ASHI²⁵ funds to external investment managers.

3.2 EFFECTIVENESS AND EFFICIENCY OF UNDP OPERATIONAL SERVICES

Across its operational services globally, wide variations can be discerned in UNDP efficiency and effectiveness. This is hardly surprising across operations in 170 countries and the varying scope and roles for UN agencies across these countries. Below are some generalized findings to the extent that data gathered made possible, considering the context.

Finding 6. Effectiveness and areas of success. **The effectiveness of UNDP in providing operational services to other UN entities has varied across different services and locations. UN entities expressed being more satisfied with services provided by UNDP specialized units, and less so with services provided at the country level that display greater variation and often require follow-up. The organization has been most successful²⁶ providing Junior Professional Officers services, global payroll, benefits and entitlements and treasury services.**

With the largest geographical footprint of all UN entities around the globe, UNDP's operational backbone has delivered services in over 170 countries. Interviews highlighted that where clients were more satisfied, the key factors positively influencing the quality and level of satisfaction with UNDP services are as follows:

25 After-Service Health Insurance, an optional insurance to retired staff members and eligible dependents with Permanent, Continuing or Fixed-Term appointments governed by the UN Staff Regulations and Staff Rules.

26 Triangulation for assessing effectiveness and success included IEO and non-IEO survey responses, with coded interviews with UN 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.

Key factors positively influencing the level of satisfaction with the quality of services:

1. client orientation²⁷ with flexibility to address clients' needs;
2. KPIs, SLAs appraisal systems and feedback channels;
3. high capacity staff and low turnover; and
4. solid cost recovery model.

The JPO Service Centre is a self-sustainable one-stop shop, client-oriented and engaging holistically from beginning to end. The centre has held near 100 percent satisfaction rates for multiple years for its client orientation. Their services have been recognized as a best practice service centre²⁸ providing inter-agency services. The centre has a solid cost-recovery scheme operating with an overhead of 12 percent, in which the client/partner agencies get 6 percent. Not just the UN agencies, JPOs also report high satisfaction with the career advice and mentoring they receive. Other factors that contribute to the JPO Service Centre success is the fact that it operates with robust KPIs and monitors them regularly. The centre also makes use of client satisfaction surveys on a regular basis and other monitoring tools to constantly improve their work. Small clients noted that they perceived no difference in the way they are treated and looked after compared to larger clients. They have managed to build partnerships with donor governments that no other entity has. The centre is prominent to donors with a mission to serve the UN not just UNDP. Another challenge the centre faces is ensuring collaboration to improve its delivery of payments on time to JPOs. In addition, the JPO Service Centre has expanded the service package offered to UN agencies also to include recruitment; and has also expanded its programme base by administering other externally funded talent programmes such as the Special Assistant to the

UN Resident Coordinator SARC and Specialist Development Programme.

Human resources services provided by the Copenhagen GSSU and HQ NY are also rated highly satisfactory by UN entities, whereas those provided by country offices were judged of inconsistent quality and timeliness. The Copenhagen GSSU dealing with benefits, entitlements and payroll has a strong reputation for customer orientation, delivering high-quality work on time. They meet their KPIs, problems are rare and fixed promptly. Staff is perceived as knowledgeable and responsive.

Improvements achieved over the past years, in the GSSU Copenhagen in particular, included:

- **An HR process management system:** dashboard and tracking system, with performance metrics, turnaround time and workload analysis;
- **Automation of processes:** auto check of personnel actions, dashboards supporting to improve data quality and reduction of errors;
- **Reduced processing time:** hire/extension/reassignments from 10 days in the earlier day to 2-3 days; response to queries (particularly in payroll) – from 5 days to 1-2 days;
- **Shift from purely transactional services to advisory/substantive contribution:** advice to staff, contributions to policy and procedure formulations, capacity-building of country office staff, in close coordination with the BMS/Office of Human Resources Policies and Compensation Unit;
- **Productivity and capacity:** additional tasks and workload absorbed within the existing staffing capacity;
- **Self-service options:** multiple leave types included with additional personnel categories;

27 Client orientation here is understood as a business strategy or group of actions in a business model that requires management and staff to focus on the wants and needs of its customers.

28 Junior professional officer/associate expert/associate professional officer programmes in United Nations System organizations, JIU/REP/2008/2, pp.24-25.

- **HR and payroll services knowledge management system:** leveraging the accumulated joint knowledge in the centre for local, international and non-staff across the units;
- **Paperless office:** electronic handling of documents and processes.

UNDP has been effective and creative in dealing with the inconsistent HR policies among agencies that often lead to an inordinate amount of time customizing support. This is further compounded by the lack of HR professionals in agencies to the degree that it is often difficult to get guidance or a final ‘ruling’ on complex policy matters, especially those regarding benefits, entitlements and separation. Agencies also complained, though, about inconsistencies within UNDP HR rules and regulations. To some extent, and mostly at the country level, this is attributed to lack of staff capacities in understanding and conveying HR rules and sometimes attributed to the speed of change and lack of timely communication from UNDP HR on changes in HR rules.

UN entities’ satisfaction with the financial services (including treasury) was also high. UN entities report that UNDP is particularly well positioned to manage bank accounts in local currency, bank relationships, and to manage risks and liabilities on their behalf, indicating its legal status and history in the country and the amount of resources managed as factors contributing to that. UN entities noted UNDP’s extensive experience and expertise accumulated throughout long years of investment in both structure and staff. This comparative advantage is not well communicated and showcased though to better derive benefits and values from these services. On the other hand, UNDP treasury staff made the point that **much** effort is put in place to perform quality work, considering the endemic challenges of lack of sufficient staff and investments in technology.

Finding 7. Efficiency and areas for improvement. There is room for improvement in the efficiency of UNDP operational services provision and the organization indicates commitment to such improvements in the promises of the recently approved 2018–2021 Strategic Plan to “make the organization more nimble, innovative and enterprising to better serve as catalyst and facilitator of support to the UNS; and to accelerate efficiencies gains through BOS, mutual recognition and broader operational harmonization.”

More significant changes will take time to materialize, but so far, progress in efficiencies include: reduced duplication of functions and administrative transaction costs; UNDP providing operational services to other UN 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.²⁹ Many agencies came into countries handling their own operational services and then later agreed to have UNDP do their work as their number of staff was reduced or to improve efficiencies or to integrate to BOS or one UN strategies. Sixty-one percent of UN entities that responded to the IEO’s survey have been with UNDP for more than seven years, 19 percent between four and seven years, 14 percent between one and three years and 6 percent for less than a year.

UN entities, on average, indicated being to some extent satisfied with the efficiency of UNDP and the quality of its services. UN entities also found UNDP to some extent³⁰ timely, client-oriented and services of good quality, and **to a small extent** flexible and cost-effective³¹.

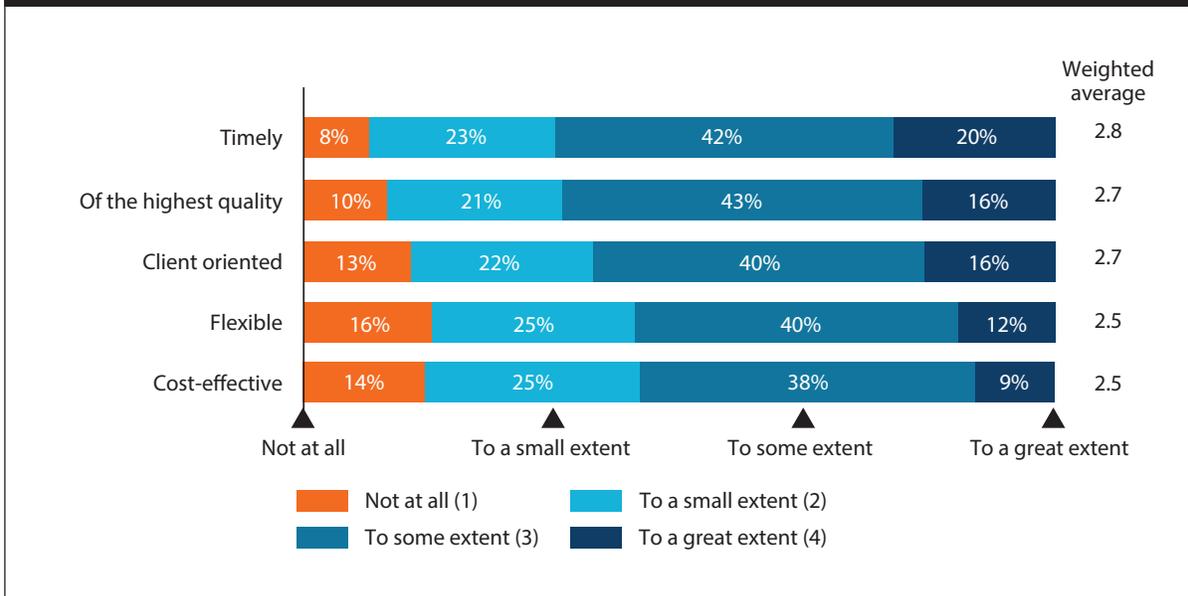
Areas most highlighted for improvement included billing, payments and financial transac-

29 ROAR data from 2017.

30 IEO client satisfaction survey Q31.

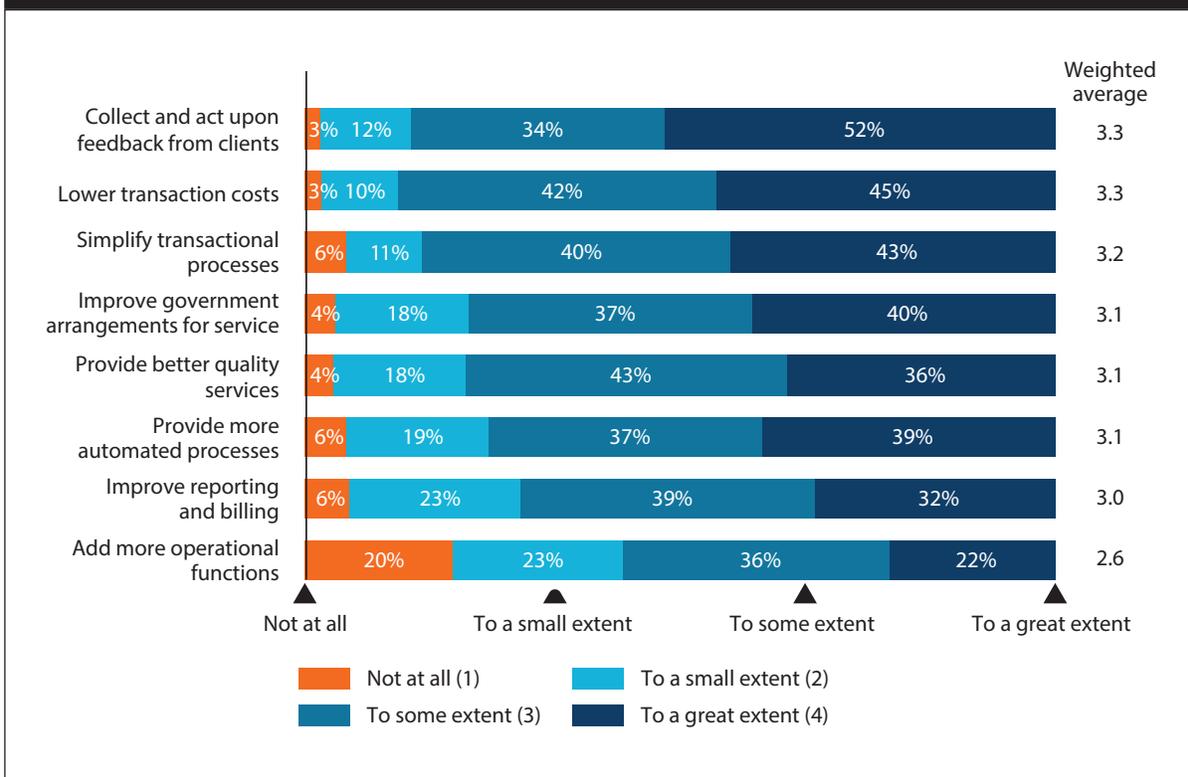
31 IEO client satisfaction survey Q33 weighted average.

Figure 11. Clients' rating and weighted average of operational services efficiency



Source: IEO client survey Q33

Figure 12. Clients indication of improvements needed



Source: IEO client survey Q36

tions as well as common premises, and advice on procurement and human resources. Client orientation was identified as lacking, except in the areas identified in previous section (JPO Service Centre, HR 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.

Billing and payments were often mentioned as problematic due to errors, duplications, price and the inability of UNDP to capture the context particularities of different countries. These issues happened more often at the country level but also with GSSUs and specialized units in New York. Billing specifically has occasionally failed to be issued on a timely basis and transparently. Agencies reported delays causing difficulties to track back the services charged, making validation very hard. Delayed billing has also interfered in some agencies' internal budgetary and financial planning. Financial transactions from Kuala Lumpur GSSU also suffered from similar problems of capturing the context and in addition to that dealing with inadequate technology that delays processes and generates duplications with a system that relies on scanning and emailing documents and moving through multiple redundant approval steps. Agencies also often complained about advice provided by headquarters units not being clear and responsive, solutions driven and client oriented. Similarly, the audit of cost-recovery practices in 2015, found that the Atlas module was cumbersome and difficult to use, and therefore there was no effective way to ensure that costs were recovered.³² The audit also found that not tracked transactions may dilute accountabilities while unclear invoices constitute a financial risk for UNDP.

Interviews highlighted that the key factors negatively influencing the quality and level of satisfac-

tion are as follows and will be discussed in further detail ahead:

Key factors negatively influencing the quality and level of satisfaction

1. Lack of leadership from headquarters to ensure a client-oriented culture and proper staff capacities for timely quality services;
2. Lack of SLAs, KPIs, appraisal systems and feedback channels;
3. Different ERPs, limited access to Atlas, outdated systems and inadequate tools generating duplications, errors and delays;
4. Lack of clarity about value for money, cost recovery, billing and whom to contact for what.

Aware of needs for improvement, UNDP has committed in its Strategic Plan 2018-2021 to become more nimble, innovative and enterprising to better serve as a catalyst and facilitator of support to the United Nations System. Specific actions promised include the development of a client feedback mechanism for United Nations agencies regarding the quality of service provision, formulation of service-level agreements as appropriate, support to the formulation of business operation strategies as part of the 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.

UNDP also committed to accelerating efficiency gains through BOS, mutual recognition, and broader operational harmonization. Nevertheless, UNDP lacks a well-defined corporate structure to drive the BOS rollout that would link countries to headquarters and Regional Services Centres, to ensure that the ideas generated at a country level, are fed back to headquarters for guidance and support. A proper structure could be capturing good models and creating blueprints of what works best under what contexts to be shared globally for the betterment of the

32 Audit of UNDP Cost-Recovery Practice (2015) No 1452.

entire system. United Nations Children's Fund (UNICEF), for example, has the BOS embedded in staff KPIs from an Assistant Secretary-General level downwards. They have senior staff at their Global Service Centre who are responsible for the delivery of BOS results in each category of operations (HR, procurement, finance, etc). These personnel monitor BOS implementation and provide the support needed by their country office teams to implement the recommendations and solutions that derive from each BOS stock take and needs analysis. They also arrange for different teams to be trained on the BOS so that UNICEF staff have a full understanding of how to contribute effectively in discussions around common back-office operations. The World Food Programme (WFP) is also having similar structures put in place.

Headquarters has recently started participating in a task team discussing the new BOS methodology that aims to better integrate the vision of a common back-office in the strategy. The Secretary-General's reform agenda places significant focus on the rollout of the BOS methodology and aims to have full BOS compliance by 2022. It is a challenge and an opportunity for UNDP to be more strategically involved in this process and advance its commitments made in the Strategic Plan.

Finding 8. Client orientation and staff capacities. 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.

Less than 22 percent of the UN entities consulted found UNDP operational services timely or client orientated.³³ The lack of client orientation was considered worse at country offices. Indeed, at the country level, the quality of

services was more evidently inconsistent, particularly in terms of responsiveness and processing time. Some country offices provide quality services, but others view support to the other agencies as a hindrance and distinctly lower priority than UNDP's own needs. The current service provision arrangements in country offices depend on varying quality and interest from personnel across UNDP country offices, with negligible feedback loops on customer satisfaction, and no performance measures that take into account the quality of services to other UN entities.

Where satisfaction with services was particularly low, agencies and UNDP staff attribute it to low capacity and severe budget cuts to UNDP country offices affecting the expertise and number of UNDP staff therein. A survey of UNDP staff indicated that only 22 percent of UNDP management were adequately prioritizing human resources time and capacity for inter-agency operational services.³⁴ UNDP partnerships surveys also indicate a declining trend since 2015 in client satisfaction, quality and timeliness of services.

Regardless of the different levels of capacity to respond, country offices need to be able to plan for the expected work, and of course need to receive compensation commensurate with providing this support, which has been challenging. With capacity being limited, it is evident UNDP is not sizing its operational support appropriately or seeking offshore or cluster support as needed to address peak demand periods. If UNDP commits to provide these services, the proper cost-recovery mechanisms need to be in place.

Finding 9. Harmonization and mutual recognition. Mutual recognition is not yet widely accepted by UN entities and the lack of harmonization of policies, procedures and systems throughout the UN system challenges integration of provision of services.

33 IEO client satisfaction survey Q33.

34 IEO service provider survey Q8.

Historically, each UN agency has developed its 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 Programme Review (QCPR) and other means. “The organizational cultures and arrangements of the UN have not been conducive to a whole-of-system-response, including slow progress in harmonization and simplification of business practices.”³⁵

The push for mutual recognition has been driven at UN HQ levels; 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. The General Assembly Resolution on the 2016 QCPR review of operational activities “Requests the United Nations development system to further simplify and harmonize agency-specific business practices, processes and reporting in alignment with the United Nations Development Assistance Framework, 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 as harmonizing and streamlining, this is not always filtering through and changing the mindsets and practices at the country office level may take time.

Interviews found that very few staff at the country level understood mutual recognition and were comfortable with the principles. Some reiterated that their headquarters were also not clear about it and comfortable telling offices in the field to accept it. Despite UNDP country

offices asking agencies to adhere to mutual recognition³⁶, many want to use their centralized processes which add complications and risk for UNDP service providers. Some staff from UN entities and UNDP country offices fear interpretation of auditors. In 2017, 80 percent of Operations Management Teams (OMTs) still saw the different policies and procedures, and 75 percent of the UNCTs view different rules and regulations as the largest barrier to harmonizing business practices at the country level.³⁷

Finding 10. Service Level Agreements (SLAs) and Key Performance Indicators (KPIs). 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.

There are SLAs developed at the corporate and GSSU levels which determine the cost-recovery rates. The specialized units in New York and the GSSUs have KPIs and, according to corporate reports, generally deliver well on them. At the country level, 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 service, which creates a high degree of variability in service quality, and customer satisfaction, across all country offices. Some UNDP staff interviewed indicated that the capacity levels at the country level vary, therefore making it difficult to establish minimum standards. Clustering of services at specialized service centres are generally better positioned to deliver against SLAs with KPIs to ensure minimum standards with some uniformity. However, a well-established offshoring system is not in place that country offices feel comfortable to even out these capacity levels, and carry some of the load during peak demand periods.

35 Observes the 2018 Report of the Secretary-General.

36 Quadrennial comprehensive policy review of operational activities for development of the United Nations System A/71/468 General Assembly resolution.

37 The 2017 Department of Economic and Social Affairs Survey of Operational Management Teams.

It was highlighted that where detailed SLAs are in place, there is increased clarity about the expected service levels and, as a result, the perception of value. SLAs can provide a more unified level of quality. However, many SLAs are outdated and do not include KPI. They are not cost-effective for UNDP as well, as most of them have arrangements that do not fully recover cost for services being provided by UNDP. Costs are de-linked from the annual changing staff pro forma cost, and without proper built-in overhead costs. Current SLAs are not fully transparent and the accountability is not clear for UNDP and the UN agencies either. Finally, current SLAs are not scalable towards the needs and requirements of clients, upwards or downwards as needed.

Aware of the need to change, studies conducted by the Office of Human Resources led to UNDP proposing a revised SLA package developed for the services provided from Copenhagen, but there was resistance by other agencies to accept changes which included additional charges. The proposed revised SLA package would provide both UNDP and clients with:

- semi-annual SLA performance and tracking reports highlighting activities, performance, and trends as well as identifying issues to be escalated to the corporate level;
- a fixed annual corporate meeting to review the overall performance and management of the SLA;
- improved costing and cost-recovery practice with detailed and transparent breakdown of UNDP's full cost-recovery methodology and rates which are directly linked to the staff pro forma costs, headcount, and the overhead cost;
- an annual report on the headcount to allow adjustment of the cost recovery ratings automatically to reflect the pro forma costs;
- client surveys;
- a list of focal points;

- expedited services (fast track) with an associated extra cost; and
- scalability of service levels in case of an increase or reduction of the client's headcount base.

To ensure client satisfaction, this or similar SLA packages would be desirable, but the means for country offices to be able to comply would also need to be addressed.

Finding 11. Appraisal systems and feedback channels. UNDP lacks adequate appraisal systems for quality and satisfaction it provides to agencies, and there are no automated feedback channels for real-time adaptive management.

The organization issues annual or biannual corporate satisfaction surveys, but with limited reach, which clients find insufficient. There have been clients conferences from 2012 to 2016 to collect, discuss and address feedback from UN entities. These were found very useful at the corporate level but had limited impact on services provided by country offices. Fifty-six percent of UNDP staff indicated their office never or not often enough consulted about client satisfaction; 65 percent have not often consulted about the quality of communication; and 58 percent have not often consulted about the quality of services provided.³⁸ Fifty-seven percent of staff found the feedback received through the systems in place useful, but only 14 percent found the feedback reliable and 9 percent found them frank.

Interviews highlighted that service providers nowadays are expected to offer 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 percent of UNDP operational staff consulted for the 2018 review of the management function and business processes of UNDP feel that an online

38 IEO service provider survey Q11.

or automated real-time monitoring system needs to replace the current tools in place.³⁹

With improved SLAs containing proper indicators for performance monitoring and client satisfaction appraisal systems in place, the organization would be able to demonstrate its commitment to addressing feedback and not depend on informal channels.

Finding 12. Transparency of costs and value for money. 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 UNDP's services are often much cheaper than having their own entities provide them.

Fifty-eight percent of UN entities surveyed do not find the UNDP methodology for calculating cost recovery transparent. This is particularly true for the case of the services charged based on the universal price list (UPL) at the country level. For common shared services, local price lists (LPL) and bilateral agreements directly with headquarters, there is more clarity of the calculations, and prices can be negotiated to some extent. When agencies understood the calculations, although some still view it 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 of UNDP also rated 'policies and procedures related to cost recovery' as the least satisfactory. In particular, the lack of transparency prevents UNDP from having a fact-based, transparent discussion with the clients when setting prices for its services.

On average, agencies only think UNDP operational services are to a small extent cost-effective. While the vast majority of clients expressed concerns about the price of services, when probed with the questions (compared to what?), most were not able to provide a comparison or benchmark. The ones that did provide, indicated UNOPS as the option of choice, but based their analysis on cost-effectiveness, based on flexibility and quality of services, not necessarily price. When probed about the cost of providing the services themselves, most indicated estimating that costs would be disproportionately higher.

The lack of transparency also impacts on external stakeholders, such as Governments and donors. UN entities stated that the cost structure is not always clear to member states either. It was suggested that it would be helpful to have a document that agencies could share with member states explaining what agencies are paying for.

No country office personnel interviewed could state by how much their operational service transactions were a net plus or minus to the budget. There was a general vague impression that costs for such services did not meet expenses. Only 14 percent of country office operations managers surveyed indicated their country office was recovering costs to a great extent.⁴⁰ This suggests that UNDP is not doing enough tracking and analysing the costs of this work.

UNDP Swaziland has developed a BOS Cost Benefit Analysis tool⁴¹ that can be helpful for benchmarking and decision-making about costs and quality of services. This tool, piloted in six other countries, can make like-for-like comparisons of cost and quality of services provided by different agencies. This data can allow

39 Review of the management function and business processes of UNDP Survey 2018, Q12.

40 IEO service provider survey Q15.

41 The software has received a significant amount of interest and support from the United Nations Development Operations Coordination Office (DOCO), the United Nations Development Group-Eastern and Southern Africa (R-UNDG ESA), UNICEF and WFP, all of which have expressed interest in having it rolled out globally. Decisions regarding the global rollout of the solution currently rest with the Business Innovations Group BOS Task Team. Pending their decision however, UNICEF and WFP have each requested that the tool be made available immediately to the countries in which they wish to drive the BOS. These requests are supported by DOCO and the R-UNDG ESA has asked for the same.

UNCTs to make better-informed decisions around efficiencies for the BOS or provide useful benchmarks for common back-office arrangements to strive for. The tool requires a labour-intensive exercise of mapping processes, costs and quality appraisals, which is a time-consuming exercise. Nevertheless, the tool can identify good models and the effort of some offices should be fairly well applicable to other countries in similar contexts. The tool, with some technological upgrades to integrate it into UNDP's IT platform, can allow UNDP corporately to gain a better (data informed) understanding of what is required to position itself as the preeminent service provider. It should also help to identify good models of what works better under each context – blueprints to be shared globally for the betterment of the entire UN system. Making this tool available would also demonstrate UNDP's willingness to improve service quality and pricing in a manner that is transparent and cooperative with UN agencies.

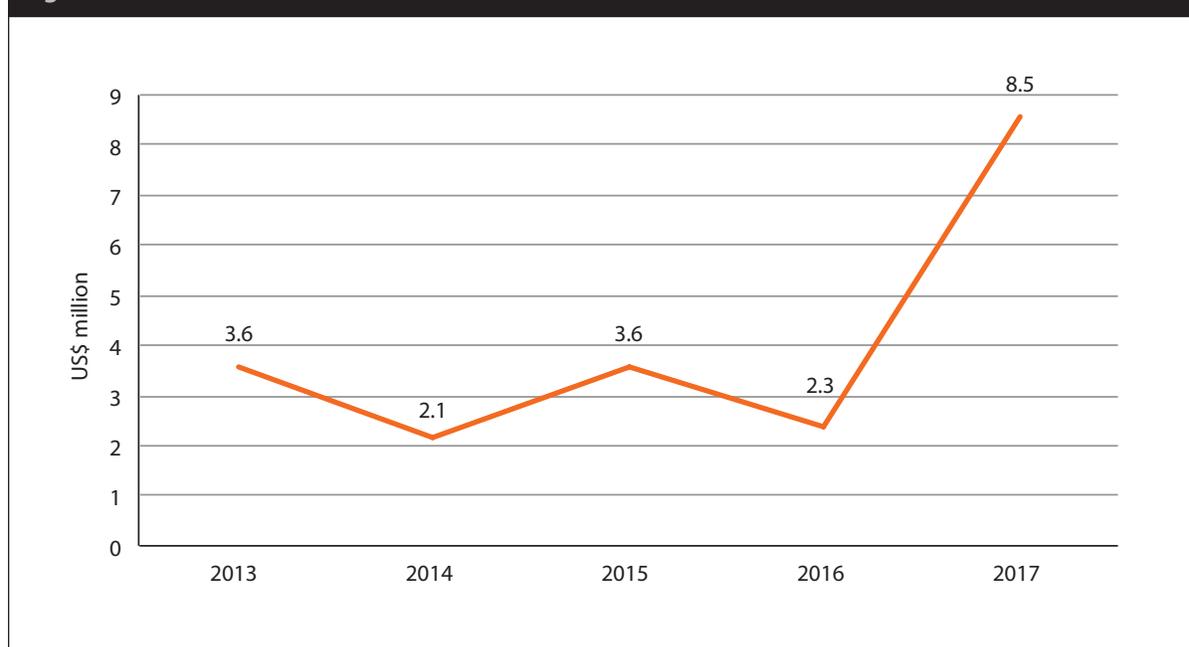
It is advantageous for UNDP to be encouraging transparent communication around cost and efficiency. It promotes trust of existing and

potential clients, showing that the organization is open, transparent and customer-oriented enough to identify shortfalls, establish benchmarks and to strive towards achieving or bettering these. Above all, it would also allow UNDP to have a better sense of how much services really cost in different contexts, how much UNDP is recovering and then be able to transparently show figures for partners to discuss and make informed conscious decisions whether to continue to subsidize agencies, where and how, or not.

Finding 13. Under-investment in information technology. Investments in ICT saw a spike from \$2.6 million in 2016 to \$8.5 million in 2017 to adjust to the UNDP restructuring of offices and functions, and as a result ICT under-investment of the period 2013-2016. However, the organization is still challenged by outdated systems, inadequate tools and a limited number of IT staff to address needs and demands adequately.

Atlas, the ERP used by UNDP, needs updating and was heavily criticized by UN entities and UNDP staff. It was seen to have a nega-

Figure 13. ICT investments between 2013 and 2017



Source BMS/OIMT 2018

tive impact on efficiency, despite being considered by experts as the best available option.⁴²

Launched in 2006, Atlas has not been able to adapt to today's fast paced organizational landscape. The main concerns regarding Atlas include: outdated technology and processes; complicated ecosystem requiring high maintenance; difficulties of compatibility with other ERP software and because of that duplication of work and errors; lack of accessibility; and limitations in producing customized reports.

UNDP's Office of Information Management and Technology (OIMT) has informed that the organization has been discussing whether to move to a different ERP or to upgrade Atlas. A decision has been delayed, but according to OIMT, the organization is inclined, as recommended by Accenture, to invest in an update of Atlas because a new ERP would cost around \$50 million while an update around \$12 million but this cost would not be shared easily with UN clients. It is important to note the ongoing financial implications of the ERP's implementation in terms of human, financial, training, annual recurring costs, ownership and contingencies as well.⁴³

Another concern is the lack of harmonization of the different ERPs used by different agencies. Atlas is not ubiquitous – entities using different ERPs complain that they are not able to access relevant data and track expenditure or status of funds. As a result, agencies face duplication of work, delays in reporting and unnecessary manual work – a situation that also affects UNDP operations staff. The need for Atlas to integrate its system with other ERP software such as UMOJA⁴⁴ is considered very relevant for

a number of UN entities, including some justifying not joining UNDP services because they are concerned with incompatibilities and duplications. There are bridging solutions available to enable different ERP systems to exchange information more efficiently and to enable user-friendly client interfaces, but these require additional investment.

UNDP is also challenged with the limited number of ICT staff and resources, including to invest in training opportunities for staff to keep up to date with modern technologies. UNDP ICT staff was reduced from 80 to 68 in the last UNDP restructuring. Currently, there is only 61 ICT staff, with seven positions still to be filled. UNDP's current capacity and resources are limited with the volume of licenses UNDP can purchase as well. Due to its constraints, there is an insufficient number of staff managing multiple roles⁴⁵, and this adds to the challenge of UNDP promptly and adequately responding to demands.

There are insufficient ICT managerial tools and mechanisms in place for operational services monitoring. Operations managers lack systems support to enable process workflow and performance monitoring, to register and process adequate and timely billing, to properly offer current or innovative services – such as adequate e-commerce⁴⁶ and HR services tools. When country offices try to innovate on their own, local IT solutions are discouraged in order to avoid opening the IT systems up to vulnerabilities, and modifications are subject to strict security and validation standards.⁴⁷ The use of non-automated solutions such as manual control of data and processes are commonly reported. Client interfaces

42 Atlas Consortium ERP – Cost, Benefit and Risks, Accenture 2018. Atlas's key advantages are that it is web-based and already in use and available in over 100 countries.

43 JIU review of systems in the United Nations organizations.

44 ERP system managed by the UN secretariat.

45 Office of Information Management and Technology Briefing to McKinsey & Co, 2018.

46 UNOPS, E-Sourcing platform, integrated with United Nations Global Marketplace – UNGM, manages sourcing, solicitation, bid opening, evaluation and award phases of procurement, including review instances, customized by bidding modality. It is a user-friendly platform that innovates by effectively interacting with vendors, who submit directly through the system the necessary information, proposals, diligence responses, etc.

47 POPP, chapter on 'Information Security in System Acquisition, Development, and Maintenance Standards'.

are also limited: demands made to UNDP will have to be followed up in a face-to-face or email basis. Validation of billing is difficult, being post facto with no automated tool to effectively report the services requested and related costs. Even Atlas External Access, a tool that facilitates vendor, procurement, and payment processes, is still not provided to clients enough so they can follow-up on processes. Quality appraisal systems and automated feedback channels for the services are not available, so these aspects of the process must be handled through slow and cumbersome email and verbal mechanisms.

Finally, a lack of involvement of the OIMT in matters pertaining to significant changes or scaling up of innovations has led to inefficiencies and caused otherwise preventable setbacks. For example, when UNDP was designing the structure for clustering of operational functions, OIMT was not involved in the process and was not able to suggest technical implications of GSSU restructuring. The way Kuala Lumpur GSSU was designed as one staff serving multiple countries was not initially set up in Atlas, and this setback caused considerable inconvenience after the GSSU was launched. OIMT was only involved when issues arose after the launch. There are also innovative solutions across country offices with the potential to be scaled up, for example, the IRIS system⁴⁸ and One Pay⁴⁹, developed in Mali supporting six country offices, but headquarters' limited resources were not able to timely support and ensure adequate risk management.

Finding 14. Clustering. Full clustering of agencies non-location dependent services could have been delivering greater efficiencies, savings and economies of scale. However, UNDP lacks a clear vision for clustering with the adequate resources, tools, processes and implementation plans.

Country offices have had to adapt to downsizing of operations and further clustering is being considered by the organization. Interviews and other assessments highlighted the following key factors currently hindering clustering⁵⁰:

Key factors hindering clustering

1. Absence of a clear action plan, business case and functional analysis;
2. Resistance from country offices and regional bureaux;
3. Constraints caused by the current decentralized model;
4. Lack of user-friendly automated and integrated systems aligned to Atlas;
5. Absence of a clear costing methodology for services;
6. Poorly defined role of the GSSUs and weaknesses of structure and budget allocation;
7. Internal corporate accountability framework in need of adjustments;
8. Need for policy owners to clarify standard operating procedures and secure resources.

The audit of UNDP clustering process 2018 confirms what the joint assessment of UNDP institutional effectiveness had found in 2017 and this evaluation triangulated indicating that the overall UNDP clustering process needs major improvements. It was found that the clustering process lacked project management, end-to-end and cross-functional analysis, had poorly defined roles for the GSSU and relapses in the business process re-engineering.

UNDP lacks a holistic approach to clustering and has not sufficiently communicated or consulted its country offices on the advantages of clustering and centralization of operational services. Country offices are concerned about

48 Web-based system developed in Mali that provides real time and 24/7 information on operations and staff location based on its GPS feature supporting six country offices.

49 A broadband free mobile application that ensures the seamless management of funds in areas where banking structures are non-existent.

50 Strategic Plan evaluation 2014-2017 and audit of UNDP Clustering Process 2018.

losing staff, autonomy and/or quality of services and have yet to be convinced of the added value of clustering. Currently, UNDP's clustering approaches lack a solid business case and a clear mandate. They are not supported by adequate capacity and IT automation with integrated and user-friendly systems, or an aligned internal control framework. The role and responsibility of the GSSUs are not consistently understood. Some see it not as a monitoring and control unit but as a service provider, while others believe its oversight function adds value and customer service orientation. Another challenge with the clustering process is the effect of time differences on services. For all these reasons, the current structure is not ideal and there is significant resistance from most regions and country offices.

The decentralized model currently applied to operations hampers quality assurance for operations. There are strengths to the programme decentralized model of UNDP: it empowers regions and countries in supporting development in alignment with the needs of countries. However, there are challenges in following the same decentralized approach to operations. The Regional Bureau for Africa⁵¹ has its own clustering model and some of the other bureaux as well as country offices have resisted clustering. This degree of freedom accorded to regional bureaux is impinging on further efficiencies and economies of scale, diffusing responsibilities, diluting accountability and generating inconsistencies in operational quality standards across the different offices, especially regarding back office support services to other agencies. Clustering of non-location dependent agencies services, in particular, could significantly help with some constraints faced at the country level and improve client orientation and quality consistency.

Nonetheless, there is no clarity on what are location and non-location dependent services.

Due to nuances occurring especially at the country level, there are location-based aspects of operational service that can drive or discourage centralization, and UNDP has not critically mapped these aspects. From the availability and quality of internal capacities across the organization to requirements faced as per the type of funding, these elements can help refine country level operational strategies.

Potential efficiency gains from further clustering, centralizing, specializing particularly in procurement remain untapped.

A business model for that was drafted four years ago, in a 2014 procurement strategy, but it has been challenged by lack of resources⁵² and insufficient buy-in from the regional bureaux and country offices. The strategy envisions migrating high-risk/high-volume procurement to the GSSUs; establishing nodes in the regional structures to handle moderate-risk/moderate-volume procurement (i.e. above \$50,000); and keeping procurement under \$50,000 in country offices. This accounts for the fact that procurement is interactive and sensitive to urgency, requires local control of suppliers and quality checks, and may involve sustainability and maintenance of goods. Lack of buy-in is grounded in the fact that country offices and regional bureaux⁵³ want to keep posts, expertise and operational capacity and have control over processes to guarantee deadlines and to ensure that local contexts are correctly addressed/considered. Added to that, there is an indication that the provision of inter-agency services at the local level is more successful at simpler service lines under procurement, related to common services such as the use of long-term agreements (LTAs), use of

51 The model in Africa is based on creating a support network among countries, with multiple countries serving as 'support nodes' to help other countries. It operates on an informal and ad hoc basis, with limited monitoring and no concrete, costed or sustainable strategy or business case.

52 High costs for setting up and expanding GSSC.

53 Before centralizing of the XB (extra-budgetary resources), in 2016, country offices could also keep part of the overhead collected with procurement through GMS, so there could be a misleading understanding that they may be losing this overhead sending services offshore. Since the pooling of the XB, they do not get to keep this overhead in the country office anyway.

shared vendor database and customs clearance.⁵⁴ Other complex procurement service lines are either conducted by each agency or bilaterally demanded to UNDP.

Further centralizing or clustering procurement could limit the risk and bring significant economies of scale. In 2017, UNDP procured a total of \$2.117 billion for all UN entities, including itself. This is distributed across over 130 business units and handled by about 970 procurement staff, not all of them specialists or full-time procurement officers.⁵⁵ The 200 largest UNDP suppliers account for over 44 percent of the spending, but there are about 28,000 suppliers for procurement below \$50,000 and a total number of suppliers of 32,148. Centralizing some of this work and others in different areas of services that are non-location dependent

could generate efficiencies and limit the risk at the country level.

Finding 15. Advantages of integrated service models. 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, Cape Verde, Viet Nam and Copenhagen displayed more neutral, less-biased and shared governance mechanisms⁵⁶, improved client orientation and more open space to build on the professionalization of operations staff.

A comparative case study was conducted of four integrated models. The Brazil Joint Operations Facility, the Cape Verde Joint Office and the One UN Viet Nam Common Services Unit. The

The Brazil Joint Operations Facility (JOF) is an autonomous, single-service-window unit for procurement and travel services serving UNDP, UNESCO, UNFPA, UN Environment, UN Women (members) and UNAIDS (SLA). All other operational services are provided by the UNDP country office, and many other agencies in Brazil still maintained their own operational capacities for these and other services. The JOF reports directly to an inter-agency steering committee and has its costs proportionally distributed between members, based on the volume of their demands. Because volumes are based on the past year and adjusted in a year-end basis, the JOF's budget is subject to much variation and not realistic. Although there are adjustments made, there is often conflict.

The Cape Verde Joint Office originated from a programme integration process of UNDP, UNICEF, UNFPA and initially WFP⁵⁷, and reflects the organic integration in its operations. There is one single Common Country Programme Document and one set of business processes, rules and regulations based on the UNDP operational platform. Each staff represents UNDP, UNICEF and UNFPA in their activities, responding technically to policy groups at each agency and managerially to the Resident Coordinator. The Joint Office annual budget is covered by a fixed share distributed between the three agencies on an agreed ratio: 60 percent to UNDP, 20 percent to UNICEF and 20 percent UNFPA.

The Viet Nam Common Services Unit (CSU) provides common services, back-office support and facility management to UN agencies. The CSU reports to a UN Management Board and the Resident Coordinator. Services are based on UNDP rules and regulations and have their costs proportionally distributed between members based on an annual shared desk count. The CSU and other agencies still depend on the operational backbone of UNDP to provide financial oversight and core operational services (procurement, finance and human resources).

The Copenhagen UN City Common Services Unit is hosted by UNDP to assist the UN agencies in Copenhagen. It reports to the UNCT and UNDP Director of the Nordic Office. Costs are calculated differently for different services, but overall common services management cost is proportionally distributed based on the number of staff in each agency or unit.

54 Shared Operational Services module, UNDG Information Management System, 2018.

55 Data from the 2017 Strategic Plan evaluation.

56 A management board with all agencies and no leading agency.

57 WFP ceased its activities in Cape Verde in 2010 and has had no presence there since.

Copenhagen UN City Common Services Unit led by UNDP was also analysed but to a more limited extent.

Agencies, including UNDP, showed high levels of satisfaction with operational support effectiveness 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, like in Copenhagen, but were more satisfied where the integrated services unit was independent of an agency and reported to the OMT, like in Viet Nam. It was particularly less burdensome for UNDP as well, not having to subsidize other agencies, due to low cost recovery.

Shared governance and costing have opened ground for shared accountability and a more desirable level of independence. These units are able to propose and implement innovations and client-orientation quality to their services without the risks of firewall failure faced by lead agency-based models. In government cost-shared based programmes such as Brazil, where resource mobilization generates increased competition, the JOF neutrality created a forum for member agencies to cooperate in cost-effective solutions and to signal to the Government UN efforts in promoting them. Governments, partners and donors also see integrated models as advantageous for the efficiencies they can potentially generate. Joint efforts have historically been welcomed by these stakeholders with the expectation of the UN to deliver as one.

Integrated models also generated economies of scale with LTAs and cost savings from the reduction of administrative functions; however, redirection of resources to programmes was not observed. The assumption that efficiencies would allow staff to focus more on strategic matters and redirect funds to programmes could not be confirmed. In practice, there has been personnel reduction and in interviews, agencies were not able to highlight growth in programme, staff or budget as a consequence of moving services to an integrated unit.

The definition of location dependent services is also needed to refine country level service integration strategies. Integrated services, as per above-mentioned evidence, have performed particularly well in creating synergies for common services/back office functions in the field. However, as mentioned in the previous finding, a clearer, strategic definition of location dependent functions is lacking. Establishing this parameter would mean better positioning integrated service units, thus helping UNDP and UNCTs to maintain efforts to further develop new niches of integration, with due institutional support and strengthening the BOS implementation.

Finding 16. Challenges of the integrated models. 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 with inherent costs, risks and liabilities.

As the legal entity having a Standard Basic Assistance Agreement (SBAA) with the Government, the legal accountability, risks and liabilities lie first with UNDP for those agencies that request services and all integrated arrangements. Host governments sign the SBAA with UNDP, and therefore UNDP has been historically providing operational support to participating agencies. In the case of integrated experiences, despite the existence of joint boards for shared governance mechanisms, there are still certain services, such as diplomatic accreditation, custom clearance and imports services, vehicle registering linked to the privileges and immunities, agreed in the SBAA that UNDP, as the legal entity, has to provide or sign on behalf of the integrated unit. Personnel hiring for the integrated service structures, and for the most part, their service contracts, are also currently done by UNDP for all the examined cases. Banking is another service that is not always linked to the SBAA, but UNDP is often the best positioned to provide given its developed expertise and relationships built over the years to work with local currencies and advise on sanctions. UNDP also provides

financial oversight to all integrated service units but the organization, for the most part, does not fully recover costs for absorbing the risks.

The financial sustainability of these integrated initiatives is not certain and represents a risk, especially for UNDP. There are some efforts still to be made 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 agencies. In Brazil and Cape Verde, UNDP is disproportionately charged, due to the outdated cost-sharing arrangement. In Brazil, UNDP covered alone the cost of the JOF start-up. Entering negotiations to review cost-sharing arrangements was reported in interviews as a complex task, suffering the same resistance of cost-recovery issues. In all these countries, including Viet Nam, UNDP is also not fully recovering costs for services provided to other agencies and the Common Service Unit. A risk, as unwanted and complex as this possibility may be, is that withdrawal from the model is an available option for participating agencies – except for UNDP, in practical terms.

In case of failure of the integrated model UNDP, being the first service provider in the field for resident and non-resident agencies, may also be left to manage reform/closure arrangements. In this sense, beyond the strategic relevance of leading and helping consolidate effective operational integration experiences, reaching cost-efficiency and financial sustainability is equally important to protect investments made by UNDP and to avoid new ones. A balanced costing model for the JOF in Brazil, for example, has not yet been reached and is currently under review. The JOF is challenged with the need to guarantee that its structure and costs can accommodate variable volumes of service through time and at the same time retain talent and professionalism. Stimulating more agencies to join the unit is also an important factor for its sustainability. While interest from other agencies has been manifested

and is under study, the absence of a balanced costing model is at the same time hindering any further developments of these potential new memberships.

Success was achieved in integrating location dependent common services, such as security, travel, management and maintenance of common premises and fleet, banking and medical services. Many of these services have been facilitated by SLAs, as legally binding, long-lasting, accessible and objective tool to implement common services and share efficiencies. The UN Development Operations Coordination Office (DOCO)'s study on the existing BOS framework has also found these same areas as the most commonly implemented under common service arrangements and indicated that at least 42 out of the current 45 ongoing BOS exercises (93 percent)⁵⁸ utilize LTAs to facilitate common arrangements.

However, full integration without duplication of services with all UN entities in a country using only the services provided by an integrated services unit has not been achieved. Full integration at the country level has been challenging, especially for ICT, procurement, HR and finance. The Viet Nam Common Service Unit is the only model that was able to integrate ICT fully. In Cape Verde, ICT is integrated only for the three main agencies. In Brazil, ICT potential integration is under discussion within the BOS. In Copenhagen, different agencies preferred different arrangements. Procurement, HR and finance are led by UNDP directly (Viet Nam) or provided by the integrated serviced centre based on UNDP's regulations for the agencies that joined the model, but not all in the UN House (Cape Verde). The JOF in Brazil is the only one providing procurement under a harmonized procurement manual. However, the UNDP country office in Brasilia still intermediates these services for resident non-JOF agencies or to non-resident agencies. Like in the other models, there are still

58 DOCO study on existing BOS frameworks and common services, 2018. Data sourced from UNDG IMD 2018.

redundant internal procurement capacities operating within JOF member agencies.

A key factor that challenges integration is the non-acceptance of mutual recognition principles in practice. The principles are not yet well understood or easily applied in practice. Integrated services units that are mainly based on UNDP's rules and regulations often accommodate the needs and requirements of participant agencies, instead of systematically advocating for the use of UNDP's rules and regulations under mutual recognition; and the use of different rules and regulations generate additional data exchange and reporting duplication.

It has been challenging to acquire buy-in of involved UN entities and corporate support for the establishment of these integrated services units. The creation of the integrated service units involved the development of sensitive financial sustainability arrangements and complex procedures, and each has required considerable managerial, financial and technical support from UNDP. While some UNDP headquarters and DOCO support was provided in initial phases, most of the work setting up the integrated services units was carried out by the UNCTs, which had to push for accepting this change within their organizations and then harmonize the sometimes conflicting feedback from their headquarters.

3.3 VALUE ADDED FOR UN ENTITIES TO HAVE UNDP AS A SERVICE PROVIDER

Finding 17. Value added for UN entities. Cost savings and value for money are key initial values added, but cost efficiencies are not enough to achieve and maintain UN entities' satis-

faction. Agencies expect improved processes, quality and timeliness of services, responsiveness, and risk reductions.

Agencies were driven to UNDP only to a small extent (2.3)⁵⁹ by the expectation of value for money and cost savings. Interviews elucidated that not all agencies conducted a cost-benefit analysis when choosing to have UNDP as a service provider. Some agencies highlighted they were willing to pay higher prices, so long as they received quality, timely services. UN entities, however, did indicate that services becoming more expensive (3.3) would to a great extent (48 percent) or to some extent (26 percent) influence them moving away from UNDP services.⁶⁰ But almost as important in an eventual decision to leave UNDP would be the lack of timely provision of service (3.2), quality services (3.1) and adequate customer services (3.1). Cheaper alternatives would be ranked lower in the level of priority for their decision-making, with over 20 percent of respondents not considering that at all a key factor.

To a great extent (46 percent)⁶¹ UN entities indicated they sought UNDP services because there were no other options, but other agencies were found offering services in some countries.⁶² UNDP is the only option for certain services in countries where the SBAA stipulates it; and generally linked to diplomatic accreditation, customs clearance, import services and vehicle registration. As can be seen in Figure 14, from a partial set of data collected in a sample of seven countries in Africa, many UN agencies provide operational services to other UN entities at the country level. Consolidated BOS data highlight that at least 13 different agencies play a lead role in the provision of common services at the UNCT level.⁶³ These being: UNDP, Food

59 IEO client satisfaction survey Q34 weighted averages.

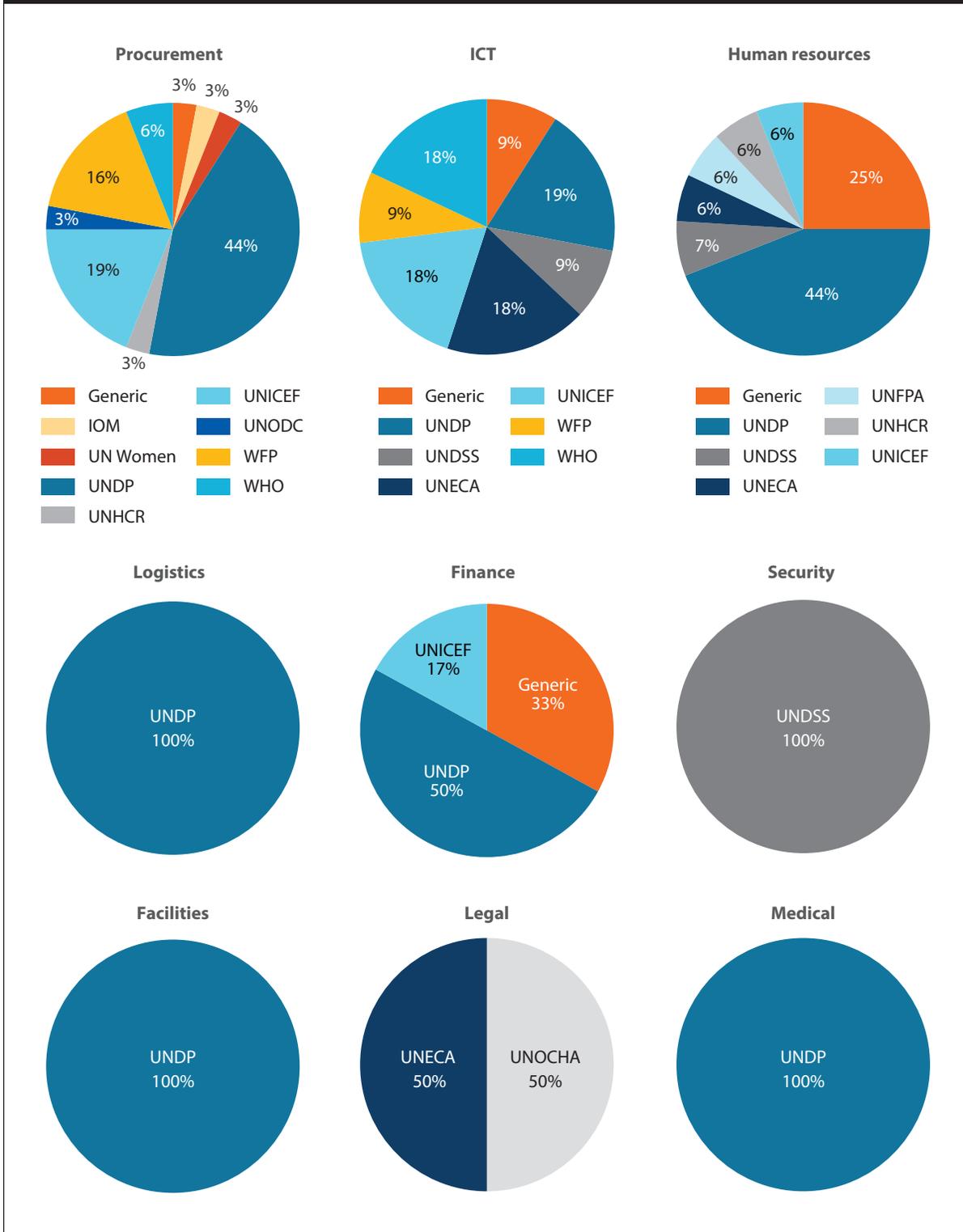
60 IEO client satisfaction survey Q37 weighted averages.

61 IEO client satisfaction survey Q34 weighted averages.

62 BOS data from the BOS COA CBA automated tool.

63 Consolidation of BOS data as of May 2018.

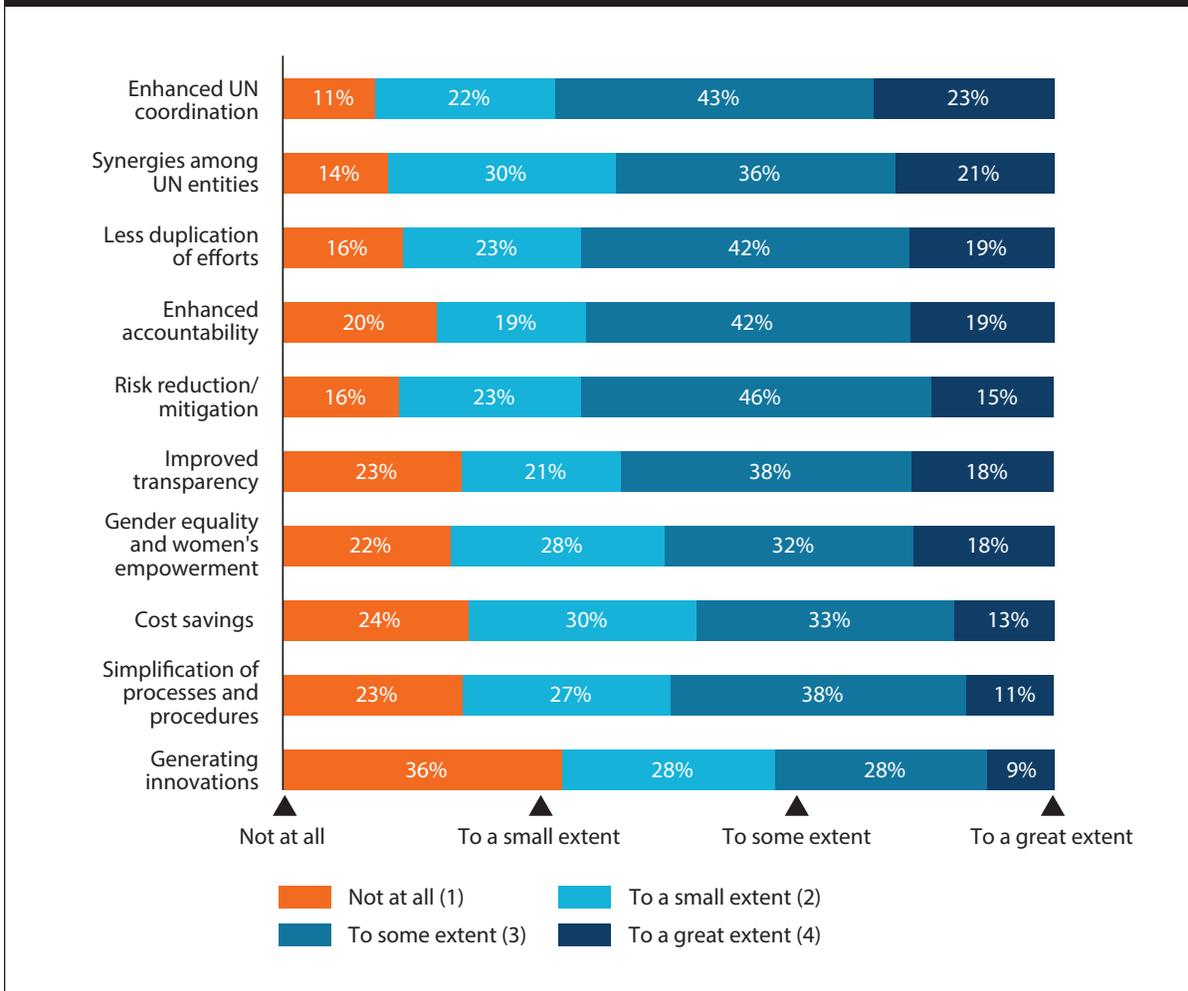
Figure 14. BOS cost-benefit analysis of services by agencies in seven African countries



Source: BOS CBA automated tool, 2018⁶⁴

64 Generic stands for not lead agency.

Figure 15. Clients' rating of the contribution of UNDP operational services



and Agriculture Organization (FAO), UNFPA, UN Office of the High Commissioner for Refugees (UNHCR), UNICEF, WFP, World Health Organization (WHO), International Organization for Migration (IOM), UN Entity for Gender Equality and the Empowerment of Women (UN Women), UN Office on Drugs and Crime (UNODC), Joint UN Programme on HIV/AIDS (UNAIDS), UN Economic Commission for Africa (UNECA) and UNDSS.

Interviews also captured that the corporate operations strategy of each UN entity is a key factor influencing their decision on whether to request UNDP services. If the entity has or develops its own structure, it will use that. Similarly, if the corporate commitment was towards

integration of services, that is what is followed. This means that beyond UNDP's effectiveness and efficiency, it is the strategic view on operations and political commitments from agencies' corporate levels that mainly determines whether requests will be made to UNDP as opposed to other alternatives. This is a complex managerial decision for UN entities due to the already existent levels of investment made by some of them in their own vertical options of GSSC and systems support. In view of the issues related to the programmatic impact of operational autonomy, moreover, agencies are confronted with the need to commit collectively to seek and collaborate with the most cost-effective solutions possible. That dichotomy is perceived clearly under BOS activities and in the integrated operations

service solutions analysed. Agencies have legacy systems in place – and there is a transaction cost to changing them, including moving or terminating personnel. It is typical of institutions to be reluctant to make personnel changes – and reduce staffing in an office unless compelled to do so. As has been discussed earlier, having your own team in place affords operational flexibility. Meanwhile, the tightening financial situation for UN agencies, and demands for greater cohesion in order to reduce duplication of effort, is compelling agencies to pool such services.

To a more limited extent, agencies found that UNDP inter-agency operational services also added value to the following⁶⁵: UN coordination (2.8); less duplication of efforts (2.6); synergies among UN entities (2.6) and reduced risks (2.6); improved transparency (2.5), simplification of processes and procedures (2.4), cost savings (2.4); gender equality and women’s empowerment and innovations (2.1).

No evidence, beyond surveyed perception, was found that integration of operational services alone is sufficient to promote programmatic coordination, synergies and coherence. The case study of the Cape Verde joint office proved that integration of agencies contributed to a more coordinated, synergetic and coherent response to programmatic national needs and priorities. However, these achievements were more aligned to the integration of programmes than by the fact that the joint office provides integrated operational services. There is evidence of Delivering as One offices committed to programmatically working in more alignment, and also having more integrated operations delivering more coordinated, synergetic and coherent responses to programme and policies. However, integration of operational services alone does not lead to these benefits; it can contribute if there is a commitment to also work towards delivering as one.

Duplication of efforts is understood to have in principle been reduced, but it is not clear to what extent. Many agencies using UNDP services are still performing similar functions in their offices. Many go to UNDP for some services but retain staff for the same functions, such as procurement, HR and finance. Also since many agencies are in different ERPs, there is much duplication of efforts with repeated entries and errors.

Risk was reduced to other UN entities but not exactly for UNDP. UNDP oversight layers of review, checks, and balances provide assurance to UN entities, and 64 percent⁶⁶ of the agencies believe their risk has been to some extent reduced. Nevertheless, it is on agencies to provide to their Boards and funders that they are achieving intended results and spending resources wisely. Occasionally agencies faced challenges visualizing or acquiring data and reports in the format they need for that. On the other hand, in many cases, UNDP ends up absorbing liabilities alone, being the signatory party for contracts and the disbursing authority behind payments made on behalf of the UN entities. Legal concerns deriving from it will have UNDP as the entry level and intermediary. In Viet Nam, though, the Common Services Unit has developed a costing method that is closer to recovering part of the cost with oversight and accountability.

Considering that UNDP is the only agency with an aid transparency index surpassing 90 percent, transparency for other UN entities could, in principle, have improved. However, the overall perception from agencies is that transparency is still hindered by some relevant shortcomings from UNDP in demonstrating its costs and the timely billing of services. The lack of managerial tools to monitor services, performance and related costs also contribute to this perception from the agencies. There is also fear about audit becoming an issue, due to grey areas

65 IEO client satisfaction survey Q32 weighted average.

66 IEO client satisfaction survey Q32.

on mutual recognition of rules and regulations. Although UNDP has properly covered inter-agency operational transactions, there can be a lack of clarity on accountability within the processes, which may be limiting in a sense audits' scope. Impact on audit has yet to be better analysed by UNDP and agencies.

Simplification of processes and procedures were recognized by the agencies that had more time demanding internal processes and procedures, but many still consider UNDP bureaucratic. Simplification is not acknowledged as a natural feature of UNDP processes: it is perceived as such in comparison to more inefficient alternatives. UNDP staff, on the other hand, insisted on the need to simplify processes and procedures further. It is important to note that there is a balance to achieve between simple procedures and proper oversight. While simplification is desirable, the fact that UNDP's aid transparency index surpasses 90 percent is a sign that the organization has taken careful consideration of this balance but continues to consider opportunities for improvement.

Gender equality and women's empowerment policies and regulations have been in general promoted and applied by UNDP in operational processes to some consistency but with limited value added to gender equality outcomes in other agencies. Nevertheless, only 23 percent of UN entities and 50 percent of UNDP staff said UNDP had guidelines or requirements to ensure that services provided are gender sensitive⁶⁷, a significant number of UN entities (65 percent) and UNDP staff (31 percent) were not aware of these guidelines and requirements.

Even in difficult environments, HR staff have been making an effort to send vacancies to women's networks to support gender equity outcomes. In countries where parity has been

achieved in the recruitment of staff, for example, the clause to encourage the participation of women remains in use, which could be helping to solidify the component of women's empowerment. The outcomes of those policies are not being monitored though. Procurement is one area where gender can be more strongly promoted. UNDP has introduced women empowerment criteria to its evaluation processes which is assessed as part of the bid review, but it has been challenging to verify compliance. Documents indicate rules are being followed, but there is no close monitoring.

In some country offices with limited numbers of staff, it has been a challenge to ensure a balanced participation of men and women in recruitment panels. Constraints Analysis for Common UN Business Operations confirmed there are different rules or interpretation of gender parity in recruitment panels, yet many countries do utilize joint recruitment panels and lend technical subject matter experts to each other when it adds value.⁶⁸

The provision of agencies services by UNDP is contributing to the achievement of the SDGs, especially for non-resident agencies that otherwise would face challenges to guarantee minimum capacity and capillarity in the field. **Forty-two percent of UN entities also believe the provision of services by UNDP is contributing to the achievement of the SDGs.**⁶⁹ It has also been reported that being able to access UNDP's tools impacted positively in the implementation of programmes and projects operations of UN entities, especially for non-resident agencies or those resident without a comprehensive project implementation structure in the field. UNDP, as the current host to the Resident Coordination System, is also a strategic point of entry for UN entities in establishing a relationship with the Government for the SDGs. And since the SDGs cannot be achieved

67 IEO client satisfaction survey Q39.

68 DOCO 2016 Constraints Analysis for Common UN Business Operations at the Country Level Report, p23.

69 IEO client satisfaction survey Q30.

in silos, it makes sense for the UN entities to join forces, demonstrating its own efforts of cost-efficiency to prioritize allocation of resources to programmes. The perception is also that joint UN efforts do stimulate counterparts to work together to deliver on the SDGs, although that could not be observed during data collection.

Finally, UNDP's large geographical footprint to provide a wide range of services is a key value added for agencies, as it could remove the need for agencies to bear the costs of replicating those services, affording them the possibility of freeing up their own staff to potentially focus on more strategic areas. However, as mentioned before, evidence of resources being redirected to programme was not found.

3.4 VALUE ADDED FOR UNDP TO PROVIDE OPERATIONAL SERVICES TO OTHER UN ENTITIES

Finding 18. Value added for UNDP. Economies of scale are the most tangible value-added UNDP benefits from providing services to other UN entities. Other benefits are more intangible and include opportunities to position UNDP as a leader in the UN system; synergies built among UN entities; enhanced UN coordination; and greater visibility. To a limited extent, UNDP also benefits from generated innovations and improvements to address other agencies' needs. Advantages UNDP is not benefiting from 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.

Economies of scale most easily identified that UNDP benefits from 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. Joint LTAs have been an effective tool to concretely make this happen. The volume of services in certain service lines, such as finance and treasury, can also generate advantages in the negotiation of banking services. In this sense, UNDP is also in a good position to lead and benefit from BOS processes in the field, given its experience in creating or at least intermediating cost-effective solutions for UNCTs.

UNDP's lead position in the provision of operational services is also recognized as having a positive effect on UNDP's visibility, strategically positioning the organization vis-a-vis donors, partners and host Governments. Governments and donors knowing that UNDP serves the other UN entities see UNDP as a credible and trusted partner also to implement their work, while at the same time potentially enhancing UN coordination, promoting synergies among UN entities and potentially being able to influence the leveraging of resources. It was not possible to rigorously measure to what extent these benefits have taken place, but the perception of the stakeholders consulted is that these would in principle be the advantages expected and they seem to be happening to some extent in different places.

Innovations and organizational learning for improvement of efficiency were also mentioned – and some observed – as sub-products of the diverse needs and demands UNDP responds with adjustments in serving UN entities. The BOS COA tool from Swaziland, the IRIS system in Mali, the single window service model of the JOF in Brazil⁷⁰ are examples worth mentioning. Nevertheless, UNDP does not have an effective way of documenting, systematizing, sharing, replicating and scaling up these innovations, lessons learned, or examples of efficiency.

What UNDP is not benefiting from is full cost recovery for its services and efficiencies at the country level from further offshoring of agen-

70 The JOF provides to agencies a 'first come, first serve' approach to services, improving client orientation. The JOF offers a process follow-up platform to the client to monitor processes. It also counts on pre-established conditions for exceptions and urgencies, agreed by all member UN entities.

cies services and integration of back office support services. Cost recovery, despite its current limitations and low significance in absolute numbers, has the potential to be an important source of income for UNDP. With adequate pricing of services and cost recovery (direct and indirect), the additional income generated could be directed at improving operational capacities and efficiencies and complement costs of research and development for better services. With back office support services in integrated common units and with offshoring of clustered operational functions, efficiencies could allow savings to be redirected to programmes.

3.5 UNDP CHALLENGES IN PROVIDING OPERATIONAL SERVICES TO OTHER UN ENTITIES

Finding 19. Challenges for UNDP. UNDP faces challenges in providing services to other UN entities due to the lack of financial and human resources; inadequate managerial tools and systems; and its inability to properly price and fully recover cost for agencies services. This is to some extent negatively affecting UNDP’s reputation and attention to its development mandate and partners.

A significant challenge faced by UNDP has been identifying and benchmarking the cost of operational services and transparently presenting it to UN entities and UNDP staff. This is a systemic issue; it is not simple for any agency to cost services provided to other UN entities, much less to convince them to agree to full cost recovery. Fifty-eight percent of UN entities found the UNDP methodology for calculating cost recovery for services not transparent.⁷¹ Thirty-one percent of UNDP staff consulted also indicated not knowing whether their country

Key factors challenging UNDP’s provision of services to other UN entities

1. Inadequate business models to fully cost and recover cost for agencies services, including oversight and liabilities;
2. Lack of adequate staffing capacities to deliver quality and timely services;
3. Lack of financial resources to invest in adequate ICT tools and systems;
4. Lack of country offices’ buy-in for the mandate to serve other agencies.

office was fully recovering costs for agencies services, because the formula is unclear.⁷²

Services to UN entities are governed by UNDP’s Programme and Operations Policies and Procedures. The UNDP Executive Board, in Decision 2012/27, has reiterated the principle of full cost recovery as stipulated in General Assembly resolution 62/208 and Decision 2013/9. Full cost is understood as the sum of the direct costs and indirect costs. A prerequisite for providing services is that “the requesting UN entity agrees to pay the related costs for the provision of the services”.⁷³ There is, however, little detailed guidance available on determining the cost of providing the services.

UNDP has developed three costing practices. These include: (i) tracking direct costs and allocating them to agencies receiving services, using corporate SLAs; (ii) estimating direct costs and allocating them to agencies using corporate SLA measures; and (iii) setting a flat fee for each service or transaction, being the flat fee based generally on dedicated staff cost, staff time and a percentage of general operating expenses.⁷⁴ This third mentioned practice is the

71 IEO client satisfaction survey Q35.

72 IEO service provider survey Q15.

73 Paragraph 3.1 of the Policy on Provision of Services to UN Entities.

74 These are recurring operating expenses directly associated with the staff and personnel (excluding staff salaries), such as a percentage share of the office rent and security, utilities and maintenance, communications expenses, supplies, information communications, technical system support expenses.

approach UNDP used to develop the universal price list⁷⁵ and local price lists used by country offices. Both are based on marginal costing, assuming staff has spare time to provide services to UN entities while also serving UNDP, which is not always the case.

Business units at all levels generally bill only for some of their direct costs incurred at the individual business unit level. Direct costs incurred in other business units are not systematically included. The first two methods identified in the previous paragraph are mostly used at headquarters or in specialized units, and cost recovery under these bases have shown better results for UNDP because direct costs are more comprehensively covered. The third method, using the UPL and LPLs, only considers estimated or pro forma direct costs of the staff immediately involved in the specific process which is added to general operating expenses. This represents only part of the direct cost incurred by UNDP. Only 14 percent of staff consulted indicated to be properly cost recovering with the UPL or LPL.⁷⁶

None of these practices include UNDP's indirect costs in the provision of services. Indirect costs, such as management supervision, quality control and administrative support, are excluded, as they are not easily assigned to a specific service.

UNDP overhead and capital investments are not taken into account either. Capital costs incurred by UNDP are treated as sunk costs and agencies are not billed for that, even though they benefit from the resulting improvements in systems.

The marginal-costing approach used at country level to recover costs is unrealistic and problematic. Assuming staff at country level have spare time to provide the services to the agencies,

while also providing services to UNDP, is not always realistic, and stems from a time when core resources were enough for staff to provide additional services. It may be the case that staff still have some spare time in a few country offices, but not in all cases. During these times of financial constraints many country offices had to undergo a restructuring and reduce staff in operations, some even face challenges to keep the internal control framework when people go on leave. Only 16 percent of country offices consulted indicated having sufficient time to provide the required operational services to other UN entities with adequate quality.⁷⁷

Planning for agencies services and related costing is also particularly challenging for country offices. Country offices indicate that UN entities' demands are only to some extent predictable to timely plan for staff capacity (2.8), staff time (2.7) and costs (2.8).⁷⁸ At the same time, staff cannot refuse to provide agreed to services. Managing these sensitivities of exceptionally denying services depend on individual managerial and leadership capacities, but the risks involve having complaints scale up. In this sense, country offices tend to accept demands and accept the risk of compromising the quality of services.

The unwillingness of some agencies 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 the country level, however, often agencies complain about price during consultations, but when costs were transparently presented with the clarity of how costs 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.

75 UPL and LPL approaches calculate costs by taking the pro forma staff costs and dividing by the number of available workable days, after adjusting the costs upwards to reflect the impact of mandatory days off, training days and sick days.

76 IEO service provider survey Q15.

77 IEO service provider survey Q13.

78 IEO service provider survey Q14.

Finding 20. Lack of incentives and a vision with boundaries. The absence of incentives, such as performance assessments to serve other UN entities, 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 UN entities.

Performance assessments of staff consulted at the country level currently do not include performance in serving other UN entities. Although some staff in some countries may include, this 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, some mistakenly consider it a favour.

The consolidation of extra-budgetary resources at headquarters,⁷⁹ the ‘pooling of the XB’, also pooled the cost recovered from agencies services to New York. This was understood by country offices as a disincentive to cost recovery. The purpose of the consolidation of resources at headquarters, including the cost recovered from agencies services, was to allow the organization to leverage its resources in a more effective and cost-efficient way. It was also to ensure the continuation of UNDP’s universal presence and the continued financial sustainability of country offices, including those that are not self-sustainable. However, the lack of transparency perceived by country offices consulted in budget allocation of these pooled resources is causing a perception of inconsistencies and losses, with country offices fearing not having their cost recovered from agencies services back to proper staff units.

Regional bureaux are given autonomy to establish their own approaches on how to manage

the allocation of resources and these processes have not always been transparent to staff in countries. Country offices are expected to present business cases for regional bureaux to consider in budget allocations, and the consistency of these exercises vary according to local capacities and context specificities. As a result, budget allocations are perceived as inconsistent and not transparent. Country offices consulted expressed concern over no longer having direct control of the XB reserve and cost recovered from agencies services for manoeuvring it according to fluctuating volumes and needs of other agencies that are not easily predictable. This impact in principle should not be felt since the regional bureaux can adjust allocations at the end of the year, but country offices’ interpretations, and perhaps lack of clarity and communication about the allocation process, have affected motivations.

The lack of resources to invest in staff is affecting UNDP’s ability to improve and retain capacity and deliver quality and timely services. Only 22 percent of staff consulted said UNDP adequately invests in staff capacity and staff time to serve UN entities.⁸⁰ With such constraints, UNDP cannot expect to serve all to the same standards. Since the capacities in the field are diverse, management of budget allocation to invest in the development of minimum standards is important to ensure concrete improvements. Assessing the budget allocation process of each bureau was difficult. Each regional bureau has a way of allocating resources and country offices have different ways of presenting its business cases.

The strict adherence to a decentralized approach to operations lacks consistency, generates risks and limits efficiencies. Decentralization is important to programming, as 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, as it has prevented economies

79 Income accrued from cost recovery. Source: Programme and Operation Policies and Procedures March 2018.

80 IEO service provider survey Q8.

of scale, generated inconsistencies in operational quality standards across the different offices, diffused responsibilities and diluted accountability. The implementation of operational corporate strategies to serve UN entities on the ground could benefit from minimum standards and minimum investments, as those reported above.

Serving UN entities with insufficient resources has meant at times deviated attention from UNDP's development mandate and partners to accommodate or favour the needs of other agencies. In country offices with reduced staff, not only UN entities but also UNDP projects indicated they often suffered from delays or poor quality of services. In other countries, where staff saw the cost recovery charges as a way to augment the country office's income in difficult financial times, staff favoured serving the other UN entities over UNDP. But more often, agencies feel they are served second; some even understand that UNDP is prioritized. But occasionally UNDP programme staff feel they are the ones served second. Neither is adequate from a client-oriented service provision perspective.

Staff and clients consulted indicate these constraints affect UNDP's reputation and reliability. Agencies state and UNDP staff recognize that what is in place may be 'good enough' if agencies are seeking UNDP for eventual favours, but if UNDP is to be recognized as a reliable operational backbone to the UN at the country level, it cannot offer services without client orientation and consistency. On the other hand, UNDP also cannot offer adequate services without the guarantee of fully recovering its costs.

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. What UNDP has articulated in the current and previous Strategic Plans and what it has put in place leave ambiguous its intentions for operational services. Interviews with UNDP staff and senior management indi-

cated a lack of clear direction with all parts committed to one plan. Some indicated UNDP being committed to improving what is in place to grow, but without much clarity of how. Others indicated UNDP would be more selective in the provision of services, and only commit to what is beneficial to the organization and not necessarily focused on the UNS' need. Some indicated UNDP will move towards full cost recovery, since it is what is mandated by the Executive Board. Others indicated UNDP could not move towards full cost recovery because agencies will refuse to pay and there is fear of losing clients. Some indicated clustering will move ahead. Others indicated clustering is not working and may not be the way forward. With the new leadership, there are internal critical reflections and assessments 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 UNS operational backbone.

UNDP lacks a vision with boundaries. Even though UNDP can provide nearly all services to UN 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 UN system needs to provide consistent quality of services and client orientation at all levels. Considering the constraints above and opportunities for UNDP and other UN entities, UNDP has yet to conduct a full capacities assessment and analysis of the advantages and disadvantages of being an operational backbone to the UNS to arrive at a clear vision with boundaries, if necessary, to limit its services to areas the organization is best positioned to offer and can benefit from it.

In the next chapter, the evaluation presents the key conclusions and recommendations for UNDP's management consideration.

CONCLUSIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

4.1 CONCLUSIONS

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

4.2 RECOMMENDATIONS

To thrive in the shifting UN operational services environment, it is recommended that UNDP consider the following 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. 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. 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. 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. 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. 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.

4.3 KEY EVALUATION RECOMMENDATIONS AND UNDP MANAGEMENT RESPONSE

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. 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 service-level agreements 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.

Management response:

UNDP management agrees with this recommendation and is working actively to ensure that its ability to provide management and operational support services plays a critical role in supporting the growth and positioning of UNDP as the backbone of the United Nations system, and achieves the vision and improved business model reflected in the Strategic Plan, 2018-2021. The completed corporate review of management services is supporting the development of this new corporate business model which focuses on areas where UNDP can deliver the best value to its partners.

UNDP is investing in digital platforms and is streamlining its business processes to enhance the effectiveness and efficiency of its field operations. This will provide opportunities for the broader United Nations system to take advantage of these streamlined processes and systems to enhance their own delivery.

The UNDP Strategic Plan, 2018-2021 clearly defines the vision of UNDP for its role at the country level as:

- a. An integrator across policy, programme and organizational silos that delivers impact at scale and utilizes limited resources efficiently on the 2030 Agenda for Development;
- b. An operational backbone for United Nations and other partners whereby many United Nations agencies utilize the UNDP implementation capacity, including its information technology (IT), finance and human resources infrastructure, to enable them to operate effectively and cost efficiently in difficult and sometimes risky operational contexts.

| Key action(s) | Time-frame (Q=Quarter) | Responsible unit(s) | Tracking | |
|--|------------------------|--|----------|---|
| | | | Status | Comments |
| Review and update corporate service-level agreements (SLAs) with United Nations agencies. | Q1 2019 | Bureau for Management Services | | |
| Develop a revised set of KPIs, baselines and targets for tracking continuous process improvement and client satisfaction from Global Shared Service Units. | December 2018 | Bureau for Management Services | | Per the management action plan of the OAI audit of the UNDP clustering process. |
| Establish customer service enhancement structures, mechanisms and focal points at headquarters, regional and country office levels. | Q4 2018 | Cross-organization implementation team | | |
| Conduct a detailed baseline analysis on current service quality standards and client needs, including service costing and pricing analysis/review, leading to updated agreements with United Nations agencies on service provision and revised set of KPIs, baselines and targets for tracking continuous process improvement and client satisfaction for country offices. | Q4 2018 to Q4 2019 | Cross-organization implementation team | | |

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

Management response:
 UNDP management agrees with this recommendation, recognizing the need for a change in cost pricing from partial to full cost recovery and is committed to improving the predictability of the cost structure to enable United Nations agencies to undertake their planning accordingly. UNDP is currently reviewing the cost recovery levels and agreements (SLAs) for organizational support services that it provides to United Nations agencies.

| Key action(s) | Time-frame (Q=Quarter) | Responsible unit(s) | Tracking | |
|--|------------------------|--|----------|----------|
| | | | Status | Comments |
| Review cost-recovery levels for global services. | Q1 2019 | Bureau for Management Services | | |
| Review (and update) corporate SLAs with United Nations agencies. | Q1 2019 | Bureau for Management Services | | |
| Conduct a detailed costing and pricing analysis/review of country office services. | Q4 2018 to Q4 2019 | Cross-organization implementation team | | |
| Review (and update) country office SLAs with United Nations agencies. | Q4 2018 to Q4 2019 | Cross-organization implementation team | | |

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. 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.

Management response:
 UNDP management agrees with this recommendation. As part of the management response to the recent OAI audit of the UNDP clustering process and the analysis conducted by the review of management services, UNDP has established an action plan that includes the review of the corporate design and principles of clustering. UNDP is committed to the full implementation of clustering of non-location dependent services for all regions and country offices on a mandatory basis. UNDP commits to efficiently provide services to United Nations entities and to actively explore ways to work together with other service providers of the United Nations system.

| Key action(s) | Time-frame (Q=Quarter) | Responsible unit(s) | Tracking | |
|--|------------------------|---|----------|--|
| | | | Status | Comments |
| Design and develop the high-level design of the process for clustering of non-location dependent services. | October 2018 | Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office | | Per the management action plan of the OAI audit of the UNDP clustering process |
| Business cases for clustering implementation of non-location dependent services established. | June 2019 | Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office | | |

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Recommendation 4.

UNDP should promote common shared integrated service arrangements at the country level for location dependent services. 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 Global Shared Service Units. 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.

Management response:

UNDP management agrees with this recommendation and in implementing its Strategic Plan and recommendations stemming from the analysis of management services, will continue to seek efficiencies in its operations as informed by performance metrics, business intelligence and other quantitative and qualitative measures, including value for money and the benefits delivered. As noted above, a key area of action emerging from the management services review focuses specifically on country office business operations. In addition, improving efficiency and streamlining compliance processes will be critical, taking into account factors such as risk management, accountability, empowerment and the need for differentiated country office capacities. Additionally, as part of the implementation of the management action plan for the recommendations of the OAI audit of the UNDP clustering process, UNDP management will assess those services that are currently provided in-country but have potential to be clustered.

| Key action(s) | Time-frame (Q=Quarter) | Responsible unit(s) | Tracking | |
|--|------------------------|---|----------|---|
| | | | Status | Comments |
| As part of the process of completing the business case on the design of the clustering of non-location dependent services, UNDP will propose principles and criteria for the assessment of clustered services. | October 2018 | Bureau for Management Services | | Per the management action plan of the OAI audit of the UNDP clustering process. |
| Develop a support structure and tools to contribute to the roll-out of the United Nations business operations strategies. | June 2019 | Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office | | |

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Recommendation 5.

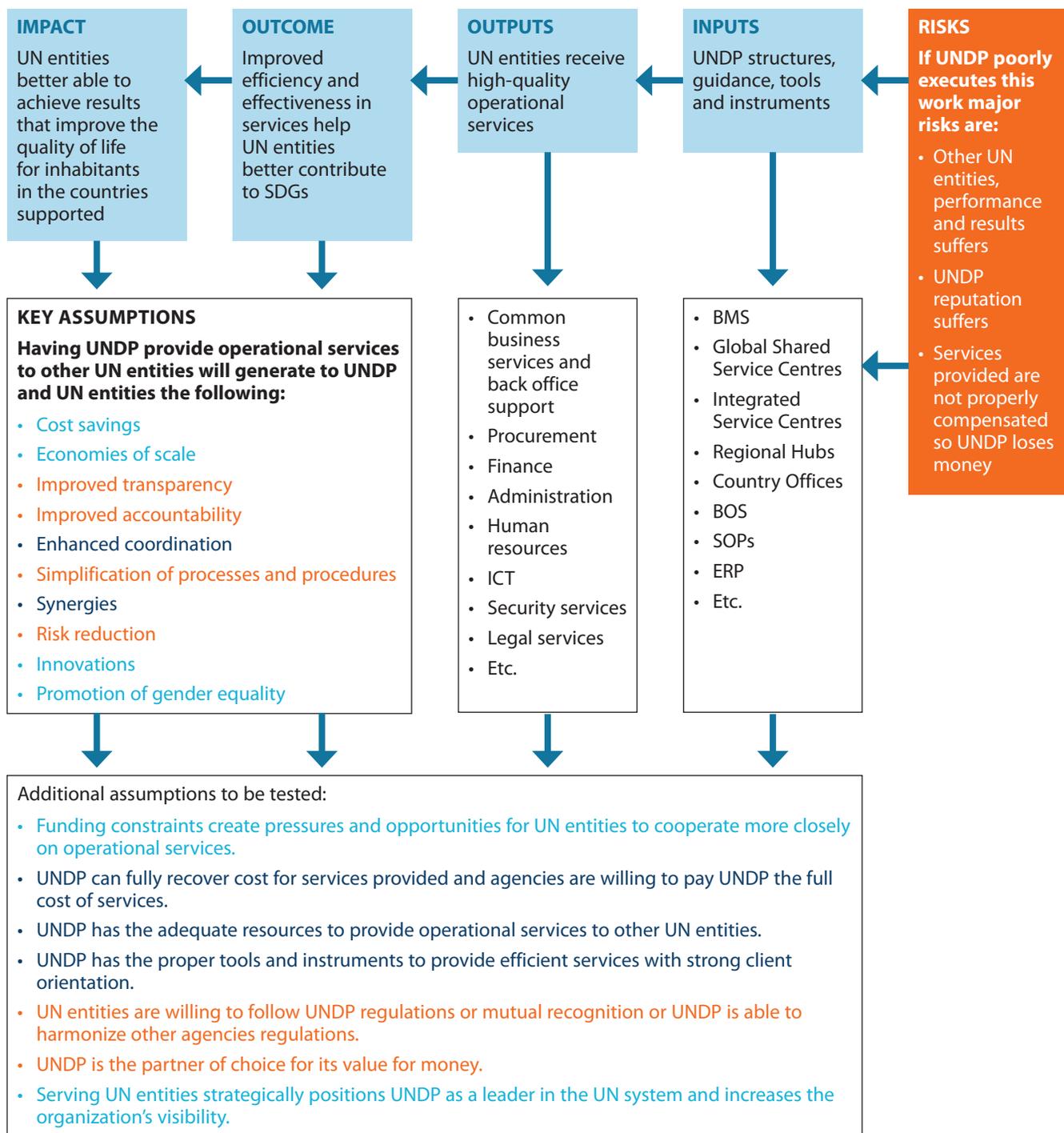
UNDP should develop a phased approach to invest in ICT tools and systems improvements over the next five years and ensure that critical staff and an effective strategy are in place to harvest such investments. This includes investing in an upgrade of the ERP to improve its user interfaces and a real-time 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.

Management response:

UNDP management agrees with this recommendation and would like to highlight that it is working on a new digital transformation strategy that will focus on new technologies that can drive innovation and efficiency gains in operational service delivery, and more critically is establishing the proper enablers such as policy, processes and staff capacities that will allow such to occur. In addition, the current UNDP ICT governance structure is aligned to ISO 38500, which is the international standard for organizational IT governance and is considered a best practice globally.

| Key action(s) | Time-frame (Q=Quarter) | Responsible unit(s) | Tracking | |
|--|--|---|----------|--|
| | | | Status | Comments |
| Develop a digital strategy outlining the vision for the UNDP IT capabilities, in line with the UNDP Strategic Plan, 2018-2021. | October 2018 | Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office | | Per advice of the Audit and Evaluation Advisory Committee, a digital strategy is being developed outlining the vision for UNDP IT capabilities moving forward. |
| Initiation of Atlas upgrade to version 9.2. | August 2018 (upgrade to be completed by December 2019) | Bureau for Management Services | | |
| Establishment of digital innovations platform. | December 2018 | Cross-organization implementation team including Bureau for Management Services, regional bureaux, Executive Office | | |

THEORY OF CHANGE



■ Assumptions that were confirmed ■ Assumptions that were not confirmed ■ Assumptions with mixed results

ANNEXES 2–6 (available online)

Annexes to the report (listed below) are available on the website of the Independent Evaluation Office at <https://erc.undp.org/evaluation/evaluations/detail/9741>

Annex 2. Evaluation Terms of Reference

Annex 3. Persons Consulted

Annex 4. Documents Consulted

Annex 5. List of Operational Services Provided by UNDP to UN Entities

Annex 6. List of UN Entities that UNDP Provides Operational Services

