

System-Wide Coherence – A Vision for the United Nations

A Discussion Paper

Not UK Government Policy

1	Introduction	1
2	The Issues	2
	Fragmentation and incoherence.....	2
	Reform efforts so far.....	4
3	The Model	6
	Pillars or Outcomes? Development, Humanitarian and Environmental outcomes	6
	Should there be an environmental pillar?	7
	Is further Humanitarian Reform is needed?.....	8
	Global Norms and Standards: the role of the Specialised Agencies	8
	Financing the United Nations: A potted history	10
	What would be a better way to organise the UN?	11
	Strategic Policy Focus.....	11
	What would the new organisation look like?.....	12
	Governance.....	15
4	Phasing	16
	Phase 1: 2006 - 2008	16
	Phase 2: 2008 – 2010	17
	Phase 3: 2010 – 2012	17
	Phase 4: 2012 – 2015	17

1 Introduction

1.1 This paper is offered as a contribution to the continuing discussions about the reform of the operational system of the United Nations. It does not pretend to provide all the answers, or even at this stage to have identified all of the problems and potential pitfalls in developing a new system. Reforming the operational system will be a complex and difficult task. But this should not put us off. In none of the discussions so far has anyone made a convincing argument that no change is necessary. Almost everybody agrees that change is needed. The debate is over how much change and how quickly these changes should be made.

1.2 This paper is not a statement of agreed UK policy, but is intended to act as a stimulus for further discussion.

1.3 The UN has become increasingly fragmented over the last three decades. This fragmentation has led to multiple agencies are competing for donor funds, different agencies occupying the same policy space, and overlap and duplication at both HQ and country level. Partner countries are becoming increasingly concerned about the high transaction costs of dealing with the UN and the loss of efficiency at country level. Donors are frustrated by the increasing competition for funds from different UN agencies and the continuing lack of overall coordination.

1.4 Some important steps have been taken to introduce greater coherence and consistency of approach. These efforts have so far been focused on reforming the way the UN operates at country level and have been led by UNDG. The use of the UNDAF as a programming tool, and the creation of the role of the UN Resident Co-ordinator have been important parts of these efforts. There are now steps being taken to create a single unified UN country operation, beginning with a pilot in Cape Verde. Other UN country teams are also developing plans to follow the Cape Verde example. However, this sort of reform at country level, while it contributes to increasing effectiveness and efficiency at country level, does not address the other overlaps in the system, particularly at a central level.

1.5 Also, without financial and institutional reform at the centre, it is likely that the a single UN country team would be subjected to the same pressures to fragment as occurred in the 1970s, when the UN first tried to embark on a country-based approach to programming, following the recommendations of the Jackson report. Also, the focus of the current reform programme at country level is designed to reduce overlap and increase efficiency, principally through reducing overhead and administrative costs. It does not enable decisions to be made about priorities across the entire country programme. Agencies still come to the process with money earmarked for their global priorities and an interest in pursuing some issue in particular. While these may fit with country priorities, they will not necessarily always do so.

1.6 This paper sets out a possible future model, with options, for the reform of the operational activities of the UN. Everyone we meet in the UN says that if donors want the UN to behave differently, they must fund it differently. We have taken this message to heart. The model proposes radical changes to the system for financing the UN. If they are to work they will demand discipline from donors. If they do work,

they will deliver a strengthened United Nations that is focused on the achievement of the MDGs.

2 The Issues

Fragmentation and incoherence

2.1 The examples of the fragmentation and inefficiency of the existing UN system at country-level are now becoming well-known. Here are a few:

- i) In Vietnam 11 UN agencies between them account for only 2% of flows of oda. The fragmentation of efforts in HIV and AIDS is symptomatic of wider fragmentation. Almost all UN agencies are active in HIV and AIDS, all pursuing the same donor funding. Each agency is responsible for a different "at risk" group (UNFPA for adolescents, UNODC for drug injectors, WHO for Commercial Sex Workers. Each agency has its own overheads, procedures and back office support functions.
- ii) In Ethiopia there are 17 different UN agencies operating [check]. Zanzibar with a population of less than one million people, has over 20 UN agencies active there.
- iii) In Nigeria, the WHO puts 95% of its effort into a standalone vertical effort to immunise against polio alone. This is despite the fact that only 800 new children are affected by it each year while 200,000 die from other vaccine preventable diseases. An approach that focused on improving the delivery of all vaccine services rather than taking a disease specific approach would both solve the polio problem and tackle the other diseases.
- iv) There are 27 different UN agencies who claim some degree of responsibility for delivering outcomes in water and sanitation.
- v) In Ghana there are 28 donors and 14 UN agencies who between them account for only 5% of aid flows to the country. They all have at least one international staff member, often more. The World Bank accounts for about 30% of aid flows to Ghana and manages this with two international staff.

2.2 There are several underlying causes of this fragmentation of the United Nations;

- i) Systemic: responsibility for raising, allocating and spending money is dispersed throughout the system and is also dispersed within particular agencies and the country programmes of each agency are by funded by many different streams of funding. Even if there is a strategic plan, it is difficult to exert strategic control or direction when different parts of the system or agency are effectively taking their orders from different sources.

- ii) Within each agency there are competing pressures for the allocation of resources: sectoral, through global thematic fund raising, and geographically. This tension between a cross-cutting and issue-based approach to planning and programming and a country-based approach is familiar to many development organisations. It is also inevitable when there are global goals and targets (the MDGs) with governments as the most significant recipients of the finance. But because UN agencies have to raise their money from donors, this has led to the agencies presenting a range of different proposals to donors: global thematic and country-based thematic, which are not always internally coherent. There are also significant additional transaction costs to this way of raising and allocating money. Humanitarian appeals are the only exception to this with the consolidated country appeals process. However even these consolidated appeals often include proposals that the individual agencies wish to see funded and have not been weeded out by a sufficiently disciplined and strategic approach to setting priorities.
- iii) Structural: different agencies have their boundaries and mandates defined in different terms. The earliest UN specialised agencies were defined in sectoral terms: Agriculture (FAO 1945), education (1945) and health (1948). Other agencies were set up with mandates that were for focused on particular client groups or problems: children and famine (UNICEF – 1948, permanent in 1953), Refugees (UNHCR - 1950), population and reproductive health (UNFPA - 1969), women (1984), industrial development (CID/UNIDO 1961/1966), urbanisation and human settlements (UNCHS 1978), HIV and AIDS (UNAIDS 1996), drugs and crime (UNODC 1997). WFP (1963) is unique in being defined in terms of the aid instrument it uses. With this variation in the way mandates are defined, overlap, duplication and competition is inevitable.
- iv) Financing: donors' patterns of financing have been fragmented, with many separate lines of funding from each donor in addition to core funding, going into each agency. As an illustration of this, very few donors are able to give an account of how much money they provide to each UN Fund, Programme or Specialised Agency. Only the agencies themselves can give this figure.
- v) The existing agencies, particularly the specialised agencies, have a restricted ability to respond to new issues and challenges in particular cross-cutting issues. The consequence has been the establishment of new issues-based agencies or coordination mechanisms to fill the gap. The fact that the Peace Building Commission had to be created illustrates the difficulty that the current system has in coordinating and organising itself to respond to a new cross-cutting challenges. Similarly, UNAIDS was created to enable the UN system to respond to the HIV and AIDS crisis, while every UN fund and programme has also created its own HIV and AIDS policy and programme capacity. UNCHS-Habitat was created in 1978 in response to the growing

realisation that growing numbers of poor people were going to live in urban areas, yet it potentially duplicates the work of other agencies working in urban areas, e.g. the work of UNICEF in water and sanitation. UNIFEM was created to deal with the critical cross-cutting issue of gender equality and the empowerment of women, yet most other UN agencies will have a capacity to develop innovative policy and ideas relating to the empowerment of women and gender equality.

- vi) Political and historical: Many of the different agencies and streams of funding into those agencies were created because of the politics of the time and the desire of countries to exert their control over particular parts of the UN, often in direct competition with other countries. It is also because some countries wanted to use the UN to deliver outcomes of political interest. For example, the surge in funding earmarked for child labour that went to the ILO following the Seattle meetings of the WTO was in part related to the desire of the countries concerned to demonstrate, particularly to their domestic constituencies, that they were making efforts to promote global labour standards.

Reform efforts so far

2.3 Since 1997 there have been efforts to reform the UN to address some of this fragmentation. The UN Secretary-General (SG) launched a major process of UN reform and renewal soon after assuming office in 1997. A comprehensive approach was adopted, covering all the core areas of UN activity: Peace and Security, Economic and Social Affairs, Development Cooperation, Humanitarian Affairs and Human rights. Proposals were made for:

- i) Strengthening the Secretariat's leadership capacity
- ii) Enhancing strategic direction
- iii) Acting as one at the country level
- iv) Increasing administrative effectiveness and efficiency and creating a "development dividend"
- v) Reaching out to civil society and creating a communications culture across the board

2.4 To tackle the third issue, the Secretary General (SG) set up the UN Development Group (UNDG) in New York as a committee of all the UN operational agencies for development, chaired by the Administrator of UNDP. The UNDG includes the four UN "Funds and Programmes" (UNDP, UNICEF, UNFPA and WFP) which fall under the direct authority of the SG, and the Specialised Agencies which have their own independent Governing Assemblies, as well as observers including the Bretton Woods Institutions (BWI). The SG also sought to strengthen the role of the in-country UN Resident Coordinators (RCs) and create Country Teams consisting of all UN family agencies represented in-country, led by the RC, and emphasised the role of the UN Development Assistance Framework (UNDAF) and

the Common Country Assessment (CCA) which provides its information and analytical underpinning.

2.5 The reform process in-country was reinforced by two subsequent sets of proposals by the SG:

- i) Renewing the United Nations: A Programme for Reform, dated 9 September 2002
- ii) In Larger Freedom: towards development, Security and Human rights for All – the five-year review and follow-up document for the Millennium Summit, March 2005.

2.6 These further reports placed the Millennium Development Goals (MDGs) at the centre of the UN development effort, and reinforced Human Rights as the foundation for all the UN's work. The 2002 report also set up the Executive Committee of UNDG, consisting of the four Funds and Programmes (also now known as "the ExCom Agencies" – UNDP, UNFPA, UNICEF and WFP).

2.7 In these reports the SG, while noting the benefits for the UN and developing countries of the diversity and specialized focus of the UN development system, underlined the need for a more unified, cooperative and coherent framework for all members of the UN family, and recognized the problems of fragmentation and overlap which threatened to marginalise the UN development effort. The overall architecture envisages:

- i) The UN Development Group to bring members of the UN family together at HQ level to discuss and take forward the reform agenda, with the Executive Committee providing leadership and impetus
- ii) The Resident Coordinator and the Country Team as the vehicles for enhanced coherence and coordination in-country, with a longer term goal of joint offices for the ExCom Agencies
- iii) The UNDAF as the UN's country level strategic planning framework, bringing together the interests and expertise of the country team in a country led process
- iv) A variety of practical and logistical initiatives including the creation of common premises (UN Houses), common services such as transport, telecommunications and office technology, joint development activities and common programming and funding instruments.

2.8 There has been reasonable progress with these reforms. On the one hand the rhetoric is of "One UN, One Voice" and the thrust of reform in that direction is clear.

- i) The Resident Coordinator is universally recognized as the voice of the UN.

- ii) There is general recognition of the central role of the MDGs and the need for UN programmes to be designed to support country-led strategic planning processes such as the PRSP
- iii) Guidance on the CCA/UNDAF processes has been developed to help provide a common planning basis for all UN operational agencies. They are participatory and transparent
- iv) Joint programming is beginning to move ahead and the funding modalities for it are being rolled out, along with common financial and accounting/auditing requirements
- v) Practical harmonization initiatives are being taken forward, eg:
 - There are now some 60 common UN Houses
 - Common Services initiatives are being pursued in the great majority of countries with a significant UN presence

2.9 On the other hand the RC continues to lack formal authority over the programmes of other agencies, and while collaboration is widespread competition for resources and government favour continues. UN agencies' differing institutional strategies and objectives can still result in mixed signals coming out of headquarters, and there is an unresolved tension between the global strategies of each of the agencies and the doctrine of country-owned and country led programmes concerted by the RC and Country Team. The UN family in-country remains some distance from following the SG's "simple principle" of functioning as an integrated entity.

- i) So the current programme of reform has taken the UN so far. But it of reform relies too much on good will and a shared sense of purpose to focus efforts. What is needed is a fundamental rebuilding of the system and the incentives in it for people and agencies to operate in a particular way. So any changes to the existing system must deal with these fundamental problems. And any new system must avoid repeating the mistakes of the past.

3 The Model

Pillars or Outcomes? Development, Humanitarian and Environmental outcomes

3.1 The World Summit in September 2005 invited the Secretary-General to "launch work to further strengthen the management and coordination of United Nations operational activities so that they can make an even more effective contribution to the achievement of the internationally agreed development goals, including the Millennium Development Goals, including proposals for consideration by Member States for more tightly managed entities in the fields of development, humanitarian assistance and the environment".

3.2 So far, there has been an unspoken assumption that this proposal entails the creation of three separate operational entities for the three areas. While this is one

possible solution, the Summit outcome document by no means binds us to that conclusion. Achieving outcomes in these three areas involves the following activities:

- i) Setting global norms and standards and creating an enabling global policy environment through agreements between member states on strategic priorities and the arrangements to meet them;
- ii) Mobilising funding to support activities that take place regionally and locally;
- iii) Undertaking activities at a regional and local level to enable countries meet to achieve their ambitions and meet their obligations;

One approach could be to create three separate vertically integrated organisations with responsibility for setting policy, raising money and implementing activities to deliver outcomes in the three areas of Development, the Environment and Humanitarian action.

Should there be an environmental pillar?

3.3 To create an environmental pillar with responsibility for setting policy and standards, raising money and implementing activities this would risk creating the same potential for duplication, overlap and competition that already exists with other specialised agencies. The evolution of the specialised agencies over time and the accumulation by them of responsibility for global policy, finance and implementation at country level of activities in their area of expertise has been at the root of much of the duplication, overlap and competition we are seeking to eliminate. National environmental policy and analysis is a cross-cutting issue that should be integrated into national development plans rather than pursued separately.

3.4 Nonetheless, there is an acknowledged need for greater leadership and capacity at a global level in the environment and in pursuit of this EU Ministers have already expressed their support for transforming the UN Environment Programme into a UN Specialised Agency or UNEO, based in Nairobi, with a strengthened mandate and stable, adequate and predictable funding. This agency will need to be established to perform the core tasks of a specialised agency: setting global policy, norms and standards and providing specialist advice when needed. It should not develop a significant independent capacity to finance and deliver programmes at a local level. This should remain the responsibility of the UN country team, drawing on the advice and specialist capacity of the UNEO.

3.5 In the environment field, there already exists a specialised funding instrument in the form of the Global Environment Facility (GEF). This is a financing mechanism that is designed to pay for the additional costs of ensuring that economically and developmentally sound projects also deliver global public goods. Because these costs are additional, and are intended to deliver a global public good, but would not normally be a priority for expenditure in developing countries, there is a case for retaining the earmarking of this fund.

Is further Humanitarian Reform is needed?

3.6 In the field of humanitarian activity there is already a reform programme under way that is beginning deliver greater coherence and responsiveness in the humanitarian system:

- i) A new UN global humanitarian fund has been established through revising and enlarging the existing Central Emergency Revolving Fund (CERF). The aim is for the CERF to provide up to \$500m of grant funding for the UN Emergency Relief Coordinator for urgent and neglected crises.
- ii) The authority, remit and quality of UN Humanitarian Coordinators (HCs) has been enhanced by new training and recruitment procedures.
- iii) A trial of HCs leading country teams in the production of more inclusive, prioritised and strategic Common Humanitarian Action Plans (CHAPs) and donors pooling their funding behind HCs for the most urgent unmet needs in the agreed CHAP is taking place in Sudan and DRC.
- iv) The humanitarian community should agree benchmarks setting out what we collectively are trying to achieve so we can better measure and analyse performance and progress. Work has been started on identifying malnutrition and mortality data.

3.7 In addition the following proposals should help take these reforms further: →

- i) Better flash appeals: Flash appeals after 3-4 days should focus on immediate life saving interventions and agencies for the first 30 days. During that 30 days a proper needs assessment should be done to construct a second, fully evidence based, 90 day appeal.
- ii) The military can play an important role in natural disasters. The Asian Tsunami and Pakistan earthquake demonstrated this. But a clearer *modus operandi* needs to be developed on how to make best use of the military and deploy their assets as soon as needed in the most effective way for humanitarian outcomes.
- iii) Accountability for performance needs to be strengthened, possibly through a World Humanitarian Report.

Global Norms and Standards: the role of the Specialised Agencies

3.8 The key characteristics that differentiate the specialized agencies from the other components of the UN system are:

- i) Independent status, reporting to their own governance structures rather than the General Assembly or the Secretary General.
- ii) Their activities are based on their global normative functions that embrace the interests of all of their member states. This underpins the

rationale for their funding through an assessed (rather than a voluntary) budget. However, their gradual evolution into more operational development-oriented agencies has led them to depend more on voluntary funding;

- iii) Their focus on sectoral issues
- iv) Their governing bodies generally (but not exclusively) comprise representatives from their parallel sectoral ministries in member governments rather than from foreign ministries or aid agencies.

3.9 Despite these differences, in some ways the specialized agencies and the other components of the UN system – and particularly the funds and programmes - share much in common. From opposite directions, the specialized agencies and the funds and programmes have both evolved towards fulfilling both normative functions and funding and programming of development activities.

3.10 While the funds and programmes have not historically been considered as normative agencies, they have increasingly evolved into global normative centres in their areas of respective expertise. UNICEF is a global standard setter and policy advocate in areas such as child protection, early childhood development and girls' education. UNFPA is clearly a global standard setter and advocate in matters such as reproductive health, safe motherhood and gender equality. And UNDP is developing what is essentially a normative capacity in its areas such as democratic governance, poverty reduction, crisis prevention and recovery, and energy and the environment.

3.11 While starting essentially as a combination of humanitarian and/or development programming agencies, the funds and programmes have over the decades of their existence evolved into important repositories of intellectual capital in the areas they cover. Perhaps more than the specialized agencies, the funds and programmes have periodically redefined the substance of their expertise to better reflect the evolving definition of the key developmental issues.

3.12 On the other hand, the specialised agencies, which were originally established as normative agencies, have increasingly evolved into agencies with a developmental component as the focus of global cooperation has increasingly shifted towards developing countries. But unlike the funds and programmes which have for many years used a country programming approach, the specialized agencies have been driven more by sectoral issues with developmental implications.

3.13 While starting at the opposite ends of the continuum, the funds and programmes and the specialized agencies have now converged (but not entirely) into a more common balancing of development programming on the one hand combined with normative expertise on the other.

3.14 In the area of funding there are also similarities of structure. For the specialized agencies, the issue is one of assessed budget funding versus voluntary funding. For the funds and programmes, the issue is core versus non-core. But some of the implications of this bifurcation of funding sources are similar. Both groups are struggling to maintain core competencies and at least some reasonable

proportion of resource flows that can be allocated according to the priorities established by their respective governing boards, in the face of the significantly increased portion of funding provided on an earmarked basis. Although defined differently, the problems faced by the two groups have many common characteristics.

3.15 Despite these increasing commonalities, the fundamental differences between the two groups of organizations have important implications.

3.16 Because of their sectoral orientation, and their gradual migration into development financing and programming work, there is now inevitable duplication and competition between the work of the specialised agencies and the funds and programmes particularly at a country level.

Financing the United Nations: A potted history

3.17 The current system of financing the United Nations is the result of several decades of evolution. The basic building blocks, which were established in the 1960 and early 1970s, were:

- i) A central United Nations Development Fund for technical cooperation managed by the United Nations Development Programme (UNDP);
- ii) Programme activities in country were designed in partnership with governments and implemented with technical assistance provided by the specialised agencies;
- iii) Technical assistance provided through the UN on grant terms complemented the investment loans provided by the World Bank and in areas in which the UN specialised agencies had competence. These included economic planning, public administration, education and training, agriculture including fisheries, forestry and livestock, public health, transport and communications.
- iv) A country-based approach, with national ownership by governments of the overall programme, which was designed in partnership with them;
- v) Indicative planning figures of the volume of funds which each country could expect to receive from UNDP and which were allocated by country, on the basis of need (unlike most bilateral programmes of that time);
- vi) The responsibilities for raising and spending money were separated. This was crucial. Specialised agencies could work with their in-country partners in country to develop project ideas, but were dependent on UNDP for funding and could not raise additional funds to their own assessed contributions by themselves;
- vii) Decisions about which activities should be supported in country were based on an overall assessment of need rather than whether donor funds could be raised to support the individual elements;

3.18 UNDP in this central funding incarnation was not an easy programme to build support for in capitals. It had no coherent overarching programming thrusts – this was before the MDGs had been agreed., so the final overall picture was very much a ‘sum of the parts’ rather than some pre-determined pattern of investment: the MDGs, which today help provide this had not yet been invented, so it was difficult for UNDP to set targets and outcomes and then assess performance against these. Notwithstanding the fact that the basic design of the system was sound, it was gradually eroded over the years by several factors:

- i) The growth in demands for accountability for results by donors, which, by and large, UNDP was unable to provide;
- ii) The shift to “national execution” by partner governments which led to the loss of support of many of the specialized agencies who had previously been seen as the main channels for implementation;
- iii) Parallel efforts by the specialized agencies and other issue/sector specific organizations to offset UNDP’s decreased funding capacity by raising their own funds directly from donors;
- iv) Lack of agreement by donors with the general priorities set by developing countries and suspicions of excessive specialized agency influence over the project selection process of the programme countries - in some cases it was believed that the main role of specialized agency field representatives was to get their projects written into the UNDP country programme;
- v) Donors needs to increasingly link their multilateral funding to the policy targets (often formalized in terms of spending targets) of their national aid programmes;

3.19 The inevitable outcome of this evolution has been a UN development architecture that has multiple agencies with overlapping mandates, all competing for finance from a bewildering diversity of streams of funding from donors, some of which are tied to particular sectors in countries, some of which are tied to particular sectors globally, and some of which are untied global funds.

3.20 This system of financing needs to be shaken up if any significant change is to take place.

What would be a better way to organise the UN?

Strategic Policy Focus

3.21 An important first issue is the overall policy and programmatic focus of the United Nations. While the principle of universality must always apply, there is a growing realisation within the UN that with the increasing role of other donors and multilateral organisations in many developing countries, particularly stable low income countries, the UN needs to develop a particular expertise so as to be able to make a distinctive and valuable contribution to policy and programming.

3.22 The United Nations has a unique set of global responsibilities for peace and security, development and human rights. Its universal membership enables it to achieve a genuine and global policy consensus, set global standards and helps countries to realise these standards. It should use this unique position to focus its policy-making and activities on areas where it should be leading the world, rather than following others.

3.23 The UN should continue with its existing and strong policy focus on the achievement of the MDGs through the consolidation of multidisciplinary cross-cutting teams dealing with policy issues (rather than sectors) made up from the strategic policy capacity of the funds and programmes and the UN Secretariat. This should in due course bring in the relevant policy skills from the specialised agencies. This will provide a strategic and long-term policy function that reviews and assesses the extent to which the operational work of the UN is focused on delivering the MDGs. This unit should also identify potential medium and longer-term threats to the achievement of the MDGs and make recommendations to the Secretary General on action the UN should take to meet these threats.

3.24 This strategic policy capacity should also include a world-class capacity in how to achieve stability and deliver development in fragile and post-conflict countries. The UN should have the ambition of becoming the leading organisation in this field. Bilateral donors and other development actors should support this capacity rather than develop their own. Building on the example of the UN integrated missions, the UN should develop ways of bringing together the political and development work of the UN, in particular in conflict and fragile states.

3.25 In order to help secure and reinforce political commitment and operational effort to enable countries to reduce and recover from conflict the UN should develop targets and appropriate indicators to assess progress in the reduction of violence and conflict to add to the existing Millennium Development Goals.

3.26 Another option would be to explore the possibility, in due course of incorporating sufficient flexibility to enable the fund to support humanitarian activities. Again there would need to be some form of ring-fencing, and guarantee of a particular share of the finance being available for allocation to humanitarian responses. This could be based on regular assessments of past demands for humanitarian assistance.

What would the new organisation look like?

3.27 Before taking apart the existing system and choosing which parts must merge, disappear or change their mandate, it is important to agree the basic design principles. There is surprisingly little debate about these, and it is quite easy to come up with a list of basic principles that any model of aid delivery should adhere to. The model must include the following:

- i) There must be a strong focus on a **country-based approach**. Policy objectives, programming, resource management and accountability must flow from an integrated plan that is developed at country level and that responds to locally established priorities and needs. As far as possible, the plan should be discussed with the host government.

However, in some circumstances (for example in country in conflict situation or suffering from a serious humanitarian crisis) humanitarian actors will need to preserve their ability to operate independently of the government.

- ii) The model must have a **clear set of policy objectives and outcomes** that can be translated via programming into a set of activities that are manageable and within the reach of management.
- iii) There must be a **single clear line of strategic, financial and managerial control**.
- iv) The system must have the **ability to adapt internally and reallocate resources**, including human resources, to take on new and emerging issues and challenges. It must be able to do this quickly enough for the response to be effective. It must also be able to do this both locally, and globally.
- v) Linked to this, the system must also be an "integrator" and be able to take a **multidisciplinary approach to developing policy**. There are few development policy challenges today for which the complete solution can be found in a single sectoral ministry or approach. This is because of an increasing focus on outcomes, rather than inputs or activities. For example, improving participation and achievement in education involves increasing enrolment and attendance at school, particularly by girls and improving the quality of education. Tackling these issues involves more than the education ministry.
- vi) The **finance must be predictable, adequate and responsive**. Predictable, implies that it should not be volatile from year to year and must permit a medium term planning framework to be developed. Adequate implies that it bears a sensible relationship to the objectives being set by and for the organisation, while recognising that planning and budgeting is an iterative process and plans should be based on a reasonable estimation of the availability of funds. Responsive implies that the finance is related to local needs, rather than tied to particular activities or outcomes or the procurement of goods of particular origin.
- vii) It must have a **management and information system that can track progress and results, evaluate impact** and provide data that can be used to make judgements about the subsequent allocation of resources.
- viii) **Responsibility for raising and allocating money for the organisation must be separated from responsibility for spending money**. Spending units must not be allowed to raise money. If they can, planning discipline breaks down and it deprives the organisation of the ability to move resources around in response to changing needs (as described in paragraph iv) above)iv). It also increases the transaction costs of the system as a whole as many different parts of

the system are spending too much of their time raising revenue, rather than delivering results.

3.28 The system must also preserve those aspects of the current system that are regarded as its strengths:

- i) It must be able to take on difficult policy issues and advocate for them, both at a national and international level. The UN has played an important role in ensuring that, for example, human rights, gender and the empowerment of women, and sexual and reproductive health have remained on the international policy agenda. It must do the same with the environment.
- ii) It must have a central policy capacity to learn and disseminate lessons from best practice around the world.
- iii) It must be legitimate and enjoy the support of all of its members.
- iv) It should have a clear global identity and be able to mobilise public as well as official support for its activities.
- v) It should contribute towards delivering global as well as national public goods by linking the work of the UN in setting and establishing global norms and standards with country-level operational work.

3.29 Our model for the future of the operational work of the United Nations consists of the following elements:

- i) At the country level, a single legal entity responsible for the delivery of programmes;
- ii) A reduction, eventually to one, of the streams of funding for the operational programmes of the UN;
- iii) An ability at both global and a national level to take decisions about priorities for the use of resources that are consolidated and evidence-based;
- iv) A consolidation of responsibility for raising and allocating funds and a separation of this role from responsibility for the implementation of programmes, probably in a separate institution – the UN Millennium Development Fund;
- v) A country-based system for allocating resources that would provide 3-5 year indicative allocations of resources to countries. There would be a sharp reduction in the allocation or earmarking of resources for vertical or thematic issues;
- vi) A reporting and information system that tracks performance against agreed indicators and targets;

- vii) At global level a consolidation and integration of policy and issues based work around the achievement of the MDGs into a single institution. This would involve incorporating some of the operational policy expertise currently found in both the funds and programmes and the specialised agencies into a single unit (not necessarily co-located).
- viii) A single governance system that focuses on the allocation of funds and overall policy direction, leaving the day to day management of the operational entity to the management team.
- ix) A professional board of management for the proposed fund. This should consist of 12-15 rotating members, elected on a constituency basis, and including professional executive members.

3.30 Some questions remain which need further discussion:

- i) How should the MDF be financed? One option would be for the running costs of the fund and the operational entity to be provided from an assessed contribution and the programme costs to be funded on a voluntary replenishment basis.
- ii) How much should the fund attempt to adjust for the perversities of other allocations? Should it be target countries that are under-aided
- iii) Should the single fund have "windows" or other ways of targeting allocation of resources? Options could include a time bound ring-fencing of resources for Africa or for LDCs. This ring fencing could be in terms of a share of the allocations of the fund, or as EU donors have agreed for Africa in 2005, a predictable share of all increases in allocations. However, sectoral or thematic allocations should be avoided.

Governance

3.31 The current system of governance of the Funds and Programmes is cumbersome, time consuming and does not provide oversight over the totality of funds provided to the implementing agencies. As up to 70% of the finance for them is non-core provided to country programmes or in the form of thematic supplementary funding. The overall strategy of the boards is to approve the MYFF and the strategic plan. However, as the board does not have control of allocating funds for the plan, their grip on this process is limited.

3.32 With the creation of the Millennium Development Fund as an independent institution, governance would focus on the fund. This is the most appropriate place to locate oversight and accountability for performance of the system as a whole. The fund would be established with a board of Governors.

3.33 Some possible guiding principles for a system of governance for the fund would be:

- i) It should be a professional board, staffed by individuals from capitals with expertise and experience in development.
- ii) It should approve policy objectives for the fund;
- iii) It should approve overall allocations of finance, using a country-based allocation system.
- iv) It should monitor performance of the funds it disburses, through an independent evaluation process;
- v) It should approve senior appointments;
- vi) An indicative size would be for it to have a small (≤ 15) membership, (s)elected on a 3 year rotating constituency basis by the GA. It should have two non executive professional members. The other 13 members would be elected from geographical groups.
- vii) By being small and professional, it would be able to undertake periodic field visits to programmes funded by. This would improve the quality of its work and decision making. It would meet up to four times a year, once to agree indicative forward country allocations, and at other times to consider progress, evaluation and other reports.
- viii) It would report annually to ECOSOC.

3.34 Another, less radical option for the governance of the fund, would be to establish a board of governors much like the current system of Executive Boards, with full participation by member states.

4 Phasing

4.1 The following phased approach sets out a possible approach to phasing that builds on the reforms currently underway. The four phases are set out in Annex 1. In summary:

Phase 1: 2006 - 2008

- Establishment of 40 new-look UN-country teams following the "Three Ones" principles of one office, one plan, one budget. Office would be staffed with secondments in from existing funds and programmes.
- Millennium Development Fund established. Donors channel the money they are using to fund the project-based operational work of the funds and programmes in the "Three Ones" countries via this Fund, initially earmarked for the Three Ones country programmes.
- In addition, donors would also place their current core contributions to the funds and programmes into the Fund.

- Funds and Programmes retain a policy/issues capacity and a programming capacity at the centre, the latter to manage the money for the "Three ones" country programmes.
- As an interim measure, the "Three ones" country teams would report to the Joint Board of the ExCom agencies.
- Early mergers of some agencies: UNIFEM, UNCDF, UNV and UNDP to merge and become a single organisation.

Phase 2: 2008 – 2010

- Creation, as a legal entity, a central programming and office as conduit for programme funding to the UN Country Offices. This would incorporate the programming and financial management functions of the existing funds and programmes, particularly UNICEF and the successor to UNDP (created by merger of UNIFEM, UNV, UNCDF and UNDP).
- Existing funds and programmes develop plans for a merger of their policy functions into a single policy unit which would focus on policy and advocacy work and presenting the work of the UN to the world. Brand identity would be maintained, but with common back office and support functions at the centre.
- Plans developed to consolidate the policy functions of the specialised agencies that are relevant to the programming and operational work of the development entity (along the lines of the proposed environmental agency).

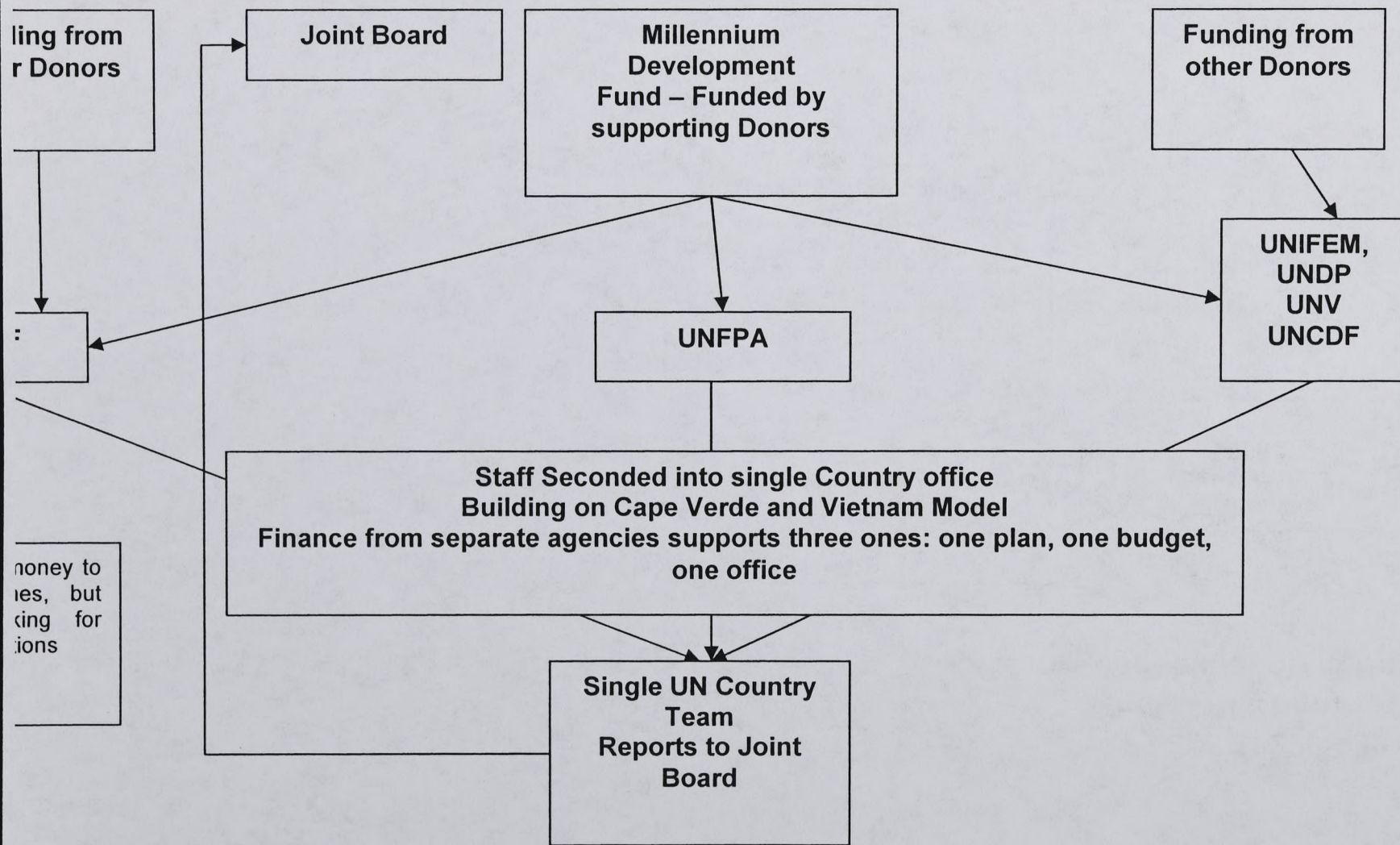
Phase 3: 2010 – 2012

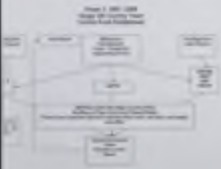
- Consolidation at country and HQ now approaching completion.
- New policy teams on cross-cutting policy areas are created Policy functions of funds and programmes combined. Relevant policy expertise from specialised agencies now integrated into the central policy unit.
- Millennium Development Fund providing funding for policy work areas, along the same lines as the funding for UNCTs in phase 2.

Phase 4: 2012 – 2015

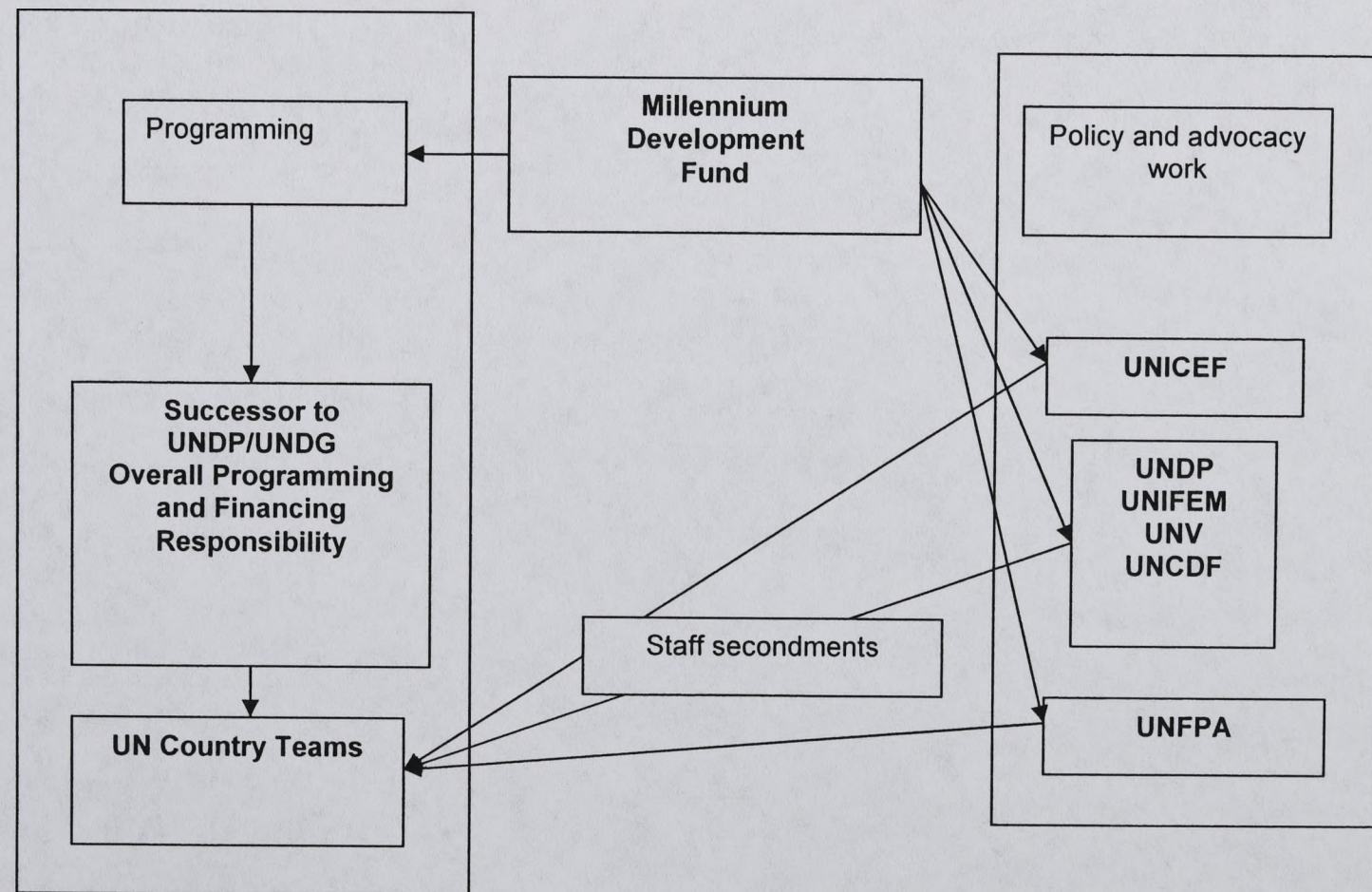
- Full merger at headquarters and country level achieved
- High profile brands retained. But UN Development brand now well-known to public.
- Millennium Development Fund now the principal source of finance for both programme and policy work.

**Phase 1: 2007- 2008
Single UN Country Team
Central Fund Established**

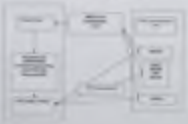




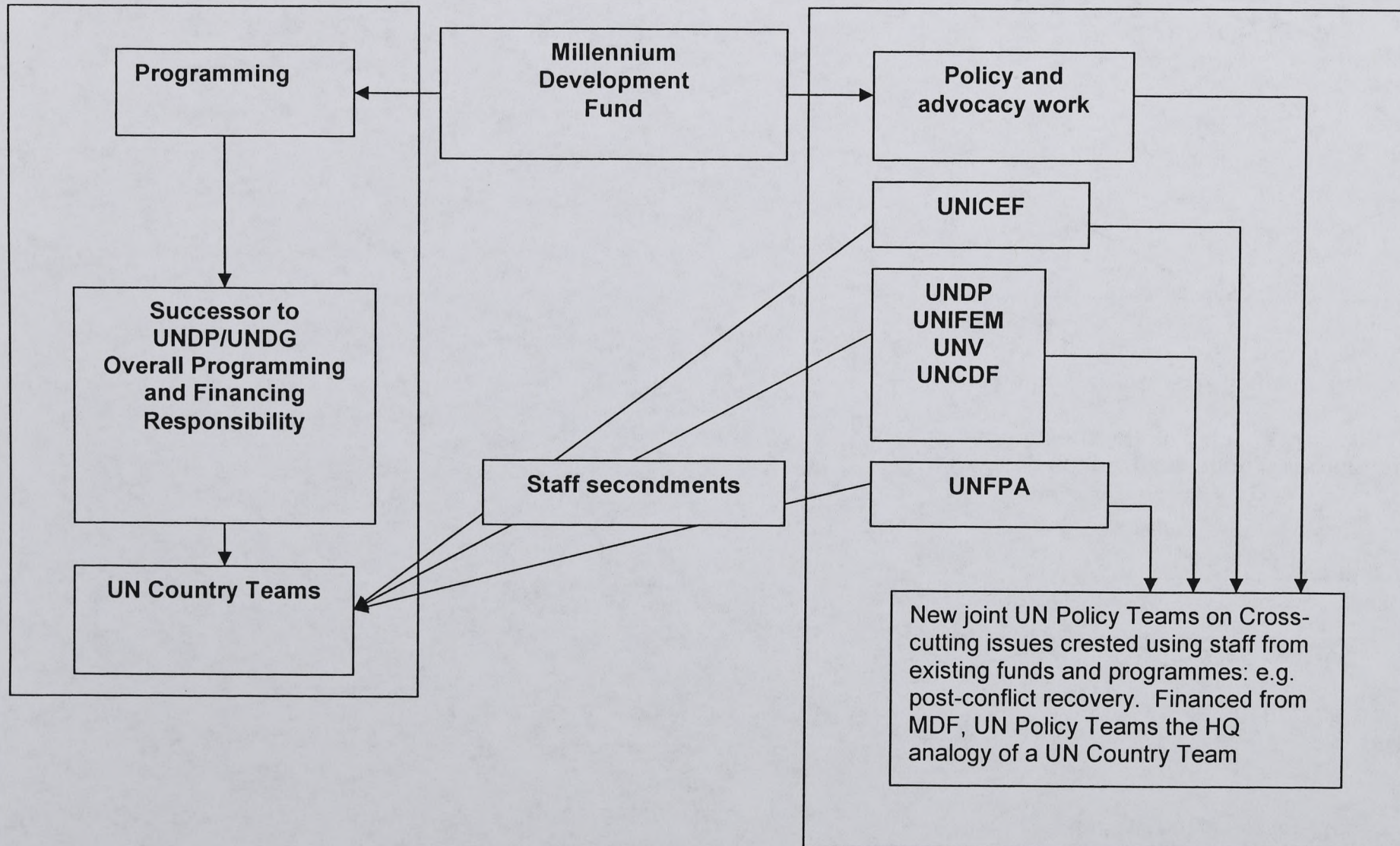
Phase 2: 2008-2010
Single UN Country Team
Begin consolidation at Headquarters



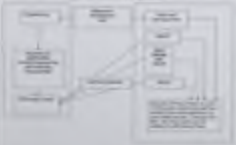
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**Phase 3 – 2008-2010
Single UN Country Team
Begin consolidation at Headquarters**



Block Diagram of a System



**Phase 4
2012 onwards: full Merger**

