I.   Background

A number of factors have prompted the UN system to critically assess its readiness to meet the challenges and opportunities of the post 2015 period. Chief among these are the conclusion of the Millennium Development Goals (MDGs) and the emergence of a set of universal sustainable development goals (SDGs), but they also include fast-changing development and financing landscapes, including new actors and a departure from the traditional divides between North and South. Furthermore, increased public scrutiny and demand for the UN to demonstrate tangible results and efficient, value-added UN operations. These changes challenge the UN to think beyond its current vertical policy and business models, on how to best collectively deliver a high impact, relevant contribution at country level.

Implementation of the 2030 sustainable development agenda drives the UNDG's "Fit-for-Purpose" efforts. The Quadrennial Comprehensive Policy Review (QCPR) provides structure and a reform mandate, by putting the emphasis on a coherent, relevant, well-funded and efficient UN development system (UN) that delivers together at country level for the achievement of nationally-owned development results. While full implementation of the QCPR will make a significant contribution to improving the UN's efficiency and effectiveness, the QCPR by itself does not ensure a whole-of-system approach needed to deliver on the multi-dimensional Agenda 2030 framework[1].

The SDGs change the development environment and the related Fit for Purpose and Agenda 2030 discussions have implications for the types of UN Business Operations services required to support field operations and the way these services are developed and delivered. The continuing drive for cost effectiveness, timeliness and quality of service provision creates a need to re-examine the service delivery models, as well as the demands and expectations of this new environment with regards to UN business operations. The UNDG Standard Operating Procedures for DaO (SOPs) and the associated Business Operations Strategy (BOS) are both steps that provide the basis for further harmonization efforts at country level and these efforts need to continue. But further strategic thinking is needed to guide future efforts to enhance efficiency and effectiveness of business operations at the country level.

This paper outlines the vision of the UNDG Business Operations Working Group in this regard with the aim to inform the policy deliberations of the UNDG and other UN governing bodies.

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[1] UNDG 2014_Fit For Purpose paper - Final draft 22 April 2014.docx

II.   Value drivers for Business Operations

The overall value set for common business operations are the Sustainable Development Goals along with indicators. The following value drivers underpin UNDG operational change agenda:

1. **Effectiveness (Programme delivery):** The ability to meet programming needs in terms of business operations support is the primary driver for common business operations. The ability of business operations to meet programme demands timely and at high quality standards is a key factor of the effectiveness of UNs programme implementation efforts.

2. **Efficiency:** Includes cost of service as well as speed of service (labour): common business operations focuses on delivering on programmatic demands at a competitive price, without reducing the quality or timeliness of the required service. The ability to deliver service quickly without jeopardizing effectiveness drives professional service delivery. This includes the flexibility of business operations processes and staff to adjust the speed of service delivery to meet changing demands from the programme.

3. **Access to services and quality:** Some interventions in business operations may not be driven by cost reductions or speed, but rather enhance quality or create access to new support services for programme implementation, which may not be accessible/ feasible without partnership or joint buy-in. Common business operations should embrace effective service delivery practices, including systemic reviews of service quality and cost recovery practices.

4. **Moving towards a risk based approach and away from mechanical compliance with rules:** business operations support is structured in line with local needs to be able to deliver on the mandates considering the circumstances and dynamics of the external world. Identifying and managing risks is an essential element that allows for greater flexibility across the spectrum of UN actors to respond based on needs, and embracing necessary cultural and operational shifts.

III.   The principles of the Post-2015 agenda for Business Operations at the Country-level

"The United Nations Development System shall operate effectively and be responsive, transparent, and supportive of leveraging partners in the post-2015 agenda."

UNDG Business Operations Group Vision statement, May 2015

Universality of Business Operations

The **universal nature** of Business Operations manifests itself in the way the UN is organized to deliver on development impact, and is shaped and adapted to its local context. Driven by programming needs, it includes a business operations context accessible to all members of the UN family, as well as host government and implementing partners. It reflects the common nature of business operations, processes and procedures shared by all agencies, while respecting the diversity of operational needs and business models across the UN. This does not necessarily mean that all UN agencies need to develop a full operational support infrastructure in all areas where agencies plan to engage.

In this context it is useful to distinguish two categories of operational support services: those services that need to be in the same location where the programme is implemented (*local services*); and those services that are not required to be in the same geographic location where the programme is being delivered (*universal services*). The latter can be delivered from global or regional service centres or cloud based service platforms, whereas local services per definition need to be sourced locally, because they are very specific to the national context, are only available in local markets, and/or because it is not cost effective to source them from abroad. Some examples of local services include local procurement, transportation, housing and premises, local hires (national staff and certain consultants) and local security services protecting UN assets and staff on the ground. Universal services could be organized as "service on demand" and include services such as reference checks and long listing in support of recruitment, procurement of international travel services, currency exchange services, bank reconciliation and payment processing.

"…global, regional and local service centres would effectively function as a global service repository where a service can be sourced from within the UN System … "

For both categories of services, the UN could leverage the different agencies presences, infrastructure and capacities to deliver across different mandates. From a business operations perspective, this means that agencies do not need to duplicate the full range of support services to be able to implement their programmes. Capacities developed by agencies based on their comparative advantage could be accessed and used by other agencies.

The SOPs, and more specifically the Business Operations Strategy (BOS) guide the strategy with regards to the local services- services where a joint approach at the local level yields a return on investment in terms of avoided cost or enhanced quality of business operations support to programme delivery. These efforts are accelerating and should continue to be scaled up where they yield clearly identified benefits.

For universal services, the development of centralized capacity for operational support through the establishment of global service centres offers a unique opportunity for the UN to "outsource" certain (parts of) processes to agencies that have a proven and established comparative advantage in an area, allowing other agencies to focus on their core activities, instead of duplicating their support structure.

The most effective way for this to happen is for agencies to assess at the corporate level which processes lend themselves to universal solutions and which require organization specific solutions. Where a universal solution is proposed, a business case should be developed by the agencies to prove cost benefit and determine which agency or outsourced entity could provide the best service, taking into consideration the aforementioned drivers (quality, cost and speed).

Under this model, global, regional and local service centres would effectively function as a global service market where a service can be sourced from within the UN System allowing for a much more integrated, flexible and cost effective implementation of UN support services. This model would not apply to all support services, but to a specific set of generic support processes that can be sourced through an agency other than the agency delivering the actual programmes. Examples may include reference checks for hires, temporary transfers of staff between agencies, fleet and vehicle management, procurement of generic goods and services, payments and payroll.

Integration of Business Operations

Integration of business operations focuses on reciprocity and collaboration in operational support services where it is cost effective and adds value to the mandates of the UN through common services and integrated service delivery platforms. Greater transparency in information assets is needed to reflect the totality

of UN operations at country level, including information on UN capabilities, skill sets and knowledge assets available to UN Country Teams and inform decision making and positioning of the UN. Greater transparency does not necessarily mean a single institutional infrastructure for all UN (processes, procedures and rules and regulation). Rather, it can be achieved through compatible conceptual and procedural frameworks, and by leveraging each other's infrastructure and processes where a need exists and capitalizing on the diversity of each agency's business model.

Traditionally, agencies have not been in a position to use each other's processes, often due to capacity and budgeting. Agencies with capacity and budget to meet their own needs do not necessarily have in place the mechanisms or funding to expand the availability of those services to other agencies, a development which may include enforcing service level agreements, settling disputes when services fall below agreed levels and addressing shortcomings in general.

Another reason why UN agencies do not use each other's processes, systems, and operational assets is that differing processes, systems and internal controls are perceived as a risk. Given the financial and oversight realities of the UN ecosystem, this has resulted in UN management strategies being risk averse towards systemic joint business services

Harmonization of policies and procedures, and mutual recognition of other agencies' policies and procedures could contribute to deliver common business operations. Both methods are complimentary and should be used concurrently where most suitable to UN operational support services.

"…Integration does not necessarily mean a single institutional infrastructure for all UN, but rather the ability to leverage each other's infrastructure, information and processes where a need exists and where it capitalizes on the diversity of each agency's business model…"

The primary paradigm driving the reform efforts has been the concept of *harmonization* of UN agency processes and systems, removing the diversity, duplication and high transaction costs associated with the UNDS. Harmonization remains an important instrument to facilitate UN collaboration across the system.

Mutual recognition entails recognizing and enabling use of other agencies' processes such as a hiring of staff. It is based on the premise that all UN agencies meet international audit and internal control standards and are regularly assessed against these standards. Therefore using each other's systems and processes should not pose a risk to the agencies.

Mutual recognition adds value in particular where distinct processes make certain agencies better fit for purpose. The diversity of UN agency business processes stems from each having their own operating environment and particular mandates, which generate differences in business models and support processes and procedures. These varied business models allow the UN to respond to a wide range of issues that define the needs of the developing world today, while still being able to collaborate on programming or operational efforts in contexts where it makes sense.

The concept of mutual recognition adds particular value in situations of conflict, transition, humanitarian emergencies and other high risk environments. In these circumstances flexibility is required for the UN to be able to respond fast to rapidly emerging needs. The principle of mutual recognition is critical, as the UN System can rapidly access services from whatever agency has these operational support services on the ground or can deploy these services in a fast and effective way. Examples include the use of premises, armoured vehicles and air assets. This form of collaboration plays a crucial role in ensuring business continuity in high risk, dynamic operating environments thus enabling the UN to continue service delivery in those parts of the world. Mutual recognition also facilitates continuity of business operations in countries that emerge from conflict and transition into regular development status or vice versa, including the situation where UN missions are phased in or out at the country level.

The UNDG Business Operations Strategy (BOS) is the strategic planning instrument that facilitates the planning, prioritization and management of common operations at the country level. It is a critical tool whether it is a regular development setting, or for countries in conflict and transition. The BOS plays a central role in operationalizing the concept of common business operations, mutual recognition and harmonization of business operations at the country level.

Human Rights and Business Operations

The promotion and protection of human rights is a key principle guiding UN programme interventions at country level. It is as important to our programme design as it is to the operational functions that support the programme. This means the UN needs to ensure its business operations support is compliant with standards ensuring gender equality, human dignity and inclusiveness. Labour standards and sustainability standards of our procurement function are important in this regard, both for the UN as well as for our supply chain partners. Transparency of our efforts and impact is important to ensure the UN leads by example and guarantees that the support function of its own business operations complies with these founding principles.

Sustainability in Business Operations

Sustainability of business operations has implications in terms of management practices and the UN's ability to leverage capacities. Among others, effective performance and service management practices by line managers are an important factor underpinning operational excellence and a world class workforce and staff efforts need to be recognized by UN agencies as well as for their contribution to interagency efforts. Suitable recruitment practices and a compensation system adequately designed for field-related needs of development workers ensure the UN recruits the best of class professionals to ensure top quality delivery of operational support services.

"...In order to be environmentally sustainable the UN will strive to reduce its carbon footprint. This means using renewable energy sources, while at the same time reducing waste and promoting recycling ... "

The UN leads by example with regards to environmental sustainability of the UN operations. In order to be environmentally sustainable the UN strives to reduce its carbon footprint. This means using renewable energy sources, while at the same time reducing waste and promoting recycling in UN operations. The development of "green" UN premises is a key driver for this agenda, as well as more effective use of our fleet, reducing travel frequency and reduction of our consumption patterns where possible.

The Role of Data in Business Operations

In preparing for the post-2015 world, the UN Secretary-General convened a High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, which in its report, called for a "data revolution for sustainable development".

The UN will need to be equipped with the ability to perform timely data collection and analysis in order to accurately monitor and assess policy decisions. This ability will strengthen UN Country Teams in their support and co-design of national 2030 frameworks as well as enhance their ability to deliver high quality and relevant operations support services. The design of such instruments should be clearly based on expected decisions that need to be taken at country level. Necessary interventions may include the sharing of key decision-making information such as staff capacity in country, types of staff and technical capacity at the disposal of the UN in any given country context, as well as information on other assets available to the UN.

"…The future of modern, common business operations is by leveraging access to agencies' institutional infrastructure through the adoption of compatible conceptual, contractual and procedural frameworks in each relevant function… "

The data requirements will have implications for both programmatic approaches as well as business operations support functions at the country level. The UNDG will review the tools and instruments currently available to enhance its ability to collect disaggregated data for business intelligence purposes with the aim to reinforce operational support to programme delivery.

Examples of the increased need for data include a call for greater access to development and operational data, better measurement and communication of results and data analytics in support of policy development (both programme and operational policy development). Each of these will have implications for UN business operations, specifically in relation to how our operations support our programmes (suppliers, markets, costs of commonly procured goods and services), triggering the demand for further discussion on needs-based data collection, standards and definitions.

In addition, with the aim to enhance transparency of UN reporting on funds utilization and expenditures in line with international best practise standards the UNDG will expand the use of the IATI standard as a basis for UN reporting, taking into account each agency specificities in terms of status of implementation and level of adoption of IATI standards.

Partnerships for Business Operations

Business models of UN agencies are developed based on their specific mandates and operating environments. The diversity of mandates and operating environments,

ranging from humanitarian and crisis settings to more stable development settings, poses specific demands on agencies' ability to deliver value added services that meets particular requirements of the moment. There is value in this diversity, and that value needs to be leveraged rather than removed.

From an *internal* partnership perspective the UN needs to enhance its leverage of the processes and institutional assets of each of the agencies to increase the agility and flexibility of the UN response to local programme needs. The UN should focus on developing and adopting compatible and mutually agreeable operational frameworks, to allow for mutual recognition of business processes[2] and enable agencies to make use of each other's infrastructure to meet a local need for operational support. As outlined earlier in this paper, the future of modern integrated business operations lies in is by leveraging access to agencies' institutional infrastructure[3] through the adoption of compatible conceptual, contractual and procedural frameworks in each relevant function, including through the adoption of – internally or externally developed - professional standards. The common Forex platform, the joint global and local banking contracts, the common Long Term Agreements (LTAs), the mutual recognition of procurement review processes, the HR framework for common recruitment and staff mobility, the adoption of IPSAS and of the Institute of Internal Auditors' Three Lines of Defence Model; are all relevant examples in this direction.

> *" … This shift requires the agencies to focus on removing the current barriers preventing other parts of the system to access their institutional infrastructure… "*

This requires the agencies to focus on removing the current barriers preventing other parts of the system to access their institutional infrastructure and information. As discussed, some of these barriers are related to risk management and the fact that one agency often perceives another agency as a risk, causing additional controls to limit or prevent effective service delivery from one part of the system to the next. When identifying these barriers, the focus should not just be on the functional areas of operations (Procurement, ICT, HR, Logistics, Finance and Facility Services) but also include legal and audit functions and their value in identifying and addressing these barriers.

The introduction of common standards and certification plays an important role by assisting each UN agency to meet minimum quality criteria, reducing the risks associated with engagement and access to agencies' services. The International

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[2] As has been done by the HLCM procurement network, by the banking and treasury work, and by the HR framework for common recruitment

[3] Agencies institutional infrastructure is defined as an agencies' institutional design (management arrangements, policies, procedures), processes and human resources

Public Sector Accounting Standards (IPSAS), and the Harmonised Approach to Cash Transfers (HACT) are examples of those standards, which should be supplemented by the introduction of other standards in technical areas such as Procurement, HR and ICT. The use of standards and certification allows each agency to retain the necessary diversity of its business model, while at the same time ensuring a uniform quality.

From an external partnership perspective, the UN needs to focus on collaboration with private sector companies as well as learning institutes to enhance learning and knowledge exchange in areas such as fleet management, ICT and data analytics as well as procurement and recruitment. Recruitment from private sector is a way to source this type of knowledge and skill sets into the UN, but specific interventions such as joint projects around these topics would allow the UN and the private sector to develop approaches that enhance efficiency and effective solution decision that benefits both partners. This collaboration should be around clear project goals and clearly defined value added for both the partner as well as the UN.

Moving Forward

The positions outlined in this paper are to be progressively implemented on the same timelines as the 2030 agenda.

The UNDG Business operation WG has agreed on an action plan which will initiate the implementation of the vision outlined in this paper. The action plan is an appendix to this position paper.

A range of items highlighted will require collaborative effort with different platform within and outside the UN System. The UNDG endeavours to engage and where needed initiate this dialogue to ensure broad ownership and consensus regarding the way forward for UN Business Operations under the 2030 agenda.