

Terms of Reference

Preparations for 2012 Quadrennial comprehensive policy review of the General Assembly

***Assessing the costs and benefits of simplifying and harmonizing
business practices of UN entities at the country-level***

Office for ECOSOC Support and Coordination
Department for Economic and Social Affairs
United Nations

21 September 2011

1. Introduction

GA resolution 62/208

.....calls upon the United Nations funds, programmes and specialized agencies to further harmonize and simplify their business practices, and recognizes the importance of harmonizing human resources management, enterprise resources planning system, finance, administration, procurement, security, information technology, telecommunications, travel and banking and of making use of information and communications technologies to the fullest extent possible in order to reduce travel costs and other recurring communications costs.

GA resolution 64/289

Requests the Secretary-General, in consultation with the United Nations System Chief Executives Board for Coordination to brief the Economic and Social Council regularly on progress made and challenges encountered in the simplification and harmonization of business practices and to refer any matter requiring an intergovernmental decision to the relevant intergovernmental bodies.

ECOSOC resolution E/2011/L.35

Urges United Nations system organizations to identify and accelerate the implementation of those business processes that promise the highest return from simplification and harmonization, in compliance with relevant intergovernmental mandates.

Business practices of UN entities at the country-level are characterized by a high-degree of functional similarity and potential for standardization. This suggests that simplification and harmonization (S/H) of business practices could yield significant efficiency gains and cost reductions. This assumption about the financial benefits of S/H measures has underpinned intergovernmental deliberations on this issue in recent years, including in the context of the delivering-as-one pilot initiative.

In response, the UN development system has stepped-up efforts to identify ways to S/H business practices at the country-level through increased inter-agency coordination and by establishing a variety of basic common services. This effort has been facilitated at the global-level through a coordinated approach by UNDG/CEB and HLCM/CEB.

In some UN programme countries, progress has been made in S/H through the implementation of a package of basic common services and by developing solutions to joint operational modalities in selected functional areas, such as procurement and ICT.

However, while a lot of information has been collected on the planning of and experience with S/H initiatives at the country-level, there is limited evidence that any of the identified best practices have actually led to significant cost reductions or efficiency gains in the provision of operational services. Furthermore, there is no substantiated evidence that cost savings, resulting from S/H initiatives have been redirected to development programmes as stipulated in GA resolution 62/208 on the triennial comprehensive policy review of UN operational activities for development of the GA.

2. Scope of analysis

Recognizing that S/H of business practices at the country-level is an ongoing process with multiple challenges and organizational bottlenecks, this study aims to provide an independent and balanced assessment of the costs and benefits of selected S/H initiatives, particularly those identified as a best practice for potential wider application in programme countries. As a follow-up to a number of GA and ECOSOC mandates, this study will further review the organizational and financial feasibility of the identified best practices in the area of S/H of business operations.

In particular, the analysis will take into account the identification of investment and transaction costs associated with the S/H of business operations at the country-level and compare those costs with, where available, existing evidence or scenarios of potential cost reductions and efficiency gains. With this focus, the analysis will concentrate on the functional areas of procurement, human resources, finance, ICT and administrative services by applying them to three main business models:

1. The provision of operational services by agencies without any inter-agency harmonization through own departments and business practices. This includes service provision at cost recovery for other requesting agencies at the country-level;
2. The provision of harmonized operational services through the concept of common services under utmost inter-agency coordination; and
3. The provision of operational services through a separate service centre based on the principle of full cost recovery.¹

More specifically, this analysis will:

- (a) Take stock of the experience and lessons learned in the implementation of current S/H initiatives in the areas of procurement, finance, human resources, ICT, common premises and administrative services (travel, banking, security etc.) at the country-level;
- (b) Identify best practices in the area of S/H of business operations from the delivering-as-one pilots and other programme countries;
- (c) Identify and take stock of the current application of different business models in provision of operational services at the country-level, focusing on individual agency provision, harmonized common services and established service centres;
- (d) Identify reported evidence of increased operational and cost efficiency of S/H of business practices at the country-level;
- (e) Identify and review existing cost benefit analysis, financial feasibility studies and calculated transaction costs of already initiated and implemented S/H of business practices;
- (f) Identify and estimate investment and transaction costs for already initiated or implemented S/H of business practices, where required;

¹ Merging administrative backstopping functions of UN entities at the country-level was identified as a priority for the UN development system during the Operational Activities Segment of ECOSOC in 2011.

- (g) Identify and discuss the major cost drivers for the provision of operational services at the country-level and show strategies to reduce costs;
- (h) Create a cost/benefit analysis framework and methodology based on existing evidence to compare the provision of operational services through different business models at the country-level, namely individual agency provision, inter-agency harmonization of business practices and outsourcing of services to one services centre;
- (i) Identify the most cost efficient business model and discuss its feasibility in terms of sustainability, quality of service provision and full cost recovery;
- (j) Make specific recommendations, including on appropriate incentives, for accelerating the reform process in the area of business operations in light of the potential benefits and cost of S/H measures.

3. Objective

Based on analysis of available information, the study aims to contribute to informed discussions in intergovernmental bodies and inter-agency coordination mechanisms on how to deliver business operations at the country-level most effectively. The study also aims to provide programme country governments, UN entities and inter-agency coordinating bodies with sufficient analytical evidence to facilitate the development of strategies to accelerate the S/H of business practices at the country-level.

4. Methodology

The survey methodology will consist of the following: firstly, desk review of best practices in S/H in the functional areas of procurement, finance, human resources, ICT, common premises and administrative services. This includes, but is not limited to, documented experience from DaO and other programme countries, existing UNDG guidelines and training material, and current initiatives as facilitated through UNDG/CEB and HLCM/CEB.

Secondly, review of available cost/benefit analysis of selected best practices in S/H at the country-level. Existing cost/benefit analyses and feasibility studies for the implementation of initiatives at the country-level will be reviewed with a focus on overall investment, reduction of transaction costs and potential savings, potential sustainability, and global applicability. The data gathering, validation and analytical process will also involve extensive consultations with relevant operational management teams at the country-level.

Thirdly, based on available studies and analyses, development of cost/benefit scenarios, covering S/H initiatives in the five functional areas and applying them to three business models: (a) individual agency provision, (b) harmonized common services, and (c) one business centre. Based on available data, the cost/benefit scenarios will apply the S/H of business practices to the three different business models and allow testing their applicability to a variety of different programme country settings. The aim is to provide a generic assessment of the optimization of the provision of business services and recommendations on the suitable business model

depending on the availability of resources and organizational set-up of the UN in programme countries.

5. Key tasks

The survey will entail the following tasks:

1. Prepare a brief inception note for the implementation of the study;
2. Review related studies on S/H of business practices in delivering-as-one pilots and other programme countries at the country-level;
3. Provide intellectual leadership in the development of the cost/benefit framework that will guide the implementation of the study;
4. Identify best practices in the area of S/H of business operations from the delivering-as-one pilots and other programme countries;
5. Create a cost/benefit framework based on existing evidence to compare the provision of operational services through different business models at the country-level, namely individual agency provision, inter-agency harmonization of business practices, outsourcing of services to one services centre;
6. Consult regularly with relevant experts in UNDG/DOCO, CEB secretariat and other UN entities on issues related to the study;
7. Lead the analytical work;
8. Prepare the draft report;
9. Finalize the report;
10. Perform other tasks as requested by DCPB.