
Development Cooperation Policy Branch
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Summary

The present report offers recommendations for consideration by the General Assembly during the 2016 the Quadrennial Comprehensive Policy Review (QCPR) negotiations. It is a companion to the Secretary General’s report on QCPR (A/71/63–E/2016/8), which provided an in-depth analysis of the implementation of General Assembly resolution 67/226.

The Secretary-General’s report made clear that the United Nations development system (UNDS) is uniquely qualified to support national implementation of the 2030 Agenda. However it needs to reposition itself to respond to both the opportunities and challenges of the universal, transformative and ambitious nature of the agenda.

This new development era calls for a new and dynamic ways of thinking, new ways of acting and new ways of organizing. The UNDS has embraced this vision and has already taken steps in this direction. The Independent Team of Advisers (ITA) that supported Member States discussions over the course of the Dialogue has provided bold ideas for a way forward.

The recommendations found in this report offer building blocks for change, to be realized through a phased approach. The 2016 QCPR is the first step forward. It provides a critical opportunity for Member States to chart the course for the UNDS in the short and medium-term, while simultaneously laying the foundations for the future.

INTRODUCTION

The 2030 Agenda is ambitious in its goals and targets, bringing together the world’s development needs into an interconnected whole. The integrated and universal nature of the Agenda raises the bar high. It poses both an unprecedented challenge to the UN and its development system, but also offers an unrivalled opportunity for a prosperous, peaceful, sustainable and equitable world.

Both challenges and opportunities are greater in a world where needs and dynamics have changed. Member States’ growing capacities, newly engaged and resourceful development players, global challenges that know no borders, rising inequality, protracted crises and other trends that distinguish today's playing field call for a collective response. The need for collective action demands that the UNDS delivers a unified and targeted response, cutting across sectors and pillars, by stepping up its leadership, developing tailor-made solutions, adopting a multi-stakeholder approach and cutting through vertical organizational lines to strengthen horizontal results and accountability to ultimately align its response with the 2030 Agenda.

The Secretary-General’s Report¹ highlighted the expected role of the UNDS in supporting the implementation of the 2030 Agenda, framing it around the “what”, its functions, and the “how”, its operational and institutional set-up. The report was clear that this requires a profound rethinking of the UNDS, because while the UNDS is uniquely qualified to support national implementation of the 2030 Agenda, it needs to reposition itself to do so.

¹ (A/71/63–E/2016/8)
The transformed development landscape, with its ambition, interconnectedness and universality, demands a system whose parts can work in tandem. Entities of the UNDS were created and have evolved to serve specific and differing needs, reflected in their diverse specialization and spheres of influence. They have often risen above their specific mandates, and worked collectively. But the 2030 Agenda requires that the UNDS pursues much more integrated approaches and cross-sectoral synergies to deliver highly-interlinked results at all levels, supported by an enabling funding and governance architecture.

The UNDS has recognized this moment as a window of opportunity and has already taken practical measures, both individually and collectively, to rise to the challenge of doing business differently and deliver the type of joined up support that is essential for advancing sustainable development. It has done so by capitalizing on its diversity, pursuing a human rights-based and people-centered approach, placing stronger focus on its normative role, and putting the imperative of addressing inequalities and eliminating discrimination at the heart of its interventions. The UNDS recognizes that its primary focus should be enabling the achievement of interlinked and transformative results at country level and promoting national ownership. To that end, the UNDS has renewed its commitment to deliver together across mandates, sectors, and institutional boundaries, working across the UN Charter, through more integrated and interconnected approaches. This includes evidence-based analysis, integrated planning, and joint reporting; empowered leadership on the ground sustained by modern, efficient, joined-up operations; increased synergies at headquarters, regional and country-levels; shared standards and criteria for partnership and new partnership instruments; and, harnessing the power of the data revolution. The UNDS has also committed to do its part to move towards more inclusive governance and more robust, coherent and innovative financing, to realize the Agenda.

To find further unity in its diversity, the system needs to adjust its functions, funding, governance structures, organizational arrangements, capacity and partnership approaches – six fundamental areas to ensure the UNDS can rise to the challenges of a new development era. As the world was still finalizing the contours of the new development agenda, ECOSOC recognized that “we stand at a major juncture in the history of development and that the UNDS must realign”. It therefore decided, in 2014/14, to convene a transparent and inclusive dialogue involving Member States and all relevant stakeholders on the longer-term positioning of the UNDS, with particular emphasis on the interlinkages among these areas. The dialogue spanned over eighteen months, during which Member States discussed how the UNDS should avail itself of the opportunity of the new sustainable development Agenda, helped by analytical papers and proposals from the UN Development Group (UNDG) and the Secretariat, independent experts, Member States themselves, as well as from the ITA appointed by the ECOSOC Bureau.

The key messages that emerged over the course of the dialogue include the following:

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2 For the purpose of this report, the "system" is intended as the UNDS, unless otherwise specified. There is no commonly agreed definition of the terms “the UNDS” and “OAD”. For the purposes of the funding analysis included in (A/71/63), the definitions included those entities and activities linked to contributions in line with the OECD definition of ODA (paragraph 17 and footnote 2). This is not intended to imply that entities listed as part of the UNDS for the funding analysis are part of the UNDS for other purposes. For example, OCHA is not part of the UNDS for purposes other than for the funding analysis in (A/71/63), in line with its non-operational humanitarian coordination mandate.
The changing and fast evolving development context is rooted in growing complexity and interconnectedness, and increased diversification of capacity of programme countries. The new and ambitious development agenda, the nature of global challenges and crises, the emerging role and needs of Middle Income Countries (MICs), as well as the continuing priorities of those most in need, have notable implications for the UNDS.

The UNDS is at a critical juncture. The new development landscape and the nature of the 2030 Agenda require significant strengthening of system-level capacity. The system needs to build on and scale up coordination and coherence towards a path of integrated thinking, planning and operating, to achieve collective outcomes. What will be required is a new mindset and a change in organizational culture, as well as a vision for change to equal the ambition and determination that led to the agreement of the new Agenda.

The new development paradigm requires clarity on what the UNDS should or should not do in given country contexts. This should be based on the functions that the system is best qualified to perform in respect to national needs as well as to global challenges requiring collective action. These were identified as support for normative work; upstream policy support and data; convening, leveraging and advocating; thought-leadership; capacity development, technical assistance and direct programme support where relevant; and support to humanitarian and crisis operations.

A new funding architecture is needed to support the UNDS in the delivery of its mandates. This requires enhancing the predictability and quality of resources, increasing non-earmarked core contributions, exploring outcome-level earmarking, strengthening system-wide funding and exploring innovative funding mechanisms.

Governance structures within the UNDS, both vertical and horizontal, and at the country-level, need adjusting so they can strategically guide the system, individually and across institutional boundaries, and ensure that the work of the system is fully aligned with national priorities.

Organizational arrangements at the headquarters, regional and country-levels need to be modified in order to better respond to countries’ differentiated needs, and be better geared to deliver results effectively and efficiently. An ambitious vision should be established for rationalization of field presence and further harmonization and simplification of business practices.

Investments in staff development and high calibre staff with skill sets to effectively contribute to national development efforts will be needed to ensure that the UNDS has the right mix of capacities and skills, including leadership skills and high quality policy and programme advice, and ability to work with multiple stakeholders in multi-sectoral responses. System-wide guidelines for staffing, as well as increased common human resource planning among entities, could further strengthen the ability of the UNDS to work together at country level.

Partnerships are critical to realize the promise of the new development Agenda, and they should complement the role of the UNDS in supporting the 2030 Agenda. They should primarily be driven by the specific needs of countries and augment existing national efforts.
• Bridging the divides and strengthening the synergies across the development, humanitarian and peacebuilding nexus is critical to realize and sustain peace and development gains, mindful of the distinct operational realities in each area of work. This should be done in a manner which respects and safeguards humanitarian action and the space for emergency humanitarian response.

• Finally, achieving interlinkages and alignment among all six Dialogue areas will be key, and require governance, management and planning at country, regional and global levels that ensure a high degree of accountability, transparency and responsiveness in the delivery of UN operational activities for development.

The ITA contributed to the debate with analysis of the current state of play and proposals to tackle these challenges. In his address to the High-level Political Forum (HLPF), the Secretary-General stated that “the 2030 Agenda requires a stronger, better-integrated and more strategic UNDS. The UNDG has been actively engaged in making this happen. The ITA offered a vision of a stronger system working as one. We must all learn, in national governments, local authorities, business and civil society, and also the UN, to think differently.” He expressed his trust that all will benefit from the bold diagnostic work by ITA and consider their wide range of proposals.

The ITA proposals included the adoption of a system-wide Global Strategic Framework to align the UNDS around a common set of principles and objectives for the implementation of the 2030 Agenda; the establishment of a single Sustainable Development Board to guide the operational activities of the UNDS as a whole; and the re-designation of the Deputy Secretary-General’s (DSG) role as the DSG for sustainable development and to be responsible for the oversight and funding of the resident coordinator system (RC system). In addition, ITA also proposed to organize the UNDS around functions groupings, align the funding of the UNDS around a consolidated budget, review the UNDS field presence to ensure alignment with countries’ needs and priorities, establish a system-wide support mechanism for partnership to ensure a common approach to external players, and adopt a common human resource policy to ensure an international civil service dedicated to working as one.

A large number of Member States welcomed the ITA diagnostic; however there were divergent views on ITA’s far-reaching proposals. All proposals have been captured in the summary of the second phase of the Dialogue issued by the Bureau.3

In addition to ITA, this report update draws from inputs by the UNDG, Member States and experts who engaged in the dialogue, and offers a set of recommendations for Member States’ consideration.

From the ECOSOC dialogue and the UNDS’s continuing work, it is evident that a comprehensive approach is necessary to ensure that the UNDS truly functions as one. The inter-connection between the SDGs and their targets makes it even more pressing that the interlinkages and the alignment of the dialogue areas are coherent and mutually supportive, both at agency and system-wide levels, and across the pillars of the UN’s work.

Moving forward, change will be realized through a phased approach. Some areas can be tackled now, while others will require a longer-term horizon. The dialogue helped to distinguish issues that need attention in the short- and medium-term from those that will require more time. In the short- and medium-term, the new QCPR offers a critical opportunity to address some of the issues in the next four years. To do so, the new QCPR should be redesigned as the tool for strategically guiding, implementing and monitoring results and the critical changes needed to ensure that the UNDS can truly work as a system. And while guiding the UNDS in the initial years of implementation of the 2030 Agenda, the QCPR can lay the foundations for fundamental changes in the medium to longer-term.

The QCPR is not a panacea to implement the global aspirations of the new development agenda. While it can improve the functioning of the UNDS as a whole in some areas, other aspects will need more work by the different entities, as well as by Member States. Evolving from coordination to integration is a shared responsibility for UN system and national governments together. The new QCPR can prepare the groundwork and help seize the momentum. The system has proven before to be capable of ambitious change. Member States have proven their readiness to support these efforts. The time to act is now and, together, we can meet the ambition that we have set for ourselves.

I. CORE FUNCTIONS OF THE UNDS IN SUPPORT OF THE DELIVERY OF THE 2030 AGENDA

The scope and nature of the 2030 Agenda require both integration and targeting of the functions of the UNDS. With an increasingly diversified development landscape and the varying levels and types of needs, capacities and priorities among countries and regions, it is clear that we cannot tackle the development challenge alone, and we cannot do it all. The UNDS should not be involved in every aspect of the implementation of the 2030 Agenda. Rather, its core functions must be derived from the UN’s absolute, comparative and competitive advantages, as well as its primary purpose to deliver demand-driven results at country level, firmly anchored in national leadership and ownership.

The role of the UNDS remains essential in providing normative policy support, delivering targeted and context-specific efforts and supporting capacity development with responses that are grounded in human-rights approaches, to leave no one behind. The UNDS is uniquely qualified to support Member States in the implementation of global agreements, norms and standards. The universal membership of the UN also gives the system an unrivalled ability to bring stakeholders together at the country, regional and global levels. Its legitimacy and impartiality uniquely positions the system to support development cooperation, including South-South and triangular cooperation. In addition, the work of the UNDS is geared towards capacity-building and technical assistance, and it can help strengthen and build synergies across development, humanitarian and peacebuilding interventions, in line with the Agenda and the resolutions on sustaining peace.

Countries with special challenges, such as conflict-affected countries, LDCs, LLDCs, SIDS, and countries adversely affected by disasters, will continue to require various forms of direct support and service delivery through integrated approaches, including across development, humanitarian
and peace sectors to build resilience, sustain and prevent the reversal of development gains. And in the new development arena, traditional models of assistance offering direct support for basic needs and services, where circumstances are amenable, will need to evolve towards upstream integrated policy support, sustained by efforts to improve the quality, quantity and disaggregation of data to guide policy-making, planning, implementation, monitoring and reporting.

To meet the SDGs, the regional dimension is pivotal. It provides an important feedback loop as an aggregator and bridge between processes and collective initiatives at global and national levels, both internally within entities of the UN system, and externally with other regional and sub-regional organizations and actors.

**Core functions of the UNDS in response to the 2030 Agenda**

In essence, the core functions of the UNDS could be identified as:

- Integrated normative support for implementation, monitoring and reporting on global agreements, norms and standards;
- Integrated, evidence-based policy advice and thought leadership, to support countries to embed the SDGs into national and local plans and budgets;
- Capacity development and technical assistance;
- Convening of stakeholders across constituencies, leveraging of partnerships and facilitating knowledge-sharing, south-south and triangular cooperation;
- Direct support and service delivery, particularly in countries in special situations, e.g. those affected by conflict, displacement and disasters;
- Comprehensive and disaggregated data collection and analysis to inform evidence-based, context-specific, and inclusive policy choices.

**Tailor functions in response to different country needs**

With the growing capacities of countries and the diversification of their needs and priorities, moving forward there is a need for a more precise agreement on what functions the UNDS is best qualified to perform to respond to national demands. Problems and potential solutions cannot be reduced to universal development templates, but need to be as context specific as possible in their distinctive diagnoses and solutions. The different capacities and needs of countries call for the UNDS to design individual, “tailor-made” approaches to reflect the specific circumstances of every country. Least developed, low-income, conflict and disaster-affected countries must remain the priority. At the same time the challenges of the increasing number of MICs, with the highest presence of world’s poor, large youth populations, and the impact of crises either internally or cross-border in some cases, also call for targeted action.

**Capture poverty in all its forms and dimensions**

The complexity of the new development landscape and the interconnectedness of the new development agenda, call for a comprehensive approach if the UNDS is to achieve its goal to leave no-one behind. Because the traditional poverty measurement and country classification are primarily based on *per-capita* income, they do not reflect the different vulnerabilities, risks, volatility and mixed capacities within and between countries. As a result, some countries are impaired in terms of accessing official development assistance (ODA), concessional financing, preferential trading and achieving debt sustainability. MICs in particular are at risk of middle-income traps and reversal of fragile development gains. Poverty must be captured and addressed in all its forms and dimensions according to national definitions. The UNDS should move beyond traditional country ranking-based on income alone, to develop a new multi-dimensional way of
assessing country needs on the basis of the SDG targets and indicators, building on the experience of those entities that have already moved in this direction.

Strengthen the regional dimension of the UNDS work
The inter-related nature of today's challenges also calls for greater emphasis on the regional aspects of the UNDS engagement. Strengthening the regional level, including links between the Regional Commissions and other UN entities present at the regional level, on the one hand, and between the UNDS and the non-UN regional and sub-regional organizations and actors on the other, is critical to connect and sustain global and national efforts. While tailored to specific national and local conditions, national sustainable development strategies can benefit from regional peer learning and be mutually-supportive among countries and the full potential of south-south and triangular cooperation needs to be tapped both within and among different regions. Options for strengthening regional and/or sub-regional platforms and mechanisms should be matched by exploring possible new ways to enable coherent, effective and efficient system-wide support, in particular in relation to trans-border, intra-regional and cross-regional issues, and for the provision of specialized support to country offices. The regional dimension must leverage the internal UN system-wide contribution as well as collaborations with other regional and sub-regional intergovernmental organizations and non-governmental actors, such as civil society networks, academic institutions, foundations, think-tanks, and the private sector. In that regard, the role of the Regional Commissions is strategic and leveraging their assets in the regions is needed.

Clarify the role of the UN in developed countries
In addition to the interconnected nature of today's global challenges, the 2030 Agenda has also highlighted the universal scope of its goals and targets. The commitment to transform our world for the people, the planet, prosperity and peace applies to developing and developed countries alike. Achievements can be gained and sustained only if developed countries take significant and appropriate action as well, whether on the policy, resource or technical fronts. The UNDS needs to consider and develop clear lines of action in developed countries, building on the experience of specialized agencies which by mandate operate on a universal agenda. In this regard, there could be merit in a review of existing arrangements with the developed countries, including by non-resident agencies (NRAs).

Move towards a system-wide approach to South-South and triangular cooperation
As the UNDS embarks on the ambitious path set out by the 2030 Agenda, the strengths of all players must be leveraged. Today more countries have a dual role as both recipients and contributors in global development. Leveraging the contribution of south-south and triangular cooperation has become increasingly important, and the UNDS must step up its game in this regard. Existing UNDS platforms and practices for South-South and triangular cooperation need to be reviewed to ensure coordination and some degree of consolidation, as well as a coherent system-wide approach. The wide range of expertise within the system should be brought together and integrated into joint work wherever relevant.

Leave no-one behind by promoting and protecting human-rights
The 2030 Agenda is unequivocally anchored in human-rights. It is about leaving no-one behind, reaching those furthest behind first, and addressing inequality and discrimination. The UNDS has to support governments in promoting and protecting human-rights for all, placing people at the centre of its development efforts and working for their empowerment as active agents of sustainable development. This would require the UNDS to develop capacities and provide integrated policy support and advice in making international human-rights standards an integral
part of sustainable development strategies and policies, in line with national obligations under international human-rights law.

**Achieve gender equality and empower all women and girls**

As we leverage the strengths of all, we must remember that the achievement of the SDGs will not be possible without the full and equal participation, leadership and empowerment of women and girls. The UNDS must further strengthen the linkage between the normative and operational work in these areas. It must continue to invest in women as agents of change, maintaining a strong focus on gender equality results and increasing investments in gender capacity and expertise of staff across the system. The use of accountability frameworks should be continued both at headquarters and country-level, through a new generation of UN system wide action plan (UN-SWAP) that ensures stronger linkages between institutional performance and development results, in line with the SDGs.

### II. FUNDING FOR THE DELIVERY OF THE 2030 AGENDA

For the UNDS to be able to perform its functions, it must be supported by an adequate funding architecture. The existing funding practices, however, are characterized by a number of challenges and are not in line with the ambitious demands the UNDS must respond to. The growing imbalance between core and non-core funding, paired with few flexible, inter-agency pooled funding modalities, has introduced a higher degree of “bilateralization” in the funding of the UNDS. In some entities, this pattern keeps most funding outside of the direct purview of the governing bodies, thus following donor priorities which may differ from country needs. Funding, as a result, is increasingly driving functions. We must reverse this trend.

If the UNDS is going to operate more effectively and with greater impact, achieving alignment between functions and funding is essential. It is the foundation of harmonious inter-linkages with other critical variables, such as the governance, organizational arrangements, capacity and impact and partnership approaches of the UNDS. Reversing the current trend and ensuring that form follows function will require scaling-up existing funding mechanisms that have shown promise, and exploring new financing strategies, including ones which can leverage additional resources through innovative financing mechanisms.

The onset of the new development era provides a window of opportunity for the UNDS to adjust its funding models. To do so, it will be necessary to make the case for what, why and how contributors should provide funding at entity and system-wide levels. In the end, the performance of the UNDS also depends on its ability to mobilize adequate and high-quality funding to perform its core functions and maintain its absolute and comparative advantages.
A. Scaling-up core and "core-like" funding and achieving a more logical attribution of funds

The slow growth in real terms in core resources over the past 15 years, combined with most non-core resources being strictly earmarked to specific projects, as well as a high-dependence on a small group of donors, make the UNDS’ funding-base highly susceptible to political and economic shifts in donor countries. This growing imbalance has been magnified by the lack of full cost recovery by many UNDS entities, proportionally from core and non-core funding sources. These and other factors also lead to the discussion of the ‘critical mass’ of core resources needed by UN entities to deliver on their core functions.

Alignment of functions and funding does not happen in a vacuum, but results from the quality of substantive deliberations at the governance level. Structured financing dialogues can build strong ownership by Member States and other stakeholders of an entity’s strategic intent and funding requirements and gaps. They build trust and improve incentives for donors to provide support in the form of core and “core-like” resources. In that regard, UNDS entities could strengthen their existing structured financing dialogues by building on the lessons-learned from the dialogues undertaken by entities of the system.

The crosscutting nature of the 2030 Agenda makes it particularly important to complement core funding with more flexible and predictable earmarked funding. The UNDS has accrued a wealth of experience since the first UN inter-agency pooled fund was established over a decade ago. From 2013-2015, inter-agency pooled funds mobilized an average of some $1.8 billion per year, which represents between 8 and 9% of overall non-core resource flows to the UNDS. Pooled funding mechanisms have proven to be useful instruments to strengthen system-wide coherence and enhance integration in the delivery of operational activities for development. At the same time, design matters, and there is need to ensure that each fund can attract sufficient resources to bring about transformative change.

Establish clarity on core functions and their financing logic
In their strategic plans and integrated funding frameworks, UNDS entities need to make a clearer distinction between what are considered core activities and the type of funding used to finance these activities. In addition, the integrated ambition of the 2030 Agenda challenges the UNDS to move beyond a year-by-year, sector-by-sector, project-by-project approach to sustainable and predictable funding and towards a medium-term more robust categorization approach model that can best support the delivery of the SDGs.

Broaden the donor-base and enhancing the core resource base
The UNDS and its partners should explore innovative ways to broaden its donor-base as well as provide incentives for existing donors to contribute more flexible, multi-year funding. This has added urgency in the context of the 2030 Agenda and will require the UNDS entities to work actively and transparently to build trust with Member States and other prospective partners, to make the case for adequate and predictable levels of core funding and complementary non-core resources. UNDS entities could also consider implementing negotiated voluntary core pledges, or a voluntary indicative scale of contributions to help enhance their core resource base.

Strengthen and institutionalize structured financing dialogues
The Executive Boards of the funds and programmes and the governing bodies of the specialized agencies, as appropriate, should strengthen and institutionalize annual structured dialogues on how to finance the outcomes defined in the strategic planning cycle of the respective entities. The financing dialogues should be part of a multi-year resource mobilization vision and strategy which
leverages existing funding successes and reduces reliance on the year-by-year and fragmented resource mobilization tactics. This would involve establishing clarity on the core functions of entities and their financing logic. They would reaffirm the underlying principles and definitions of the funding system and determine resource mobilization targets, including quality of funding, as well as the most appropriate mechanisms for delivery and, where relevant, proposals for burden-sharing among Member States. A review could be conducted to assess the extent to which the current formats of existing financing dialogues has been successful in achieving these objectives, based on evidence in actual funding patterns, and the impact that the dialogues have had towards building trust with Member States and other stakeholders.

**Develop well-designed and sufficiently resourced pooled funding mechanisms to act as gravity centers for UNDS coherence**

The UNDS must increase its efforts to capitalize on the recognized comparative advantages of pooled funds, while addressing potential drawbacks such as the risk of increased transaction costs when funds are too small. Pooled funds should be well-designed, in-line with priorities defined at the global, regional and national levels, and sufficiently funded. Such funding should complement, not replace, agency specific funding. Donor countries, as well as others able to do so, should scale-up their contributions to UN inter-agency pooled funds to promote integrated, cross-cutting UN initiatives and support efforts towards collective outcomes against the SDGs in a coherent way across development, humanitarian, peacebuilding and other assistance such as on climate adaptation. It is critical for the UNDS to achieve an adequate level of pooled funding that is well-designed and in-line with priorities defined at the national and local levels, to incentivize the system to leverage more resources across entity lines.

**Attribute an incremental cost to all strictly earmarked contributions**

Differentiated or preferential cost recovery rates applied to thematic and other softly earmarked contributions should not lead to an increase in the amount of core resources spent on subsidizing non-programme costs of non-core activities. Therefore, to encourage such flexible contributions, in addition to implementing full cost recovery, an incremental cost should be attributed to all strictly-earmarked contributions to cover extra administrative costs associated with handling and reporting of such contributions.

### B. Exploring innovative financing modalities

The breadth and depth of the 2030 Agenda requires the UNDS to explore options for more use of innovative financing sources aimed at increasing the impact of the limited funding it receives. The Leading Group on Innovative Financing for Development defines innovative development finance as all mechanisms that raise funds for development that are complementary to ODA and predictable and stable in nature. Examples of innovative finance include leveraging larger private flows using limited public finance, thematic bonds which dedicate proceeds to specific development goals, and issuing new forms of taxes and levies to mobilize resources for development. The UNDS could build on lessons learned by several vertical funds that are currently using innovative mechanisms in an effort to enhance value for money. These include funds such as the Global Alliance for Vaccinations and Immunizations (GAVI), the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the Adaptation Fund.

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4 Some UN entities apply a 1% reduction to the normal cost recovery rate for thematic contributions.

5 Sixty-three countries working in conjunction with international organizations and civil society.
To help address the significant financing needs of the 2030 Agenda, the UNDS will also need to deepen partnerships and establish new arrangements with international financial institutions (IFIs). Experience can be drawn from the MENA region, where the UNDS is partnering with the WB Group and the Islamic Development Bank to strengthen coordination between development and humanitarian assistance, and support MICs with concessional financing for development projects addressing the impact of the influx of refugees.

**Give priority to innovative financing approaches**
The UNDS should engage in innovative financing approaches that support risk sharing and use limited public resources to leverage larger private resources, including from domestic sources, while avoiding possible conflict of interest in relation to UN entities’ normative role. This is especially important in contexts where resources are scarce and there are persistent inequalities and vulnerabilities. As a starting point, the financing section in the updated United Nations Development Assistance Framework (UNDAF) guidance should be fully implemented. In this context, it will be important to assess the UNDS’s overall impact by being able to quantify the amount of private funds that the UN has leveraged.

**Mitigate risks around innovative financing**
While exploring inventive ways to secure funding, it will be important to mitigate risks. In this regard, the UNDS should establish a knowledge-sharing platform on innovative financing to learn from the experience of engagements with innovative instruments. Additionally, a system-wide approach to partnership that builds on best practices and existing due diligence mechanisms and expands the reach of the UNDS while protecting the UN brand will help UNDS entities engage in innovative ways to raise and mobilize funds, while minimizing risk management costs. Rather than have multiple entities spend financial and human resources to vet the same partners repeatedly, an established approach to partnership across the system with the necessary capacity to support it would help ensure the UNDS can more easily engage in new ways of doing business and securing resources, while preserving its values, integrity, and independence, and keeping transaction costs at a minimum. The benefits of a system-wide approach to partnership will be further discussed later in this report update.

**Partner with IFIs**
In the effort to leverage all players to achieve collective outcomes, including by raising additional financial resources, the UNDS should strengthen partnerships with IFIs. Partnering with these Institutions will also allow the UNDS to benefit from their strengths both in terms of the resources they hold and the expertise they have in working with non-grant financing instruments and the private sector.

C. **Enhancing transparency and accountability of funding flows**
Improving transparency and information flow on the sources, use and impact of both non-earmarked and earmarked funding is critical for enhanced resources mobilization at entity and system-wide levels. A culture of transparency can also foster better alignment between the preferences of contributors and the strategic intent and work priorities of entities. Capitalizing on new opportunities to mobilize flexible, predictable and stable funding would also put additional demands on the quality of data, analysis and reporting on financial flows. For example, it will be critical to strengthen harmonized approaches towards reporting in the 2030 Agenda environment. From the perspective of contributors, traditional and non-traditional, this would provide a picture
of how their contribution fits not only in the context of activities by individual entities but also in relation to the SDGs and related targets.

The UN System Data Catalog launched by the High-level Committee on Management (HLCM) in March 2016 is a positive step in addressing the need for quality, accessible, timely and reliable disaggregated data. The Data Catalog, which was designed in close collaboration with the International Aid Transparency Initiative (IATI) Secretariat, makes UN system data open and accessible to the public and other key stakeholders and improves availability and accessibility of information, so as to better inform the system’s analytical and decision-making processes.

**Adhere to a common standard for reporting on contributions and expenditures**

In order to increase the availability of current and forward-looking information that is outcome-specific for more detailed analysis and to improve support for future planning, all UN entities should publish timely, transparent, harmonized and open high-quality data on funding, including by adopting the IATI common reporting standard, sharing experience and lessons from the strong performance of some funds and programmes in this area. In addition, UN entities that have not already done so should also develop and improve publicly accessible online systems that map data on donor contributions and expenditure allocations.

**Move towards an integrated financing approach at country-level**

Efforts at global level should be paired by efforts at country level. United Nations country teams (UNCTs) need to shift to an integrated financing approach which identifies all financial needs and the development, humanitarian and peace and security flows to match them, to be supported by the UNDS, in collaboration with other actors when needed. The integrated financing approach would involve UNCTs identifying an appropriate mix of financial instruments which best complement and leverage other sources of development finance, including private, public, external and domestic resources which may not flow through the UNDS. UNCTs would then strive to nudge these resources towards national development priorities and the SDGs. This will require not only behavioral change but also the development of new staff skills and capacities, such as how to develop partnerships, as well as a better grasp of innovative finance sources.

### III. SYSTEM-WIDE TRANSPARENCY, ACCOUNTABILITY AND GOVERNANCE

Just as optimizing funding practices will be vital to sustain the UNDS in its functions moving forward, the role of transparency and accountability for results cannot be underestimated. The importance of transparency and accountability has been gaining momentum in recent years, particularly due to the increasing complexity of the international aid architecture and spurred by new technologies to capture and provide access to information and data. The increasing engagement of new players in the development arena, which is likely to continue to grow in the coming years, further highlights the need to identify new forms and build on existing mechanisms for transparency and accountability. This is critical to building trust, but it is also foundational to effective financial and programmatic management.

Individual entities have taken steps towards cultivating a culture of increased transparency and accountability with several robust measures. At headquarters level, several entities have created
web portals with up-to-date information showing how they manage their resource flows across programmes and who they engage with in the implementation of some activities. At country-level, the Standard Operating Procedures (SOPs), which have been implemented to varying degrees, constitute an accountability framework that responds to the horizontal accountability of the UNDS entities as part of UNCTs in complement to agency-specific vertical accountability lines. This includes Country Budget Frameworks (CBFs), the Management and Accountability System (MAF), and annual joint results reports. In addition, UN entities have improved their accountability and oversight by implementing the International Public Sector Accounting Standards, and by presenting timely, comprehensive and forward-looking information based on the agreed IATI reporting standards. Despite these advances, more can and should be done.

A most effective way to ensure a concurrent culture of accountability and transparency begins with a good governance architecture. Strong governance mechanisms not only provide strategic guidance, exert oversight and ensure accountability for results, but also build trust between UNDS entities, Member States and other partners.

The current governance architecture of the UNDS is a complex one in its setup, reach and capacity. Questions have been raised on whether it serves well the needs of a new development era. While this falls within the prerogative of Member States, there may be merit in exploring the governance architecture and its role in enabling the UNDS to respond to the demands of its beneficiaries.

The GA, ECOSOC, Executive Boards and governing bodies of UN entities, in accordance with their respective mandates, constitute a multi-tiered intergovernmental policy-making and oversight system. Central principal organs set system-wide principles, goals and standards to guide the mandates of individual entities which populate the UNDS. ECOSOC currently performs this role through the Operational Activities Segment. Yet, while these central governing bodies set the course, they have limited capacity to ensure that the various entities act on the system-wide policy coherence and coordination in programming and operations that the 2030 Agenda requires. The GA’s QCPR resolution is, currently, the only instrument for system-wide governance of the UNDS. At times, these bodies lack the necessary information to step up their engagement, since the coverage and quality of system-wide statistics, analysis and reporting to allow governance review at central level is quite limited.

At individual entity level, governing bodies of UNDS entities are set to provide strategic guidance in line with entities’ mandates and oversight on the entities’ strategic plans, budgets, policies, and overall delivery of results. These governing bodies allow for a great level of accountability and transparency in the entities’ delivery of their objectives. However, they generally operate in isolation from each other; decisions and policies of entities in one area may not necessarily be known or valued by those operating in another. In this regard, system-wide accountability for results at the country-level could be further strengthened.

These horizontal challenges, which hamper cross-fertilization and integrated action, can be further complicated by different ways governing bodies of the various entities are composed, focused and supported. Entity-specific governing bodies vary in their composition, size, representational character, as well as in their working methods. Some of them have embraced multi-stakeholder engagement, while others remain a solely Member State body. Their ability to provide strategic guidance on operational activities is also affected by variations in the bodies’ meeting frequencies. And while some governing bodies of individual entities do approve country programme documents, the reality is that programming is overseen primarily at country-level through various policy coordination mechanisms involving the respective Governments and heads of UN entities. Few
financial and human resources are allocated to support the work of these bodies, with secretariat support often limited to just a few staff.

The 2030 Agenda needs more emphasis on collaborative intergovernmental guidance across the system, as well as forward-looking perspectives among Member States in decision-making. In that regard, the 2016 QCPR, while remaining at a more strategic level, should address the whole system directly and ensure that horizontal gaps are addressed, without prejudice to the important role of the respective governing bodies.

It is time to improve the ability of the Member States to provide effective guidance, both horizontally and within specific entity mandates. This is essential for the implementation of the highly complex and integrated agenda, and the transformation of a UNDS that operates as a system.

**Review the composition and working methods of governing bodies**
There is a generally shared view among Member States that the composition of the governing bodies would need to be reviewed to increase the ownership and participation of Member States and to reflect a better geographic balance and multi-stakeholder participation, giving due consideration to the principles of equity and effectiveness in representation. Their capacity and working methods should also be reviewed. This could start by building on the experience of those entities that have already taken steps to reform their governance mechanisms, and embraced diverse governance models. An assessment should be undertaken of how such changes may affect the participation of member states and funding streams. Specialized agencies could carry out such a review if deemed appropriate and within their established authority.

**Pursue dedicated ECOSOC meetings to strengthen horizontal guidance**
The gap on horizontal governance could be filled by convening dedicated ECOSOC meetings aimed at guiding the system-wide functions and operations through the review of system-wide progress on operating as one, evaluations and other instruments. At the same time, the ECOSOC Segment on Operational Activities for Development should also be redesigned for providing better strategic oversight to the implementation of the QCPR. In line with the provisions of the UN Charter, ECOSOC “may make or initiate studies and reports with respect to international economic, social, cultural, educational, health, and related matters and may make recommendations with respect to any such matters to the General Assembly to the Members of the United Nations, and to the specialized agencies concerned” (Art 62).

### IV. IMPROVING THE FUNCTIONING OF THE UNDS

Just as the 2030 Agenda requires a shift in funding practices and governance architecture, it also represents a marked departure in the ways that the UNDS needs to conduct and deliver its business to achieve the SDGs. New organizational arrangements and business models are needed, guided by a new collective mindset.

This collective understanding must translate into differentiated models of presence that respond to country needs and improved efficiencies through more collaborative arrangements, joined-up operational capacities and assets that build on different entities’ strengths, and enhanced
partnership approaches that support the system in leveraging the strengths of all players to deliver on its mandates. Changing ways of working requires a mixture of tweaks and transformations, in a carefully managed and sequenced process that maintains the integrity of results on the ground.

It all starts with the vision, skills and spirit of the UNDS workforce. Moving forward, it is imperative to ensure the right kind of people, competencies and incentives in the right places. The HLCM has taken steps to further strengthen the international civil service as an independent, neutral, highly-skilled and engaged resource. A key expected outcome of this endeavor is a strengthened transformative leadership and managerial culture, and an organizational environment that recognizes good performance, strengthens linkages to career development, and sanctions poor performance. In this connection, many entities are also striving to adjust their internal mobility policies, including through practical means such as bilateral or multilateral exchanges from job pools.

This collective vision must also rest in the recognition that we live in very different world and that the UN must open itself to the realities of the 21st century, embracing innovation and a broader range of actors in the development field. The increasingly diverse range of players offers enormous potential to leverage the differences and comparative advantages of each. And while managing the risks by building and expanding on good practices, the system will need to embrace partnership as a rule, rather than as an exception. This is not just a matter of benefit, but also a matter of relevance.

An improved functioning of the UNDS is also based on the recognition that today’s challenges require a system that primarily relies on its ability to work across sectors. The UNDS is fully committed to adopting coherent and complementary approaches to the development, humanitarian and peacebuilding nexus, and supporting multi-stakeholder planning mechanisms that incorporate the contributions of a diverse set of actors, as well as a common narrative on planning, programming, structural/architectural changes and funding issues.

A. Presence

The configuration of country presence needs to be aligned with national needs and the demands of the new Agenda, and ensure cost-effectiveness. Not all UN entities necessarily have a comparative advantage in each country setting. They should gradually move away from models primarily based on representation toward other models better geared to specific contexts, capacities and needs of countries, advances in communication technologies, and contemporary ways of working together. In many instances, for example, a country could be supported from a regional or sub-regional location or through a multi-country office arrangement, depending on needs and priorities. NRAs have much experience and lessons to share and can help pave the way ahead in this regard.

The regional level has an important role to play in supporting these efforts. The Regional Commissions and their sub-regional offices could be leveraged in this context. Since more coherence and coordination of efforts are needed between the regional offices of individual UN entities and the Regional Commissions, regional arrangements need to be brought in tandem with the demands of the 2030 Agenda.

*Adopt flexible, cost-effective and highly collaborative business models and organizational arrangements at regional, sub-regional, national and sub-national levels*

There is clear scope for synergy and greater impact through improved and consolidated field presence, while also ensuring flexibility to allow for country-specific needs and circumstances. This
will allow the UNDS to move towards the modern and agile system that is needed to deliver on complex and inter-related priorities, to maximize resources while responding to needs at regional, sub-regional, national and sub-national levels.

**Review the field architecture of the UN entities**

In line with adopting a more collective, nimble and cost-effective presence on the ground, the field architecture of the UNDS needs to be reviewed, rationalized and aligned with the new agenda and demands from countries and regions. A system-wide mapping exercise should also be undertaken. Shifting towards more differentiated country office models with tailored support in response to individual country capacities, needs and priorities across goals, sectors, and borders is needed. Every entity would need to review its geographical coverage and working arrangements in countries, and also at the regional-level. Joint premises and offices with technical experts from different agencies physically sitting together working on similar thematic issues and/or target groups can encourage innovation, reduce overhead costs and duplication of staff roles between UN entities. Governing boards, as appropriate, should look into this as a matter of priority, and in the context of current and expected budgetary allocations. System-wide coordination and strategic discussions are needed to better match country needs with country presence.

**Create harmonized definitions to enhance coherence**

Harmonizing the different definitions and configurations of ‘regions’ and ‘sub-regions’ that currently exist across different UN entities will facilitate a number of UNDS-wide activities, in particular the process of monitoring, reporting, follow-up and review of progress in the SDGs. While not underestimating the political complexities of such an endeavour, it is long overdue. In this regard, ECOSOC could invite all governing bodies to engage in joint discussion on this issue, as appropriate.

**B. Workforce and capacity**

The functions that the Agenda necessitates a shift in the vision, skill sets and in some cases, balance of technical and managerial expertise of the UNDS for the system to perform on what it is expected to deliver. The UN workforce will need not only the necessary capacities to face a much more complex and broader set of challenges, but also a clear and strong signal by the senior management of individual entities on the need to transcend agency-specific identity and allegiance.

**Build transformative and empowered leadership**

It is essential to develop transformative UN leaders at global, regional and country-levels, who can deliver collective outcomes, who can work across UN pillars and with actors beyond the UN, and who can strongly advocate for UN principles, norms and standards. This requires leadership which is supported by strong knowledge and expertise, attuned to country realities including across development, humanitarian, and peace and security fields.

**Strengthen and reposition staff capacities at all levels**

The staff required to deliver on the Agenda must shift from a “MDG-type” set of skills to a more “SDG-type” of expertise. At country-level in particular, a new balance needs to be struck between technical and management profiles, as well as specialization in relation to cross-sectoral integration. Staff development should be updated to ensure that capacities are upgraded in critical areas, ranging from technical skills in innovative financing and partnerships to skills related to communications, technologies needed for the kind of highly collaborative models of work and a much more externally-oriented outlook required by the 2030 Agenda.
Facilitate and incentivize a mobile global workforce
Facilitating collaboration and staff movement as much as possible across different UN entities will enable and incentivize one UN mobile global workforce with a shared mindset that cuts across entities’ individual flags and identities, supported by a human resource management system that rewards mobility, expedites recruitment and ensures flexibility for deployment of staff across entities. The HLCM approach to move towards a global UN-system workforce aims to address this challenge. This is an important first step that will require the commitment of all UN-system entities to be fully developed and put in place.

Advance gender balance throughout all UN ranks
An improved UNDS will also start with greater engagement of women throughout its ranks. Despite some advances in ensuring gender balance, progress has been slow and uneven and major gaps remain, particularly at senior decision-making levels. Moving forward, the transformative change envisaged in the new Agenda will only be effectively supported by the UNDS if concrete actions are taken at each level to ensure the effective selection, retention and promotion of women.

C. Partnership approaches
The 2030 Agenda recognizes partnership as a key means of implementation. A UNDS that can truly deliver must recognize and harness the potential of all actors building on their capacity, reach and resources. There is an intrinsic need to engage in partnership, strategically, effectively and efficiently to respond to today’s demands. The UNDS has made significant strides in building partnerships, and almost every entity has developed a mechanism for launching and nurturing such efforts. Yet, partnership approaches across the system continue to present fundamental challenges. Primary among these is the lack of a clear definition of partnership. Different players have different understanding of what and who a partnership with the UN entails. This lack of clarity extends to the role, practices and responsibilities that the UN as a system is expected to take on for engagement with external players.

Notwithstanding the diverse forms that partnership can take, and the range of roles the UNDS has in partnerships, the system should adopt a common set of standards. To date, however, no system-wide approach or mechanisms exist to ensure the necessary transparency and accountability of partnership efforts, and the capacity of the various entities to engage in partnership varies broadly. External actors wishing to connect and support the work of the Organization often lack clarity on how to approach, enlist and work together with the UN, or, in some cases, seize the opportunity of different practices across the system for their own interests.

Multiple calls of Member States for better clarity on the partnership activities of the UNDS are confronted with a capacity gap to assess existing efforts, system-wide needs, the scope and types of partnerships needed, develop a commonly agreed set of principles and standards, and ensure appropriate oversight. At the same time, the UN should retain the necessary flexibility to be an attractive partner open to the realities of the 21st century and able to tailor partnerships according to needs at global, regional and country-level.
**Adopt a flexible system-wide approach to partnership**

The UNDS should develop a system-wide approach to partnership that includes common principles, standards and guidelines to ensure that partnership policies and practices with all players are coherent and aligned with the values and purposes of the UN. Key elements of this approach would include clearly defined parameters and criteria for multi-stakeholder partnerships, and, especially in high-risk engagements, clear and well defined exit strategies in place for quick termination of any partnership that fails to deliver the intended results. These should build on existing and normative standards, principles and guidelines and practices that are already in use by various entities. Capacities for collecting and sharing knowledge on partnership efforts across the UNDS should be made available.

**Ensure appropriate oversight, transparency and accountability of partnership efforts**

Transparency, oversight, accountability and alignment with UN values, goals and mandates are critical and must be ensured in a system-wide approach to partnership, with strong ownership and leadership by Member States. Partnership approaches must be aligned with national policies and development strategies, and create space for meaningful participation by all segments of society.

**D. Strengthening coherence: the development, humanitarian and peacebuilding nexus**

Sustainability of development efforts is strictly linked to building resilience, sustaining peace, and reducing disaster risk, particularly in the most vulnerable country contexts, and *vice versa*. Yet, development, humanitarian and peacebuilding efforts are often carried out in silos. And while there have been efforts on cross-fertilization, given their interlinked nature a step change is needed. Many of today’s crises and reversal of development gains are a result of the compounding effect of different vulnerabilities and root causes which could be reduced and prevented through a more risk-informed and earlier, coherent development action.

Humanitarian and development capacities and expertise are needed to work towards collective outcomes. At the same time, the UN needs to retain emergency capacity to be prepared and flexible enough to respond to humanitarian crises. In such situations, addressing humanitarian needs through principled humanitarian action, including through humanitarian response plans, will remain necessary.

In protracted or recurrent crises, humanitarian action will need to move beyond repeatedly carrying out short-term interventions year after year, and move towards contributing to longer-term development gains or, when there are operational constraints hindering their ability to do so in specific contexts, operate in synergy with other actors who ensure these long-term development outcomes are achieved. Conversely, development actors will need to plan and act with greater urgency to help build national systems and capacities for prevention and preparedness, tackle people’s vulnerability, inequality and risk as they pursue the SDGs, including in crises settings wherever possible, by placing greater emphasis in early engagement and bold steps to reach those furthest behind.

For the system to move from delivering aid to ending needs, it is essential to develop a new way of working together across institutional divides. This was recently embodied in a commitment to action on transcending the humanitarian and development divides. This new way of working will

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require focusing on collective outcomes, working over multi-year timeframes, based on the specific comparative advantages of different actors within and beyond the UN-system. It also offers opportunities to include peacebuilding where appropriate.

Shifting from delivering aid to ending needs will be successful only if structures, processes and financial systems at headquarters of both UNDS entities and donors reinforce this approach. This requires more flexible and context-specific approaches including joined-up needs assessments and risk analyses, the formulation of collective outcomes that the UN-system will advance through flexible and dynamic funding instruments and an empowered leader with the requisite capacity and profile.

**Develop system-wide guidelines and a joint approach on the development, humanitarian and peacebuilding nexus**

At global level, guidelines on options for better joined up approaches to the analysis, planning, and implementation on the development, humanitarian and peacebuilding nexus should be developed.

**Move towards greater coherence at the country-level**

At country-level, an overall vision for collective outcomes should be developed, embodying the “one country, one UN framework” approach, when and where appropriate, ensuring complementary multi-year planning, encompassing development needs and protracted crises requirements, all based on joint analysis and comparative advantages. This approach should provide sufficient flexibility to allow for development, humanitarian and peace actions to be carried out simultaneously, with due respect for the distinct principles that underpin each area and where activities across the three spheres are demand-driven, risk-informed, mutually reinforcing and reflected, as appropriate, in joined up planning frameworks. This approach will need to be developed in a manner which preserves the space for separate, targeted and nimble humanitarian action and response plans, fully respecting humanitarian principles.

**Ensure measures to safeguard and mutually reinforce development and humanitarian funding**

Strengthening the links between the development, humanitarian and peace efforts should not result in a diversion of development resources to emergency priorities, and vice versa. The new way of working is not about shifting funding from development to humanitarian programmes, or from humanitarian to development entities but working collaboratively across institutional boundaries on the basis of comparative advantages.

**Update the terminology**

For the purposes of the QCPR, key terminologies, together with new concepts, should be reviewed, as post-crisis “transitions” are not linear or binary processes with clearly identifiable phases. Rather, they refer to a broad and diverse set of circumstances and root causes, including but not limited to complex protracted crises, conflicts, disasters, human-rights violations and political crises. Member States should consider changing references from “transition”, to better recognize that short-term and long-term activities contributing to SDG implementation and leaving no one behind happen in parallel, rather than sequence.
V. IMPROVING COHERENCE, COORDINATION AND MOVING TOWARDS INTEGRATED ACTION

Efforts have been made at country-level through the Delivering as One (DaO) approach, the SOPs, and by other measures to overcome the vertical nature of the system. This is work in progress and requires additional energy. Not all attempts to move towards improved coordination and integration to respond to national needs and priorities on the ground have been equally matched by efforts at headquarters. Much has been done at global level on both the programmatic and management side, and some reform efforts have yet to reap their benefits; yet, more needs to be done to remove bottlenecks that impede working as one. Globally, the system continues to struggle to integrate its ways of working in some areas. In addition, regional cooperation and collaboration across sectors as well as regional entities and mechanism requires more work to improve coherence and strengthen the link between the national and global contexts.

Long-standing challenges around the need for increased coherence and integration are recognized by Member States and the UNDS alike, as well as the further requirements of the new development agenda in that regard. The UNDS has started important groundwork to address some of these issues. A number of ‘young’ reform initiatives were introduced over the past two years, and will take some more time before their full benefit and impact become visible and measurable. These changes align with and support the global and national SDG agendas, and are a vital contribution to the UNDS lifting its game. For example, UNCTs are already prototyping a new generation of UNDAFs with multi-stakeholder engagement framed in a sustainable development context, better informed by joint data and analysis, and leverage the normative and operational strengths of the UNDS. Yet, more can be done and the UNDS has signalled that it embraces a vision for continuing change.

A. DaO at the country, regional, and global level

Implementation of DaO and the SOPs, though voluntary, has been a major step towards greater coherence and coordination. It is now time for a mainstreaming of all their components, including through the application of a Business Operations Strategy (BOS) that reflects the needs and realities of the various specific contexts.

There is a need for DaO to embody the kind of integrated approaches in all phases of the work, from analysis and planning, through programming, budgeting, operations and reporting, to support Member States better in the delivery of the Agenda.

At regional-level priority should be placed on building on the agreed division of responsibilities between Regional Commissions, Regional UNDG Teams and UNCTs with a view to maximizing synergies between regional and country-level efforts by the UNDS regarding support to implementation of the SDGs.

In most regions, coordination mechanisms are already in place and have delivered substantively on different global mandates, including the 2030 Agenda. Moving forward, to further strengthen system coherence, the two current regional coordination mechanisms, i.e. the regional coordination mechanisms led by the Regional Commissions and the Regional UNDGs chaired by UNDP, could benefit from working closer together to develop consistent policy approaches and
complementary capacity-building programmes in support of countries, building on the core functions and assets of each mechanism. While avoiding duplication, additional arrangements and/or instruments may be considered to strengthen the regional dimension within the system, and between the system and other regional actors.

At global level, there is need for a culture change to facilitate the coming together of a system that can deliver a unified agenda, and that governments expect and must be the primary drivers to ensure it is done so.

**Maximizing the DaO approach**

It is essential to progress on DaO as the platform for UNDS support at the country-level, including through full implementation of the UNDG SOPs and related tools, and adapted to country contexts and organizational arrangements to ensure coherence, coordination and joint results.

At the same time, the system must also move towards DaO in all countries, while following the principle of ‘no one size fits all’. This does not imply full structural integration, but would require greater integration of programme implementation as well as of operational resources and assets. The UNDS should be able to harness the comparative strengths and expertise of each entity, with some taking the lead and others contributing in kind.

A renewed approach to DaO, under the auspices of one leader and an empowered country team at country-level with the requisite authority needed, that integrates programmatic and operational functions will help to maximize coherence, impact, effectiveness and efficiency. Efforts to maximize DaO should be aimed at a coherent, increasingly transparent and data-driven system able to convene a broad set of stakeholders as well as closer integration and policy coherence, where appropriate, among the three pillars of the UN Charter - development, human-rights and peace and security. It would leverage the UN-system’s diverse assets by integrating UN analytical and planning frameworks, budgeting, implementation, monitoring and evaluation of programmes as well as reporting to Member States. It would also need to generate further efficiencies through scaled-up implementation of common business operations strategies and integrated service centres for operational support.

**A new generation of UNDAFs, the UN Sustainable Development Frameworks [UNSDFs]**

A common vision and integrated planning framework across the UN pillars at country-level call for a newly updated generation of planning instruments. The next generation of UNDAFs, could be renamed UN Sustainable Development Frameworks (UNSDF). They would need to go beyond a mere compilation of agency-specific planning and be based on the principle of moving towards “one country, one UN framework”, built on shared strategic sustainable development outcomes, common needs and root-cause analysis, risk assessment and management, and monitoring and reporting across the humanitarian, peacebuilding, human-rights and development dimensions. The UNSDFs should be linked to a common budgetary framework (CBF) and, where applicable, a joint resource mobilization strategy, and endorsed and monitored at country-level by a national steering committee co-chaired by the government and the RC, and with participation from UNCT members. This should be standard, without prejudice to agency-specific Country Programme Documents (CPDs) and procedures. Pooled funding instruments should be promoted. The UNSDFs would capture the core content and context of the 2030 Agenda and provide a system-wide overview of the UN’s key activities and system-wide functions in a given country, while being aligned with national planning cycles and national SDG frameworks. The UNSDFs should build on the recent interim UNDAF Guidance, designed to promote a comprehensive, rights-based and inclusive country analysis, focus the UN’s engagement where it has greatest impact, and be based on joint
policy and programming approaches and harmonized business practices.

A different kind of regional support to DaO
DaO needs to be supported differently at the sub-regional and regional-levels, with significantly strengthened coherence and coordination between UN regional entities and coordination mechanisms, and stronger ties with regional and sub-regional inter-governmental organizations. The respective roles and the interface between the two current regional coordination mechanisms should be further clarified and reconsidered in the new SDG era. The 2016 Statement of Collaboration in support of Agenda 2030 implementation between the Regional Commissions, Regional UNDG teams, RCs and UNCTs is a good first step that needs to be further built upon towards a clearer division of labour between the regional offices of UN entities and the Regional Commissions, to ensure coherence and complementarities.

Align headquarters to match efforts on the ground
Efforts at headquarters must enable and match efforts on the ground. A more strategic and coherent results culture is needed; system-wide leadership must be developed and institutional barriers to the success of field-level initiatives must be removed. To do so, the UNDG Plan of Action for Headquarters should be implemented in full and monitored regularly to ensure the advancement of structural reform measures required at HQ level to enable further coherence, effectiveness and accountability at all levels. The Regional UNDG Teams will need to play a key role in supporting UNCTs in the implementation of DaO, including the full implementation and monitoring of the SOPs and the BOS; ensuring common business operations, services and operational efficiencies; and promoting shared data and analytical products among Regional UNDGs, and with Regional Commissions.

Map entities mandates to align with the 2030 Agenda
A forward-looking mapping of mandates currently guiding the system entities should be carried out to ensure that the activities of the UNDS collectively support the priorities of the Agenda and remain relevant in the new development context. The mapping should be presented to the governing bodies of the various entities, for their consideration, and discussed under the aegis of a strengthened ECOSOC to ensure a coherent and strategic alignment across the system.

B. The RC System

Multiple General Assembly and ECOSOC resolutions have stressed that while the UNDP manages the RC system, the UNDS as a whole owns it, and that its functioning and funding should be participatory, collegial and mutually accountable within that system. In fact, the RC represents the whole UN system on the ground.

Since its institution in 1977, the RC-system has evolved. As all UN RCs are also UNDP Resident Representatives (RRs), measures have been put in place as a functional “firewall” between the dual functions of the UN RC and UNDP RR. These measures include a Mutual Accountability Framework (MAF), to ensure that RCs act as impartial, transparent and inclusive leaders, and the establishment of the separate post of UNDP Country Director (CD). However, feedback from some UN-system entities suggests that challenges remain with the implementation of the firewall, as all RCs, given their dual role as UNDP RR, remain accountable for UNDP business.

At the same time, the RC is often left to his or her own means to deal with ownership and accountability in a RC-system that continues to rest more with a single entity rather than with the
UNDS collectively. In addition, if international humanitarian assistance is required, the RC is usually tasked with the Humanitarian Coordinator’s functions, noting these are supported by separate offices, funds, structures and governance arrangements.

The success of delivering coherent results at country-level critically depends on strong, coherent, effective and accountable leadership from the UN RC and the UNCT. However, the relationship between RC and UNCT members is not based upon a binding and committed agreement. In particular, the RC has no formal authority over the members of the UNCT, nor any means to coordinate their programmes during the implementation phase. It should also be noted that mutual accountability between UNCTs and the RC is often not practiced or fully implemented.

Finally, RCs should be able to count on the stable and predictable resources needed to fulfil their mandate effectively. The UNDG has been implementing a system-wide cost-sharing arrangement since 2014; however the rising costs of the system place heavy burdens on contributing entities and the system falls short of funding. The UNDG has commissioned a review of the cost-sharing agreement in the second half of 2016 to generate proposals on ways to further develop it to address the effective needs of the system, in the context of supporting the implementation of the Agenda.

**Take steps to strengthen the RC-system and ensure impartiality and fairness**

The UNDS should ensure full implementation of the Mutual Accountability Framework (MAF), including by implementing all necessary measures for an effective functional firewall between UNDP’s role as manager of the RC-system and management and delivery of the UNDP programme. At a minimum, as stipulated in the MAF, every RC/RR should sign a letter of delegated authority assigning to the second-ranked UNDP official authority for operational management of the UNDP Country Office, representation of UNDP within the UNCT, and resource mobilization for the UNDP-specific Country-Programme. All delegation of authority letters and relevant job descriptions should be made public on the UNCT websites, and RC performance assessments adjusted accordingly. In addition, the UNDG should establish an enhanced dispute resolution mechanism in order to enforce its Guidance Note on **UN Country Team Code of Conduct and Working Arrangements**, which covers RCs and all senior leadership of UNCTs and which reflects the agreed mutual accountability framework.

In working to ensure coherence and integration of the UNCT, RCs should be accountable for the implementation of a joint resource mobilization strategy published against the UNDAF, including inter-agency Joint programmes and pooled funding mechanisms. Furthermore, all efforts should be made to streamline the coherence and synergy of development and humanitarian coordination and action on the ground.

**Ensure appropriate funding in support of the RC mandate**

The system-wide cost-sharing arrangement that supports the RC system should be fully implemented. Relevant governing bodies across the entities that contribute to the funding of the RC-system should ensure that resources are allocated in a timely manner and in full to allow the RC system to perform its functions. This is particularly imperative for the contributions from the regular budget of the UN. The forthcoming review of the cost-sharing agreement should present concrete options to improve this arrangement to meet the funding needs of the RC-system.

**Bestow appropriate authority upon the RC**

Merely calling for further empowerment of the UN RC is an insufficient measure to support integrated and coordinated approaches at the country level. RCs and UNCTs must have the authority to carry out their respective functions fully. This should include the RCs being able to call
on the best capacities across the system; mobilize and distribute pooled funds; be the final decision-maker on strategic objectives in UNDAFs; and incentivize UN staff to contribute to shared UN results. RCs and UNCTs should have an appropriately resourced country funding envelope to manage system-wide functions, and contribute to the evaluation of the performance of entities’ representatives, as they should be entitled to contribute to the assessment of the performance of the RC.

C. Operating As One: Business Practices

A wide range of mechanisms and business practices have been introduced to move towards increased coherence in terms of functions, programming and shared results at global, regional or country level, and these need to be further advanced.

At the same time, existing collaboration mechanisms can be improved further to move towards integration of functions, programming and shared results at global, regional or country level, and to enable the more outward-oriented approach required to deliver on the 2030 Agenda. In addition to a renewed governance structure, a new funding architecture, revamped organizational arrangements and capacity, along with a new way of working across pillars and across development actors, the UNDS needs a better integration of back-office functions.

The 2012 QCPR requested the HLCM and the UNDG to present plans for the establishment of common support services at the country, regional and headquarters levels, based on a unified set of regulations and rules, policies and procedures, in the functional areas of finance, human resources management, procurement, information technology management and other administrative services. These plans would be reviewed by ECOSOC and approved by the governing boards of funds, programmes and specialized agencies by end 2014, for implementation by 2016.

Efforts to that end have been made through the SOPs which are mandatory for DaO countries, and voluntary for other countries, and the BOS to improve the cost effectiveness and quality of operational support processes. In addition, a number of tools and guidelines for integrated and joint operations have been developed by HLCM in the areas of procurement, human resources, financial management and ICT, which have been implemented with success, primarily in the BOS pilot countries. More effective communication and stronger managerial guidance from headquarters is essential to mainstream the integrated operational approaches that are already available.

Efforts are ongoing but many country offices and Operations Management Teams report that barriers remain to modern, efficient and joined-up operations in support of the UNDS functions. At present, commonality at field level is very difficult to achieve. Limitations remain to “operating as one,” since each entity continues to maintain its own functions in areas such as finance and treasury, human resources, procurement, ERP systems and administration. There is need for a better coordination of the provision of common support services, as there remains significant potential for savings.

Harmonization of UN agency processes and systems remains an important instrument to remove duplication and reduce transaction costs, and it has been often operationalized through minor policy adjustments which have made possible for different entities to ‘mutually recognize’ best practices to accept each other’s policies and procedures. Rapid access to services from whatever agency has the operational support needed or can deploy them quickly and effectively is particularly important in complex country settings. This approach has shown to be successful in
many areas, such as for example the HLCM solutions for joint procurement and common global and local banking. Implementation now needs to be scaled up, to enable the UNDS to achieve operational savings at country, regional and global levels, and it would benefit from a mapping exercise to identify which operational areas should be considered at each level.

Several entities have established global service centres that have achieved economies of scale and reduced costs by removing the need for local transactions in many process areas. Entities which have established centralized service centres may make available those services that represent best practice to other entities upon request.

There is growing need to promote further integration of UNDS back-office operations, with a view to wider roll-out in a phased approach that reflects lessons learned and is compatible with other efficiency measures. The HLCM and UNDG should collectively work towards building an open policy framework for future collaboration. The UNDG should request that all new guidance documents from headquarters are explicitly aligned with the respective entity’s commitment to common business operations.

**Implement and adapt the SOPs in all countries**
The SOPs should be rolled out and implemented in all countries, while being adapted to country contexts and organizational arrangements. Agency programme and operational guidelines should be aligned to the SOPs. Full implementation of the SOPs across UNCTs requires alignment of agency programme and operational guidelines. In some cases this needs the approval of the governing bodies of the various UN entities, and Member States should call for this across the UNDS. At the same time, the SOPs should be further developed to match ways of working with the new requirements of the 2030 development Agenda.

**Roll out the Business Operations Strategy (BOS) for all**
Equally, the BOS should be rolled out to the UNCTs, with flexibility to agree on what services to integrate after conducting a robust strategic planning and cost-benefit analysis. UNCTs should initiate the BOS process in conjunction with the development of their country-level framework.

**Scale-up Integrated Service Centres**
The establishment of common business centres can enhance the efficiency and effectiveness of UNDS operations. The UNDS should consider increased adoption of such centres, based on the country context, using the lessons learned from different alternative approaches, based on evaluation. Examples include the Integrated Service Centres in Brazil and Viet Nam for country-level joint operations, and Denmark, Malaysia (UNDP) and Hungary (UNICEF) for global service centres.

**Review rules, regulations and procedures to facilitate support for South-South and triangular cooperation**
Challenges remain in the modus operandi of the system to facilitate South-South and triangular cooperation. While some entities have made exceptional provisions for the specific requirements of South-South and triangular cooperation, such as low transaction costs and speed of delivery, longer term solutions are needed by reviewing procedures on specific modalities for supporting SSC activities to ensure a systematic approach crafted to fit the needs of SSC, rather than relying on exceptional case-by-case procedures.
VI. A NEW KIND OF QCPR

By adopting a universal, transformative and ambitious development agenda, Member States have raised the bar for the UNDS. The system will have to transform itself, but this will require a phased approach. The level of changes that the nature and scope of the new Agenda demands will inevitably need short and medium term steps to both enable and give time for important changes in the longer run. The UNDS has already embarked on a number of initiatives to embed the new Agenda in the ways the system works at global, regional and country-level. Member States must now chart the course for the UNDS with a dynamic and strategic QCPR. This is a first step in the longer-term positioning of the UNDS.

The 2016 QCPR offers the opportunity to address issues that need attention in the short and medium-term, while simultaneously laying the foundation for areas that will require longer-term change. It is essential that the momentum of the bold and transformative steps taken in the adoption of the 2030 Agenda is reflected in the 2016 QCPR and the opportunity to advance the initial phase of this approach is seized prior to the next resolution in 2020. This is particularly needed in the six areas identified in the ECOSOC dialogue, namely functions, funding, governance, organizational arrangements, partnership approaches, capacity and impact.

To set the strategic direction of operational activities for development in the very first years of implementation of the 2030 Agenda, it is vital that the next QCPR provides the foundations for the UNDS to rise to the challenges of the new development agenda, both at entity and system-wide levels. The opportunity to set the course for the next four years cannot be missed.

A new kind of QCPR would be one that provides strategic direction, focused on outcome rather than process, defining the role the UNDS can play in the realization of the 2030 Agenda. This would include funds, programmes and specialized agencies alike, for a truly system-wide strategic approach to monitoring and reporting. This may require consideration for making the QCPR a system-wide tool that offers strategic guidance by Member States to the system, clarifying the vision ahead, through underlying principles around functions and division of labour on the basis of outcome-level results. The new QCPR should clarify the systemic core functions of the UNDS and accountability mechanisms, identify ways to foster interagency collaboration in different types of contexts, including to overcome the development, humanitarian and peace and security divides to prevent shocks, build resilience and sustain peace and development gains. It should set the stage for reform areas that support key reform outcomes, including strengthening system-wide transparency and governance, enhancing coordination and collaboration across the system, creating efficiencies to maximize resources available for results, empower UNCTs to work together in a more coherent and integrated manner, and enable the UN to respond to national needs and priorities, while staying focused on mandates and comparative advantages. This should be done in a simple and focused manner, starting with its name. The new QCPR could be renamed “Strategic Policy review (SPR)”.

The 2016 QCPR is the first step forward, and, in essence, it should:
- Reflect the essence and spirit of the Agenda, by strategically guiding the UNDS to operate as one;
- Transform itself into a tool for strategic guidance across the UNDS;
• Address the whole system, including specialized agencies, without prejudice to the important role of the respective oversight bodies and their specialized mandates. Members of governing boards should contribute to building the integrated system that they themselves requested when adopting the Agenda in the GA.

First, the functions of the UNDS must be aligned with the Agenda, driven by the system's comparative advantages, and aimed at delivering demand-driven results at country level that are tailored to national needs and anchored in national ownership. Moving forward, the UNDS will need to focus on:

• Providing integrated normative support for implementation, monitoring and reporting on global agreements, norms and standards;
• Delivering integrated, evidence-based policy advice and thought leadership, to support countries to embed the SDGs into national and local plans and budgets, and report on their national implementation;
• Convening stakeholders across constituencies, facilitating knowledge-sharing, south-south and triangular cooperation, including regional cooperation, and leveraging partnerships to embrace the strengths of all development players;
• Delivering capacity development assistance, including through improving the quantity and quality of comprehensive and disaggregated data;
• Providing direct support and service delivery, particularly in LDCs, countries in special situations such as LLDCs, SIDS, and those affected by conflict or at more risk to suffer the impact of climate change and disasters.

Second, the functions of the UNDS must be supported by appropriate funding flows and financing mechanisms. The alignment of functions as the driver, and funding as the enabler, rests on the importance of funding practices geared towards the delivery of the Agenda. Funding should incentivize the system to work together as a whole and ensure that the UNDS can carry out its core activities most effectively. This requires:

• New ways of enhancing core resources with efforts by Member States and UN entities alike, including by building trust with partners and institutionalizing structured financing dialogues;
• Complementing core funding with well-designed pooled funding mechanisms that can make earmarked funding more flexible and predictable. The UNDS must draw a clear distinction between core and non-core activities and incentivize higher level earmarking to broad strategic outcome areas;
• Deepening partnerships with IFIs;
• Exploring the possibility of more fully engaging in innovative funding approaches that can mitigate risks and leverage larger private resources;
• Capitalizing on the UNDS potential to mobilize resources as a system to finance core, system-wide functions;
• Publishing timely, transparent, harmonized and open high-quality data on funding, including by adopting the IATI common reporting standard by all UNDS entities, sharing experience and lessons from the strong performance of some funds and programmes in this area.

Third, the UNDS must be guided strategically through governance structures that allow the system to be accountable for system-wide results. In order to ensure that the system is able to respond to the implementation of a highly complex and integrated agenda, it is critical to enhance horizontal governance while strengthening the capacity of governing bodies to provide strategic
guidance and ensure accountability, both in the specialized mandates of each entity and across the inter-sectoral nature of the new development Agenda. This will require:

- Strengthening the role of principal organs through better use of existing mechanisms and platforms, including at the regional level, and considering new and/or improved institutional set-ups to strengthen governance, particularly horizontal, such as dedicated meetings under the purview of ECOSOC to guide system-wide functions; and,
- Revitalizing governing bodies with new ways of working, better geographic balance and multi-stakeholder participation to steer specialized activities towards multifaceted achievements, and ensure space for the voices of all those at stake.

**Fourth,** the ability of the UNDS to deliver results hinges on improving its functioning through strategic, effective and efficient presence on the ground, a workforce with the right skills and incentives, the capacity for strategic partnership to harness the strengths of all development players, and the ability to cut across the pillars of the UN work while giving space for innovation. To maximize capacity and impact, the UNDS should be organized in a manner that enables it to:

- Gear its presence at country and regional-levels to models that are flexible, configured to national needs and priorities, take advantage of modern communication technologies and are collaborative both internally and with external partners;
- Leverage the regional dimension, with a clear division of labour among relevant regional entities, to ensure coherence and coordination, in particular with regard to data, statistics and the follow-up and review of the Agenda, and ensure complementarities and synergies between the two regional coordination mechanisms;
- Motivate and equip staff with updated skills sets, also enabling and inspiring them to transcend sectoral and institutional boundaries, guided by transformative and empowered leadership;
- Readily and openly engage with external partners with a coherent system-wide approach and proper oversight across the system, building on best practices to truly open the UN to the 21st century;
- Recognize that development, humanitarian and peacebuilding activities contribute to prosperous and peaceful societies in parallel rather than in sequence, and institutional divides must be overcome to realize the promise of the Agenda.

**Fifth,** efforts to improve coherence and coordination must be sustained and move towards integrated action to respond to the integrated, universal and yet targeted calls of the 2030 Agenda. This includes building on the important efforts and innovative strides already taken by the UNDS and pushing onwards for a new generation of mechanisms, instruments and practices to operate as a system at country, regional and global level. Member States have an important responsibility in expecting and sustaining these efforts. These should include:

- The full implementation of the UNDG Standard Operating Procedures for UNCTs, adapted to country contexts;
- Maximization of DaO, as the platform for UNDS support at the country-level;
- A new generation of country development frameworks, retitled UNSDFs that can capture the core content and context of the 2030 Agenda and provide strategic system-wide overview of UN activities and functions on the ground, in line with country needs;
- An RC system with the authority, neutrality, experience and skills-sets required to lead an empowered UNCT on the ground, as the cornerstone of the UNDS collective support for the 2030 agenda;
The mainstreaming of integrated operational modalities, especially but not only at the country-level, through common back offices, further harmonized business practices and mutual recognition and adoption of best practices.

**Finally, while the SDGs are interdependent, several priorities cut across the entire Agenda and the system-wide functions of the UNDS. These areas have been of significance in past T/QCPRs and remain important going forward.** In the short, medium and long run, these issues will continue to be key in meeting the ambitions of the 2030 Agenda. These include:

- Eradicating poverty in all its forms and manifestations. Poverty eradication remains the priority of the UNDS, the system can spare no effort to leave no-one behind, combating inequality and addressing the multifaceted challenges that lie at the heart of this scourge;
- Building and developing national capacities, both technical and functional. This incorporates supporting national statistical capacities to collect and analyze high-quality disaggregated data to guide policy-making, planning, implementation, monitoring and reporting. It includes supporting and utilising, wherever feasible, national financial systems, procurement systems and utilization of national evaluation capacities;
- Leveraging and facilitating South-South and triangular cooperation, particularly as demand for these services is expected to increase with the growing capacities of many developing countries and the nationalization of the SDGs;
- Achieving gender equality and empowering women and girls. This includes strengthening the normative and operative work of the UNDS in this area, maintaining a strong focus on gender equality results and increased investments in gender expertise across the system;
- Sustaining actions to strengthen the implementation of human-rights principles and standards, upholding the inherent dignity and human-rights of rights-holders while working for their empowerment as active partners for sustainable development.

**Moving forward,** as we embark on the fundamental changes that the Agenda requires for a UNDS that is fit for purpose, the importance of strategic monitoring and following-up on the short, medium and longer-term objectives of the UNDS will be important to assess, adjust and recalibrate interventions. In doing so, caution will be needed to not only focus on the short-term, easy-to-measure results, but also longer-term achievements that are inherently more difficult to measure, such as in the areas of capacity development and institution-building. In this regard, the QCPR should not only define the strategic direction of the UNDS, it should continue to facilitate an important feedback mechanism to Member States on progress made in implementing that direction. To achieve this, it will be necessary for the QCPR to:

- Harmonize results-based management systems across UNDS entities;
- Strengthen system-wide evaluation;
- Define clear mechanisms for monitoring and reporting on QCPR progress, including a new, robust QCPR monitoring framework, closely aligned to the SDGs.