

ECOSOC Session “How can UN entities best exploit synergy in the area of administrative services at the country level: challenges and opportunities.”

Mr. President, Excellencies, distinguished delegates, ladies and gentlemen:

Almost 35 years ago, in December 1977, the General Assembly passed resolution 32/197, requesting the UN system that “*measures should be taken to achieve maximum uniformity of administrative, financial, budgetary, personnel and planning procedures, including the establishment of a common procurement system, harmonized budget and programme cycles, a unified personnel system, and a common recruitment and training system*”

Although the resolution did not specifically address the presence of UN entities in programme countries, it consequently requests the UN system to harmonize and consequently merge the most important operational functions. 35 years later, we discuss how UN entities can best exploit synergy in the area of administrative services at the country level.

This fact presents how challenging the harmonization of administrative procedures must be as the subject has not lost its relevance and that the upcoming QCPR is an essential opportunity to not only serve as a General Assembly resolution, but determine the follow-up and monitoring of its requests and recommendations to the UN development system.

Capacity to deliver

The United Nations capacity to deliver is directly related to its strength and efficiency in its business operations support services. In my opinion, business operations has been underestimated as a necessary administration, which constitutes the overhead of the organization, rather than being seen as an integrative part of programme delivery and, therefore, having significant strategic importance.

All programme relevant activities of the United Nations at the country level include to a considerable part business operations functions. For example, the

procurement of goods and services, the sourcing, management and training of qualified personnel and the provision and management of financial transactions.

Therefore, the key to the capacity to deliver lies in an effective integration of business operations services in the overall programme delivery. This includes building operational capacity in line with and responding to the UNDAF at the beginning of the planning cycle and considering business operations as one of the areas that could support national capacity development in related functions.

As the DESA analysis in preparation to the QCPR has shown, UNCTs have been facing significant challenges in their efforts to harmonize business practices in the area of business operation services. Different agency-specific regulations and rules, which are applied through specific policies and procedures in various Enterprise Resource Planning systems, relatively limited capacity at the country level to implement and manage common services, and the perceived lack of commitment and senior management leadership resulted in limited progress in this area over the last decades.

While there are many good examples for driving the harmonization of selected business practices in some of the DaO countries, there is little evidence that DaO countries have fully engaged in pursuing all elements of the *One Office* concept.

One important question to ask is, whether the countries have not sufficiently prioritized the harmonization of business practices and gaining efficiency in business operations support services at the country level or whether they have reached their capacity limit to do so due to the narrow bandwidth of opportunities that was given to the countries by the strong existing vertical accountabilities towards the various UN entities headquarters with existing different regulations and rules and policies and procedures. In my opinion, certainly both has been the case.

The implementation of common services, for example, is driven by an understanding between UN agencies that the inter-agency rationalization of agreed upon business practices at the country level lead to higher quality service provision, increased efficiency, and the reduction of transaction costs. This includes cost-sharing solutions for services that are required by all agencies at the country level, for example internet provision, cleaning services and conference facilities.

For instance, 86.7 per cent of all responding countries to a recent DESA survey confirmed that they have established security services as common services. However, only 37.1 per cent reported to have a respective inter-agency Memorandum of Understanding and 33.3 per cent to have a common Long Term Agreement with the service provider in place. Much less countries (17.1%) have conducted a cost-benefit analysis prior to establishing common security services or monitor the savings accrued through this common service (10.5%).

Comments to the conducted DESA surveys have indicated that much of the capacity restraints in business operations at the country level stem from a lack of staff capacity and weaknesses of respective inter-agency working groups under the UNCT.

While the provision of staff training in the area of common services is an imperative element to support capacity development and change management skills at the country level, it would be incorrect to assume a causal relationship between capacity development of staff members and the observed challenges in the establishment of common services.

However, in accordance with many comments from practitioners to the recent DESA surveys, it appears that there are significant barriers to successfully apply the acquired skills from conducted trainings. Reasons for this lie in the potential lack of UNCT leadership, in connection with this, in a relatively weak structural framework, which would support the harmonization of business practices. Therefore, it seems that the investment in training should not be a stand-alone measure but an integrative part of an organizational and governance framework supporting the application of know-how.

Results from conducted surveys seem to support this finding. According to a recent survey conducted by the HLCM Procurement Network, in only 15 per cent of all Operation Management Teams, all participating members were able to take decisions on behalf of their agency.

Transaction Costs

A very important element of business operations reform measures has been the objective to reduce transaction costs. The 2004 and 2007 TCPR resolutions extensively refer to the terminology of transaction costs in the framework of the

UN reform process and costs incurred to UN organizations and their national partners as the result of operational activities of the UN system.

However, in regards to the request to redeploy accrued savings to the development programmes in programme countries, it is important to note that reductions in transaction and overhead costs would often **not** translate in equivalent amounts available for programme budgets.

The experience in DaO countries has shown that efficiency gains expressed in dollars do often not translate to an equivalent amount reduced. For example, the implementation of common Long Term Agreements at the country level leads to a significant reduction of staff time spent in each procurement process for goods and services. Although these efficiency gains are best expressed in dollars as a common denominator for staff time spent at different contractual modalities and levels, savings are actually not accrued in real terms.

The establishment of common Long Term Agreements likely leads to considerable price reductions for goods and services, which already directly impact the expenditures under respective programme budgets. As this example shows, efficiency gains in the provision of operations support services might not accrue savings in operations budgets, but directly translate to reduced expenditures in programme budgets.

Therefore, it seems that the quantification of savings or avoided costs as the sole indicator of the efficiency gains through the *One Office* concept would not correctly reflect a successful implementation of harmonized business practices in this area. Additional indicators, such as turnaround time and minimum quality standards would result in a more accurate measurement of implemented solutions in operations.

It seems important to shift from concentrating on quantifiable savings to monitoring and measuring changes in efficiency, quality of service provision and productivity.

Rethinking Harmonization

The harmonization of business practices is not an end in itself. Aiming to harmonize all business practices across UN agencies might not be the most feasible

approach in the short term to increase the efficiency and effectiveness of the UN system at the country level.

The existence of different Enterprise Resource Planning systems and agency-specific rules and regulations and policies and procedures suggests that the investment in the rationalization of business practices *within* UN agencies can also yield significant efficiency gains equally contributing to a more effective programme delivery and accumulation of savings.

For example, the intra-agency rationalization of business practices by increasingly providing services through regional and agency-owned service centers rather than country office units could be more feasible than seeking to harmonize the **same** functional area between different agencies at the country level.

However, there is a high potential for inter-agency rationalization of business practices at the country level. Most common services at the country level do *not* require the harmonization of agency-specific policies and procedures and can be successfully managed by an identified lead agency or a business center. Outsourcing options to a business center could further allow agencies to rationalize their country presence in addition to their own intra-agency rationalization through the establishment of regional service centers for agency-specific administrative functions.

This, however, requires a more efficient collaboration of agencies at the headquarter level, which determines how much freedom heads of agencies at the country level will have to honor their horizontal accountability towards the UNCT. The development and implementation of headquarter-level framework agreements seem to be a precondition to allow the country level to make the necessary institutional changes that would finally result in an increase in efficiency and the reduction of the duplication of business operations functions.

It seems to be essential for the success of business practice harmonization at the country level that there is no conflict between the vertical accountability of country team members and staff members towards their regional centers and headquarters and the horizontal accountability towards the UNCT.

To accelerate the progress in implementing effective business operations support services, the UN system should not shy away from researching the feasibility of changing the organizational structure at the country level to institutionalize efficient business solutions.

Overall, the UN system should maintain a long-term perspective and be encouraged to work on the harmonization of business practices leading to a real merger of functions in the medium and long run.

Mr. President, Thank You.