

**Costs and Benefits of Coordination
of
United Nations Operational Activities for Development**

A background paper prepared for DESA

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Disclaimer

The opinions expressed in this report are strictly those of the author. They do not reflect the official views of the United Nations regarding the identity or status of member states or any other matter.

Abbreviations

ADR	Assessment of Development Results
CCA	Common Country Assessment
CEB	UN Chief Executives Board for Coordination
CPR	Country Programmable Resources
CPAP	Country Programme Action Plan
CPD	Country Programme Document
DAC	Development Assistance Committee of the OECD
DaO	Delivering as One
DESA	UN Department for Economic and Social Affairs
DEX	Direct Execution
DOCO	UN Development Operations Coordination Office
ECHA	Executive Committee for Humanitarian Affairs
ECOSOC	Economic and Social Council of the United Nations
ExCom	UN Development Group Executive Committee (UNDP, UNFPA, UNICEF & WFP)
GA	UN General Assembly
HACT	Harmonized Approach to Cash Transfers to Implementing Partners
HC	UN Humanitarian Coordinator
HLCM	High-Level Committee on Management of the CEB
HLCP	High-Level Committee on Programmes of the CEB
ICT	Information and Communications Technology
LDC	Least-Developed Country
MAS	Management and Accountability System
MD	Millennium Declaration
MDGs	Millennium Development Goals
MDTF	Multi-Donor Trust Fund
MIC	Middle-Income Country
MTR	Mid-Term Review
NEX	National Execution
NIM	National Implementation
OECD	Organisation for Economic Cooperation and Development
OMT	Operations Management Team
PCG	Programme Coordination Group (sometimes called Theme Group)
PSG	Peer Support Group (for the CCA/UNDAF process)
RBM	Results-based Management
RC	UN Resident Coordinator
RCS	Resident Coordinator System
TCPR	Triennial Comprehensive Policy Review of Operational Activities for Development
UNAIDS	UN Joint Programme on HIV and AIDS
UNCT	UN Country Team
UNDAF	UN Development Assistance Framework
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WFP	World Food Programme

Study of the costs and benefits of coordination of United Nations operational activities for development

Executive summary

This study was prepared as an input to the preparation of the 2011 report of the Secretary-General on the analysis of the funding of operational activities for development of the United Nations system. The Secretary-General's report is the latest in a series of reports on the sources, use and destination of funds provided to UN organizations to support their cooperation with developing countries. The 2011 report aims among other things to help bring more clarity to the issue of 'costs and benefits of coordination', an issue that has been raised in several General Assembly and ECOSOC resolutions dealing with operational activities for development.¹

This subject is hardly a new one. Already 40 years ago the UN development system was being described (in the 'Capacity Study'²) as possibly the most complicated organization in the world, with UN specialized agencies and funds and programmes all reporting to separate governing bodies. The system was seen to face a "*fundamental problem of overlapping responsibilities*"³ and "*scatterization*"⁴ of efforts.

These problems were evidently still a concern in 1997 when the current 'UN reform' process began. Thus, the consolidated common country assessment and UNDAF guidelines issued in May 2002 stated that the aim was: "increased effectiveness and reduced transaction costs of cooperation with the United Nations system, based on achieving a critical mass in a few areas, expanded potential for synergy and a major reduction in duplication." Four years later, the Secretary-General's High-Level Panel would write: "Delivering as One, and overcoming systemic fragmentation, is a central theme of our report."⁵

Costs

Regarding the costs of the current coordination infrastructure, ECOSOC has received reports⁶ each year for the last three years providing certain data, mainly from UNDP as the funder and manager of the Resident Coordinator System. This study has built on and expanded on that data in an attempt to offer a more complete picture. The key information is captured in Table 1 (see page 13). A synthesis table outlining the findings relating to both costs and benefits is included as Annex 1.

Table 1 shows an estimate of \$237 million annually for the cost of coordination of UN operational activities. This sum is equivalent to 3 per cent of 'country programmable resources'. In relation to *all* spending on operational activities for development (including humanitarian as well as development expenditures) it amounts to some 1 per cent. The evidence obtained through this study suggests that these amounts are not excessive. Indeed, it can be argued that the resources currently devoted to UN coordination may not be sufficient.

While the figure of \$237 million is the best estimate based on available data, it may overstate the cost of coordination for several reasons. The first is that the country level data reflect the coordination costs of *all* activities where two or more UN agencies work together at country level. It includes preparation of

¹ For example, ECOSOC resolution 2008/2 paragraph 16 calls on UNDG to "further develop approaches and tools for measuring and reporting on the costs and benefits of coordination."

² A Study of the Capacity of the United Nations Development System, 1969

³ The Capacity Study, paragraph 45

⁴ The Capacity Study, paragraph 23

⁵ Report of the Secretary-General's High-Level Panel, November 2006, Executive Summary

⁶ E/2008/60, E/2009/76 and E/2010/53

common country assessments and UNDAFs, the work of programme coordination groups during UNDAF implementation, and groups dedicated to realizing operational efficiencies. It may be argued that such work often goes beyond coordination. It is relevant to note that the new budget classification system approved by the UNDP, UNFPA and UNICEF Executive Boards in 2010 will shift much of the above work from coordination to either programme or operations.

A second reason for treating the figure of \$237 million with caution is that the UNDP country level cost data on which Table 1 is largely based does not distinguish between development and humanitarian activities. Thus, a significant but unquantified portion of the \$237 million relates to coordination of humanitarian assistance. To this extent, the figure overstates the cost of coordinating purely development activities. On the other hand, Table 1 does not include coordination expenditures by UNAIDS; this may partially offset the inclusion of some country-level humanitarian coordination costs.

A third important qualification of Table 1 is that while data on UNDP's country level costs is reliable, at least as a first approximation, comparable data for other agencies is not available. For the purposes of arriving at a total cost of coordination, an estimate was made of the effort by other agencies at country level, but at best it may represent only an order of magnitude.

A key conclusion is that it is very difficult to define coordination costs, and therefore any measurement of them must be treated circumspectly. What appears more important is that independent evaluations and assessments continue to find insufficient coherence of UN activities at country level, and call for greater efforts to be made in this respect. This may imply that the resources currently devoted to coordination are insufficient. At the same time, there is evidence to suggest that some costs could be reduced by streamlining the processes for preparing, implementing, monitoring and reporting on UNDAFs and UN agency country programmes and projects.

Benefits and challenges

On the benefits side, this study recognizes that benefits from coordination in the sense of development outcomes and impact cannot be reduced to monetary terms. It also notes that while "transaction costs" faced by governments and other partners could theoretically be measured, it would not in most cases be cost-effective to do so. It suggests that the question as to whether UN coordination initiatives have succeeded in reducing transaction costs for governments and other partners may be better addressed through qualitative surveys and as part of UNDAF evaluations.

The findings relating to benefits and challenges are informed primarily by the independent UNDAF evaluations and mid-term reviews (MTRs) carried out in the last three years, and by several independent studies commissioned by UNDG. Less objective but still valuable are reports prepared under the 'Delivering as One' initiative.

The evaluations, MTRs and other reports have pointed to a wide variety of positive results from country level coordination, including: stronger national ownership; reduced duplication; achievements in certain cross-cutting areas, including HIV/AIDS, MDGs and transition situations; joint initiatives that clearly reduced transaction costs for partners; and initiatives in the operations area that are likely to lead to more efficient and effective joint or shared systems.

In no case did an evaluation or MTR observe that the costs of the UNDAF and related processes had been excessive. On the contrary, the assessment in every case was that there was scope to do *more* to improve coherence of UN action at country level. For example, as regards reducing duplication and fragmentation, some progress was usually noted, but in general it was judged to be far from enough. It

was also observed that the UN system continues to have difficulty in focusing on a “few areas” where it can achieve a “critical mass.”

The studies and evaluations confirm that governments and other partners can face high “transaction costs” in dealing with the UN system, due to the large number of independent entities and the variety of implementing modalities and programming and reporting procedures that still prevail. It was also found, however, that UN fragmentation and the related transaction costs for governments can be reduced when UN agencies are willing to give up some ‘sovereignty’, and agree that one agency can represent them in some dealings with the government or other partners on a particular topic. This ‘lead agency’ approach was mentioned favourably in a number of reports, as well as in reports on Delivering as One.

The evaluations and MTRs judged that, among other measures, theme or coordination groups needed to function throughout the life of an UNDAF and not just at the preparation stage. To function effectively, these groups needed a significant commitment of staff time; such costs were considered warranted in relation to the expected benefit of a more focused and coherent UNDAF, with reduced duplication and fragmentation.

Although the guidelines call for alignment between the UNDAF and UN agency country programmes, inconsistencies were often observed by the evaluations, MTRs and other studies. This lack of alignment, particularly in the results frameworks, was found to impede joint programming and to complicate the tasks of monitoring, reporting and evaluation of UNDAFs. Another implication is that the UNDAF is not being used to its full potential to simplify country programming. Agencies and the respective governing bodies are encouraged to work towards a single operational document for the United Nations at country level.

Compounding the problem of lack of alignment among country level results frameworks are the agency-specific RBM frameworks against which UN agencies have to provide reports to their governing bodies. At present, there is no consistency in these RBM frameworks from one agency to another. Consequently, monitoring and reporting on UNDAF results becomes an additional task, which increases transaction costs on all parties. The governing bodies are encouraged to address this issue.

A consensus among the studies and Delivering as One documents is that UN agency incentive systems continue to mean that staff tend to give priority to the programming and reporting requirements of their own agency. Thus, there is still limited accountability for results by the UN as a whole at country level. As the UNDG-HLCM High-level mission noted, progress seems to depend heavily on the personal commitment and drive of individuals rather than on an institutionalised system. A fully operational Management and Accountability System (MAS) may help to address this problem.

In order to demonstrate the progress being made, to learn lessons, and to enhance accountability, this study also recommends measures to strengthen UNDAF evaluation and to establish a framework of indicators on the many dimensions of country-level coordination.

1. Background, purpose, scope and methodology

1.1 Background

The General Assembly, in paragraph 93 of resolution 62/208 on the 2007 triennial comprehensive policy review of operational activities for development, requested the Secretary-General to report on an annual basis to ECOSOC on the functioning of the Resident Coordinator System (RCS), including costs and benefits. This request was made as the Assembly took note that “... *coordination activities, while beneficial, represent transaction costs that are borne by both programme countries and the organizations of the United Nations system...*”. This viewpoint was also expressed in paragraph 56 of GA resolution 59/250, which emphasized “... *the need for continuous evaluation and analysis and assessment of coordination costs in relation to total programme expenditures of operational activities for development*”.⁷

In requesting the Secretary-General to report to ECOSOC annually on the functioning of the RCS, the Assembly recognized that although coordination of UN development cooperation activities potentially produces benefits in terms of enhanced effectiveness and impact in programme countries, such activities also entail costs on the UN development system and programme countries. The view of the GA was that these costs should be kept within reasonable levels relative to total programme expenditures, and that the costs of coordination should not be at the expense of programme resources. The Assembly also expressed interest in assessing the benefits derived from coordination vis-à-vis the costs involved.

1.2 Purpose

This study, undertaken in cooperation with UNDG and CEB and key UN development entities, aims to respond to the above mandate of the GA by developing a more coherent framework for defining and assessing coordination costs and benefits in the UN development system. The study builds on the analysis conducted in the 2008, 2009 and 2010 reports of the Secretary-General on the costs and benefits of the Resident Coordinator System.⁸ The aim is to explore in greater depth where costs are incurred, where benefits have been or may be obtained, the related challenges, and the possibilities for measuring such costs and benefits. It is expected that the methodology developed for assessing the costs and benefits of coordination will be further refined in the preparation of subsequent reports of the Secretary-General on the funding of operational activities for development.

1.3 Preliminary comments on coordination

As noted above, coordination is beneficial and it usually happens at least to some degree. An essential step in the design of *any* programme or project is to review what is already being done by the parties involved in the given programme area, discover the lessons that have been learned, and define a programme or project that makes the best use of all available resources. These principles apply whether the parties are government departments, international organizations, bilateral donors, civil society organizations or other stakeholders.

It follows that there can be a question about whether an activity should be categorised as ‘coordination’ or ‘programming’. The UNDAF is a case in point. The UN General Assembly has repeatedly recalled the potential of the United Nations Development Assistance Framework and its results matrix as the

⁷ In addition, in ECOSOC resolution 2008/2 paragraph 16, the UNDG was called on to “further develop approaches and tools for measuring and reporting on the costs and benefits of coordination”.

⁸ See E/2008/60, E/2009/76 and E/2010/53.

collective, coherent and integrated programming and monitoring framework for the operations of the United Nations development system at the country level. However, to the extent that agency programmes are not fully aligned with UNDAFs, and the evaluations and mid-term reviews show that this has sometimes been the case, the UNDAF could be seen more as coordination than programming. This may also mean that the UNDAF is an additional process rather than part of a single seamless programming process. However, with 'Delivering as One', the introduction of common country programmes, UNDAF Action Plans and similar initiatives, the UNDAF is becoming more of a core programming instrument in a growing number of countries. Similar observations can be made about joint programmes: the evidence shows that some joint programmes are more in the nature of coordination instruments while others are more operational.

Another point to bear in mind is that the UN is often quite a small actor in financial terms in the development scene in a country. In such cases, it is especially important that coordination initiatives involve other partners, above all the Government including line ministries, but also other multi-lateral agencies, bilateral donors and local institutions. UN instruments such as CCA, UNDAF and joint programmes need to be especially responsive to the broader context in order to capitalize on their full potential.

Regarding the role of Governments, UN policy is to support and facilitate Government leadership at all stages of the programming process. This is also the policy espoused by the donors associated with the Paris Declaration. It follows that Governments should play the central role in coordination of development assistance. It is likely also that the more developed a country is, the more programme development and implementation tasks it is able to handle without assistance, including coordination tasks. Put differently, the benefits of UN instruments such as CCA, UNDAF and joint programmes are likely to differ considerably from country to country.

CCA and UNDAF have from the outset been required in all countries where two or more UN agencies are expected to present multi-year country programmes to their respective governing bodies for approval. CCA and UNDAF have been optional in some middle-income countries with limited UN presence. As more countries reach middle-income status, there may be a case for more flexibility in when and how to use these instruments, particularly where the UN is a small player in development assistance. The UNDG addressed this issue in the 2010 UNDAF guidelines.

This does not necessarily imply a lesser need for UN coordination in middle-income countries. The recent UNDG-HLCM High-Level Mission on Harmonization of Business Practices advocated "a shift from project based to programme based approaches, from UN to national programmes, from fragmented delivery of individual programmes by many agencies to lead-agency models, therefore reducing transaction costs for the UN and for national partners. This process should be accompanied by a shift from UN results based management to RBM within the national programmes, pursuing increased efficiency in programme monitoring and reporting. Such a shift is particularly important in a small country situation where the relative contribution of individual UN agencies is small. Governments would like to see the possibility of funds being pooled with one UN agency as the implementing partner, thereby reducing transaction costs and increasing efficiency."⁹

⁹ High-level UNDG-HLCM mission, April 2010, page 41

1.4 Scope and Methodology: Costs

Some costs can be established in monetary terms. This applies for example to the cost of Resident Coordinator offices and the cost of the Development Operations Coordination Office (DOCO) in UNDP headquarters. In these cases, the data capture the costs of *full-time* staff, along with supporting costs. At the same time, by its very nature, coordination involves staff who spend only a part of their time on coordination. This can occur when headquarters staff work on harmonizing policies and procedures, or when field staff engage in inter-agency initiatives. Such costs are much more difficult to measure: detailed time-keeping would be needed to calculate them accurately. UNDP does, however, carry out a workload survey every two years to *estimate* the time that field staff spend on various functions, including coordination. The survey is reported to the UNDP Executive Board as part of the biennial budget submission. Annex 3 sets out the categories of expenditure that the UNDP budget uses: management, development effectiveness (programme) and coordination, and outlines what is included in each category of expenditure.

The information contained in the annual reports to ECOSOC has consisted largely of UNDP budget data. Within this data, by far the largest item is the country office costs. This item covers the UN Resident Coordinator's salary, the costs of staffing and maintaining his/her office, and seed funding for country-level coordination initiatives through the 'Support for Resident Coordinator' (SRC) regular budget allocation as well as through country coordination funds that DOCO mobilizes directly from donors. The UNDP data also covers the costs incurred by other UNDP office staff, who spend only part of their time on coordination. The most recent workload survey (Annex 3) indicated that approximately 27 per cent of the time of UNDP country office regular budget staff and 23 per cent of the time of staff funded through extrabudgetary (non-core) sources is spent on coordination. 'Coordination' items reflecting these figures are included in the UNDP biennial budget.¹⁰

From Annex 3, it can be seen that the UNDP country office coordination activities include those of a humanitarian nature, whether or not the Resident Coordinator is also designated UN Humanitarian Coordinator. It also includes coordination on security matters and other operational activities and, in general, any activity on which UNDP cooperates with one or more other UN entities. As will be seen later, this complicates any attempt to relate costs to development benefits.

UNDP is the only agency that establishes budget categories on the basis of estimated staff time. UNICEF and the other agencies with country offices use full posts in their budget presentations. Their budget categories reflect the activity on which the staff spend the largest amount of their time. Only in a few cases is that activity coordination. Thus, these agencies do not currently have a basis for estimating the overall country office staff time spent on coordination.

For the reports to ECOSOC, a few agencies, notably UNICEF, have identified certain costs they incurred in supporting the RC system, for example through their Representatives serving as RC ad interim, sometimes for extended periods of time. The data provided is limited, however.

Since coordination of humanitarian affairs is subject to separate oversight arrangements by ECOSOC, this study does not encompass the coordination costs associated with the Office of the Coordinator of Humanitarian Affairs (OCHA) although the UNDP country office workload survey does capture

¹⁰ See UNDP/2010/3, pages 21 and 61, for data on the biennium 2010-11

humanitarian activities. Information on the budget and mechanisms supported by OCHA was included in the 2008 and 2009 Report to ECOSOC on the RC system.¹¹

Agencies' headquarters and regional staff also devote time to coordination work, such as in developing new or revised guidelines in both programming and management areas, and in overseeing existing processes. The Secretary-General's reports have not so far attempted to assess the amount of time involved, so no data has been available on the related costs. This report makes a preliminary attempt to fill this gap.

A number of intergovernmental or international entities engage in coordination at the sectoral level. This includes UNAIDS, the Global Environment Facility and the Global Fund on AIDS, Tuberculosis and Malaria. These and similar entities are partially or principally funding mechanisms, and they are not covered by this study except to the extent that the UNDP country office workload study may have included work with these entities under 'coordination'. The omission of coordination costs incurred by these entities may partially offset the inclusion of some country level humanitarian coordination costs.

UN coordination initiatives can have an effect on the costs to partners, especially governments, of doing business with the United Nations. In principle, a more coherent United Nations should *reduce* such costs, so this item is treated separately in section 1.6.

1.5 Scope and Methodology: Benefits

"The impact of the DaO initiative must, in the end, be seen in better development results towards the achievement of the Millennium Development Goals and other internationally agreed development goals."

– Report of the High-level Conference in Hanoi, June 2010

UN agencies have well-established and rigorous internal reporting systems, whereby results achieved through their country programmes are reported annually to the agency headquarters and from there to the respective governing bodies. They also have evaluation and audit functions to verify that the systems are functioning effectively. On the other hand, there is little independent evidence on what is being achieved as a result of coordination among UN agencies.

Two general evaluations of the CCA and UNDAF have been conducted, in 2001 and 2004, both by DESA on behalf of the Secretary-General, as inputs to the respective TCPs.¹² Both evaluations contain useful information, but they were conducted in the early days of the UNDAF and at least some findings may no longer be valid. Therefore, for the purpose of this study, ten recent UNDAF evaluations and mid-term reviews (MTRs) were examined to obtain insights into the results being achieved through the UN reform processes, particularly the UNDAF.

A number of other documents were examined to explore the possible benefits of the UNDAF as well as the related challenges faced by Governments and UN country teams. This includes three reviews of UNDAFs and related documents carried out over the period 2006 to 2008, which focused respectively on the role and quality of UNDAFs¹³, on simplification of programming¹⁴, and on results-based management

¹¹ See E/2008/60, paragraph 81, and E/2009/76, paragraphs 31 to 56

¹² For the 2004 evaluation, see E/2004/CRP.10

¹³ Longhurst, R., Review of the Role and Quality of the United Nations Development Assistance Frameworks, Overseas Development Institute, May 2006

¹⁴ Winderl, T., Background Paper on Simplification of the Common Country Programming Process, November 2008

issues¹⁵. Reference is also made to a 2007 study for the UNDG on the value-added of coordination,¹⁶ and to documentation on the ‘Delivering as One’ initiative¹⁷.

This study pays particular attention to the UNDAF since the General Assembly has recognized its potential as “the collective, coherent and integrated programming and monitoring framework for the operations of the United Nations development system at the country level”¹⁸. Moreover, the UNDG has made major investments in the UNDAF since 1999, and the UNDAF is the only instrument mentioned by name in the general description of the role of UNCTs provided on the UNDG website: “All UNCT members have direct-line accountability to their own organization, as well as collegial accountability to the RC and rest of the UNCT for producing results under the UNDAF”.¹⁹ While assessing the UNDAF, the evaluations and MTRs also provided insights into the value-added of other instruments, including the common country assessment and joint programmes.

Although the principal aim of UN coordination has to be achieving greater development impact, there are other areas where benefits can be obtained through coordination. In particular, some significant efforts are underway to realize benefits in the operations area. At least some of these initiatives, such as a UN House, common procurement mechanisms or a common ICT infrastructure can – at a basic level – be expressed in terms of financial costs and benefits, especially as the costs and benefits are mostly internal to the UN agencies that participate. At the same time, these initiatives can bring development benefits. For example, a common ICT infrastructure may produce some cost savings (after the initial investment is amortized) but it can also have a development benefit by facilitating better information sharing and easier communication among UN agencies. The UNDAF evaluations and mid-term reviews could be used to assess such development benefits in relation to the respective costs.

1.6 Costs and benefits in terms of transaction costs faced by Governments and other partners at country level

The instruments and processes developed under the auspices of the UNDG, such as the CCA, UNDAF, joint programmes, and the harmonized approach to cash transfers (HACT) can potentially increase or decrease transaction costs on partners, including governments, other local partners and donors. The effect can vary from country to country and from programme to programme. It has been established that such costs cannot realistically be calculated in monetary terms²⁰. The transaction costs can be assessed qualitatively, however, through UNDAF evaluations and mid-term reviews (MTRs), through evaluations of joint programmes and through partner surveys. As a first step in this direction, the ten UNDAF evaluations and MTRs mentioned in section 1.5 above were examined for insights on the subject of transaction costs.

¹⁵ Mackenzie, A., Results-based management at country level: Systemic issues that prevent good UNDAF results and the use of UNDAF results information, September 2008

¹⁶ Moritz, J., The Value-Added of UN Coordination at Country Level, March 2007

¹⁷ For example, the DaO Lessons Learned document, June 2010, the reports on the twice-yearly DaO consultations with RCs, and the Hanoi Conference Outcome document, June 2010

¹⁸ See A/RES/62/207, paragraph 87

¹⁹ Guidance Note on RC and UNCT Working Relations, approved by the UNDG on 29 January 2009

²⁰ Page, H., Definition, Identification and Measurement of In-country Transaction Costs in the context of ‘Delivering as One’ pilot countries, October 2010. The World Bank’s Independent Evaluation Group came separately to the same conclusion in its approach paper (undated) on ‘An evaluation of donor coordination in low income countries’, prepared for the five-year review of the Paris Declaration.

A table outlining the areas where costs and benefits can arise, and selected findings of this study, is attached as Annex 1, while Annex 2 shows the relevant parts of the UN coordination architecture.

2. Estimating the costs of coordination

For items where it was possible to obtain a budget or expenditure figure, we show that figure in Table 1 below. In other cases, estimates are given. This data in Table 1 reflect the main cost categories contained in the Reports of the Secretary-General²¹ on the functioning of the RC System, as well as certain additional cost categories, related to country-level staff time other than UNDP (Part D) and Headquarters' and regional-level staff time (Part E).

Table 1 - Costs of Coordination – A First Estimate of UN costs

	Description	Amount in 2010 (US\$ million)	Explanation
A	UNDP Budget – Regular Resources		
A1	Resident Coordinator (RC), RC office and a proportion of UNDP staff time spent on coordination	81.5	From DP/2010/3, page 21. The figure is 50% of the allocation for the biennium 2010-11 ²²
A2	Development Operations Coordination Office (DOCO)	1.5	Estimate of actual expenditure, provided by UNDP
A3	Support to Resident Coordinator (SRC) funds	16.0	Estimate of actual expenditure, provided by UNDP
B	UNDP Budget – Other (non-core) Resources		
B1	Resident Coordinator (RC), RC office and a proportion of UNDP staff time spent on coordination	38.0	From DP/2010/3, page 61. The figure is 50% of the allocation for the biennium 2010-11
B2	Development Operations Coordination Office (DOCO)	1.0	Estimated actual expenditure out of income earned on managing trust funds
B3	Coordination Funds (Trust funds managed by DOCO)	15.0	Estimated expenditure, provided by UNDP. These funds are used at HQ, regional and country levels (including UN Staff College)
C	CEB Secretariat (47 per cent of cost)²³	2.5	See CEB/2009/HLCM/FB/8
A+B+C	Total of costs for which budget data exists	155.5	
D	Estimate of country-level costs incurred by agencies other than UNDP (All other agencies combined)		
		72.0	See Annex 5 for details. This figure may be much lower from 2012 onwards
E	Estimate of headquarters and regional-level costs		
	Cost of time spent by HQ and regional staff of all agencies (excluding DOCO and CEB Secretariat)	10.0	Reflects all aspects of managing the RC System as well as developing improved, simplified and harmonized procedures
	Total (A+B+C+D+E)	237.5	

²¹ See for example, pages 17 to 19 of E/2010/53.

²² Includes costs incurred on humanitarian as well as development coordination, as explained in the text. Moreover, under the harmonized budget classification system approved by the UNDP, UNFPA and UNICEF Executive Boards this figure is expected to be around 20 per cent lower from 2012 onwards. See Annex 5 for details. Similar comments apply to the figures in B1 and D.

²³ 47 per cent is the estimated share of the Chief Executives Board members' work that relates to operational activities

2.1 Country-level coordination costs

Table 1 shows an estimate of \$237 million annually for coordination of UN operational activities. While the figure of \$237 million is the best estimate based on available data, it may overstate the cost of coordination for several reasons. The first is that the country level cost data covers *all* activities where more than one UN agency work together at country level. It includes preparation of common country assessments and UNDAFs, the work of programme coordination groups during UNDAF implementation, and groups dedicated to realizing operational efficiencies. It can be argued that some or even many of these activities go beyond coordination.

Secondly, as a result of the harmonization of cost classification among UNDP, UNFPA and UNICEF, approved by the respective Executive Boards in September 2010, the methodology for calculating the costs of coordination will change with effect from the 2012-13 biennial budgets. It is understood that some of the activities currently captured under item III (b) and (c) of the UNDP survey²⁴, which are the activities that are likely to be mirrored by other agencies, would in future be captured under programme, development effectiveness or operations (management). Thus, the implementation of the new cost classification methodology is likely to result in a figure for the cost of coordination in the UNDP biennial budget that is around 20 per cent less than the current allocation. The new budget methodology would have a much larger impact on any estimate of the costs of country level coordination incurred by other agencies, since Part D of the Table 1 is based entirely on “mirrored” costs.

While the data given in Table 1 probably overstate the costs of coordination, the implementation of the harmonized budget methodology may lead to understating the costs. A different approach to measuring these costs may then be needed. UNFPA, UNICEF and other agencies do not conduct surveys to estimate how much time staff spend on coordination. For the purposes of their future biennial budgets, it is understood that UNFPA and UNICEF expect to treat as ‘coordination’ only the costs of staff who work full time or the majority of the time on coordination (the whole post approach), and these are relatively few.

Among the reasons why the figure of \$237 million may overstate the costs of UN coordination of development activities is that the UNDP country level cost data on which Table 1 is largely based does not distinguish between development and humanitarian assistance. Thus, a significant but unquantified portion of the \$237 million relates to coordination of humanitarian assistance. This study, however, focuses on operational activities for *development*, as regards both headquarters-level costs and as regards the benefits from coordination. It does not cover the budget of the UN Office of the Coordinator of Humanitarian Affairs (OCHA) and it touches only indirectly on the benefits from coordination of humanitarian activities. On the other hand, Table 1 does not include coordination expenditures by UNAIDS. This may partially offset the inclusion of some country-level humanitarian coordination costs.

A further important aspect of items A1 and B1 of Table 1 is that operations and security are included in the scope of country office activities covered by the UNDP data. The details are in Annex 3. At least some of these costs, such as security, are a strict requirement, and probably not subject to a discussion about ‘benefits’ in the same way as other areas of activity. A future study might consider separating out such activities if the UNDP data can be broken down appropriately. Meanwhile it may be noted that the

²⁴ See Annex 3, part III

cost of coordination specifically in the programme area amounts to no more than two-thirds of the total.

There is one more reason why data based on the UNDP workload survey may overstate the costs of coordination. The issue here is that the country coordination fund (trust fund) resources at DOCO's disposal are used mainly for staff and consultants in RC offices, and this may result in some double counting. That is, individuals may be fully funded by the coordination fund and at the same time their work may be captured in the coordination line in the biennial budget. This study has treated the DOCO-managed trust funds as strictly additional to the UNDP biennial budget, but the subject may merit further analysis.

A key conclusion on the cost side is that it is very difficult to define coordination costs, and therefore any measurement of them must be treated circumspectly. What appears more important, in fact, is that independent evaluations and assessments continue to find insufficient coherence of UN activities at country level, and call for greater efforts to be made. The findings are reviewed in chapter 3 below.

2.2 Global and regional level coordination costs

It emerges clearly from Table 1 that the costs incurred at the country level dwarf the costs incurred at other levels. Thus, if further work is to be done on cost issues, it should probably focus on country level costs. The costs incurred at the regional and headquarters levels are small by comparison. This is perhaps unsurprising, but it is useful to have it confirmed.

Annex 4 is as complete an inventory of global and regional mechanisms and working groups and similar coordination fora as could be compiled in the time available. Through interviews, the approximate amount of staff time and other costs for a representative sample of initiatives was established, covering time spent in meetings as well as in preparing for them and following up on them. The total time taken by a particular group was multiplied by the proforma cost of staff at the given level (P5, D1 etc.). Where staff had to travel to a meeting and the costs were not borne by central (DOCO or CEB) funds, the relevant travel costs were added. The resulting figure was then grossed up to give a figure for all fora.

Where possible, the interviews were used also to explore the intended benefits and any possible scope for operating more efficiently. In general, the groups appeared to operate in an efficient way, with occasional plenary meetings being supported by smaller groups (sometimes called "work streams") of staff with in-depth knowledge of a subject doing the bulk of the work. Occasionally it was reported that the plenary was cumbersome because of having a large number of participants.

It is also relevant to note that the majority of the inter-agency work is being done by the respective agency's recognized specialist in the subject matter. This means that, even if a given working group were to be abolished, there would not necessarily be any cost saving to the agency. The only area where savings could potentially be made is in regard to international travel. The most expensive types of meeting are those where some participants have to travel between continents. Face-to-face meetings, whether for committees, working groups or networks, are undoubtedly valuable, as opportunities to establish personal rapport, to explore areas of disagreement more carefully, and to work without day-to-day distractions. Nonetheless, considering the costs involved, they do need to be used selectively.

Most UN agencies engage in normative as well as operational activities. The cost of coordination in normative areas has been excluded by calculating the weighted average of the share of expenditures devoted to operational activities by all members of the Chief Executives Board (CEB), using the data that each agency provides annually to DESA. This showed that 47 per cent of agencies' work is devoted to

operational activities. This ratio was applied to expenditures incurred by the CEB and the regional commissions.

2.3 Transaction costs faced by partners

As indicated in section 1.6, transaction costs can be seen as either a cost or a benefit, depending on whether they increase or decrease as a result of coordination. As was also noted, it is not possible to quantify changes in transaction costs faced by governments of programme countries and other partners. However, a few observations can be made based on the ten evaluations and mid-term reviews. The first is that an item on transaction costs was not systematically included in the Terms of Reference. Hence, some evaluations make no comment on this matter, either directly or indirectly. Among those that do address the subject, the most common observation is that there was no impact on transaction costs or there was not enough evidence on which to judge.

The evaluations and MTRs do provide some evidence of joint programmes having a favourable effect on transaction costs faced by Governments. In fact, as Longhurst points out, a “genuine” joint programme should by definition reduce transaction costs on national partners, because the number of UN agencies the partner has to deal with is reduced. This can happen when the UNCT agrees on a **single** agency to take the lead and represent the others on individual aspects of an initiative.²⁵ Longhurst found that some governments “would have liked to see better single representation, rather than an endless stream of agency representatives, and, whilst this is being achieved in some countries, it is a new and uncomfortable ‘aid modality’ for UN agencies.”

Additional comments on transaction costs issues, particularly for Government partners, are included in chapter 4 below, on the benefits and challenges of coordination.

2.4 Costs related to the operations area

The Delivering as One countries have been making particular efforts to develop more efficient ways of working in the various areas covered by their Operations Management Teams (OMT). Many other countries have taken similar initiatives in the areas of common services and common premises, such as with a UN house. Significant investments have been made in some cases, for which the benefits may only come after new systems are fully operational, or the investment costs have been amortized. While the investments may be seen as cost items in the short term, in the medium term the benefits are expected to outweigh the costs. Therefore, this study discusses them separately in chapter 4 below.

2.5 Relating costs to the overall expenditure on operational activities for development

It was noted in section 2.1 above that the UNDP biennial workload survey data on coordination does not differentiate between development and humanitarian activities. Coordination on security matters is similarly not differentiated, and undoubtedly a substantial part of that effort is undertaken in countries where there are major humanitarian activities. Thus, the figure of \$237.5m shown in Table 1 reflects all or most of the coordination costs related to development activities and *some* of the coordination costs related to humanitarian activities. This is equivalent to 3 per cent of ‘country programmable resources’ and 1.6 per cent of total development expenditures by all UN agencies combined. In relation to spending on *all* operational activities for development (including humanitarian as well as development

²⁵ Longhurst, R., page 29

expenditures) it amounts to some 1 per cent. (The calculations use expenditure data for 2009, the latest available.)

Given the difficulties inherent in defining coordination and the constraints on measuring costs, these percentages need to be treated circumspectly. What is perhaps more important is that the evidence of the evaluations and reviews consulted during the present study suggest that the resources currently being put into coordination may not be sufficient. That is, the evaluations and reviews found that the coordination initiatives carried out in recent years have been beneficial, but could have been more beneficial had coordination been pursued more systematically and had more streamlined processes been used. These aspects are discussed in the next chapter.

3. Assessing the benefits of coordination and related challenges

The UNDAF promotes: *“increased effectiveness and reduced transaction costs of cooperation with the United Nations system, based on achieving a critical mass in a few areas, expanded potential for synergy and a major reduction in duplication”* - CCA-UNDAF Guidelines, 22 May 2002

On the programme side, the expectation of UN reform and of the CCA and UNDAF in particular was that the UN would contribute to a greater impact on development through a higher quality analysis of problems leading to a sharper focus on addressing development challenges where the UN can make a difference. Joint programming was seen to offer the potential for more coherent action and prevent duplication. HACT was expected to bring benefits in the medium term, where it contributes to consistent implementation practices across the UN system and stronger national capacities in areas such as financial management and procurement.

Independent evidence is needed in order to make an objective judgment on whether the instruments and processes of coordination have yielded country level benefits. The CCA-UNDAF evaluations carried out by DESA for the TCPs in 2001 and 2004 were fully independent, but were done at an early stage of UN reform when it was premature to draw conclusions about results. A further review was arranged by DOCO in 2005-06.²⁶ This was a thorough review, although not completely independent since DOCO participated actively in the exercise. Several additional studies were carried out for DOCO by independent consultants in the period 2007-08, dealing with results-based management in UNDAFs, simplification and value-added of coordination. The former studies looked more at the content of UNDAFs and related documents than at results. The last study is more directly relevant although the findings depended on “qualitative data including that of a subjective nature” according to the author²⁷. In addition, the Joint Inspection Unit (JIU) has recently made an independent assessment of UN coherence in Africa²⁸.

An important body of evidence is the independent evaluations and mid-term reviews of UNDAFs that have been carried out in recent years. While valuable, this did not prove to be as rich a source of evidence as might be expected. Given that over one hundred countries now have UNDAFs, some of which are in their third or even fourth generation, and given that an evaluation has been called for in the guidelines since 2002 if not earlier, one might have expected a very large number of independent evaluations to be available for examination. This was not the case.

²⁶ Longhurst, R., Review of the Role and Quality of the United Nations Development Assistance Frameworks, Overseas Development Institute, May 2006,

²⁷ Moritz, J., The Value-Added of UN Coordination at Country Level, March 2007

²⁸ Towards more coherent United Nations system support to Africa - JIU/REP/2009/5

It remains unclear how many UNDAF evaluations have been carried out. The 2008 Synthesis Report of RC annual reports stated that 36 UNDAF evaluations had been conducted that year. However, even with considerable assistance from DOCO, it was possible to obtain copies of only nine UNDAF evaluations and 24 mid-term reviews during the preparation of this study. At the time this study began, there was no central database or monitoring of performance in regard to UNDAF evaluations and mid-term reviews. This contrasts with the UNDAF *preparation* process, in which UNDG (DOCO) and the regional UNDG teams have been providing substantial support through guidance materials, participation in UN country team retreats, training of country and regional staff at the UN System Staff College, and reviewing draft CCA and UNDAF documents, among other support.

It has been said, notably in a report by Paul Balogun for the UN Evaluation Group (UNEG),²⁹ that until 2007 there was a lack of clarity as to the purposes of the UNDAF evaluation, when it was to be done and how it was to be done. The 2007 UNDAF guidelines, issued subsequent to the Balogun report, tried to bring clarity to these questions. It was not until the 2009 version of the Guidelines, however, that UNDG *explicitly* stated that an evaluation was among the “minimum requirements.” This may explain the small number of evaluations and mid-term reviews that could be found.

From the 33 evaluations and mid-term reviews that were available, ten were examined in depth. In choosing these ten, a range of countries in terms of region, size, LDC or MIC status, etc., was sought. The choice also favoured the more recent evaluations and mid-term reviews: all were carried out in 2009 or 2010, except Burundi which is dated October 2008. The ten countries are: Azerbaijan, Belize, Burundi, Egypt, Ethiopia, India, Pacific Island Countries, Sao Tome e Principe, Togo and Uzbekistan. With one exception, this group is distinct from the fifteen countries covered by the Moritz study. Also, as explained earlier, countries already being reviewed through the ‘Delivering as One’ initiative were deliberately not included. The main findings of the analysis are as follows:

3.1 National ownership

The UNDAF was generally judged to have had a positive effect on national ownership of UN assistance to a country. It is also clear that there is scope to strengthen national ownership of UNDAFs. There is a tendency for governments to have stronger ownership of sectoral programmes or even entire agency country programmes than they do of the UNDAF. The Government of one of the larger countries was reported to have said that in order to strengthen Government’s ownership the UNDAF should be streamlined and be more strategic: the UN should “do less, but do it well.”

3.2 UN coherence

Again, the UNDAF along with the other key instruments (CCA and joint programmes) was seen to have contributed to greater UN coherence at the country level. Only in two countries was no improvement in coherence noted: one of them had no Resident Coordinator until shortly before the review took place. (Agency representatives had been acting as RC throughout the period of the UNDAF until then.) The most common finding was that there had been *some* improvement in coherence, as seen in a reduction in duplication, for example. Areas which seemed to lend themselves most readily to coherent action included HIV/AIDS, MDG monitoring, and initiatives at the decentralized level. The analysis makes clear, however, that there was scope to do much more. Duplication and fragmentation of UN activities was frequently reported.

²⁹ Balogun, P., UNEG Study on the Evaluability of the UN Development Assistance Framework, December 2006

As regards what might be done to improve coherence, a consistent finding was the valuable contribution or potential contribution from theme groups, or thematic clusters, where they support coherence at the implementation stage as well as the planning stage. A mid-term review noted: “added value of the UNDAF ... will only be possible if significant restructuring takes place and strengthening of management and theme group mechanisms”. The same point was made in one of the evaluations: “**Effectiveness** is largely determined by the operation of the **theme groups**. It was clear that theme groups did make an important contribution to coordination and coherence.” This evaluation added that “committed, consistent, focused facilitation is required for UN theme group to work well.”

The point has also been made by the Delivering as One countries, as follows: “Most pilot countries have introduced Programme Coordination Groups (PCGs). These are groups that go beyond the traditional UNDAF theme groups in terms of mandate, scope and responsibility. The PCGs are essentially a modality to foster enhanced joint programming and coherence of UN activities. PCGs are *the* central organism in the planning, implementation, monitoring, reporting and evaluation of the One UN Programme. The PCGs have helped push forward the idea of division of labour between the participating agencies avoiding duplication and increasing synergies.”³⁰

3.3 Value-added of the UNDAF over and above individual agency country programmes

The topic of value-added was a particular focus of the analysis. The first finding to mention is that the evaluations and MTRs were not systematically requested to address this topic in their Terms of Reference. This may be because the subject was not stated explicitly in any version of the UNDAF guidelines available for review (2002, 2004, 2007, 2009 and 2010), nor in the guidelines on evaluating the UNDAF (dated July 2005).

Nonetheless, about half of the evaluations and MTRs did address the question. Several stated that they were unable to form a judgment as the UNDAF did not contain indicators with baselines that would allow an objective judgment to be made. Some were able to pinpoint achievements that would not have come about in the absence of an UNDAF, such as with collaboration on a census (in two instances), and on MDGs, a PRSP and HIV/AIDS³¹. Yet others were clear that the UNDAF had made no difference: one stated, for example, that “the UNDAF process appears to have been almost entirely irrelevant to the implementation of the UNFPA country programme, the MTR of UNICEF’s country programme had no mention of the UNDAF and the UNDP ADR notes that ‘typically, each UN organization carries out programme and project planning in isolation.’”

Findings such as the above led the evaluators to suggest various remedies. A key one was to ensure that there are adequately-resourced programme coordination groups, as mentioned already. Other recommended actions included more focus (fewer outcomes) and more joint programmes, and many called for more rigorous, results-based monitoring systems. Concern was expressed about the different monitoring systems used by agencies: One commented that “The absence of a joint monitoring and evaluation framework with elaborated outputs, planning, calendar and budget, in turn creates much more pressure on the Implementing Partners with resulting high transaction costs.” The issues around results-based management are addressed in the next sections.

³⁰ Lessons Learned paper on Delivering as One, April 2009

³¹ HIV/AIDS was not always an area of effective collaboration, though. One report noted in respect of an HIV/AIDS joint programme: « Le système des Nations Unies devra s’inscrire véritablement dans une démarche de programme réellement commun qui cible clairement les résultats communs et les contributions de chaque entité à la réalisation de ces résultats. »

3.4 Alignment of agency country programmes with UNDAFs

The UNDAF guidelines call for agency programmes to be “aligned” with the UNDAF, and most of the evaluations and MTRs commented on the alignment between UNDAFs and agency country programmes and projects. In only two instances were the results chains found to flow seamlessly from the UNDAF down to agency programmes and projects. Inconsistencies between the UNDAF results chain and the UN agency country programme results chains were commonly observed. Such inconsistency has been a core problem with the UNDAF. The studies by Longhurst, Mackenzie and Winderl all drew attention to a mismatch between UNDAF results and the results in agency programme and project documents. Reflecting on the ExCom agencies³², Longhurst noted that the UNDAF was supposed to make “heavy planning, strategising and dialogue unnecessary in the preparation of the Country Programme Documents (CPDs) and Country Programme Action Plans (CPAPs). But in practice “this does not work out”,³³ meaning that the UNDAF is still treated more as an additional process than as a replacement or simplification of any existing process. Winderl adds that “the UNDAF, as it stands now with its focus on high level planning, has therefore failed to fully solve the original problems of duplication, overlap and competition for resources.”³⁴ “At present, the UNDAF is a strategic framework, not a programme; it does not address concrete programme development per agency nor does it address implementation planning. Typically, each agency would operationalize its contributions to the UNDAF separately through its Country Programme Document and its CPAP, or a similar planning document. However, recent innovations at country level seem to indicate that a common UN plan at the implementation stage is vital for greater simplification and coherence.”

The studies cited above were prepared prior to the issuance of the 2009 and 2010 UNDAF Guidelines and the UNDAF Action Plan guidelines issued in 2010. The recent guidelines certainly benefited from their findings. It is noted, however, that the UNDAF Action Plan and Common Country Programme Documents, which may help to overcome the problem of results frameworks that are not aligned, remain optional at the present time.

In the 2010 UNDAF guidelines, UNDG eliminated the requirement (introduced in 2003) for UNDAFs to have *two* levels of outcomes. From 2011 onwards, the UNDAFs will have only one level of outcomes. This may be a useful step in simplification. It needs to be emphasized, however, that the interests of simplification are best served where the UNDAF outcomes are **national** outcomes towards which the UN system collectively contributes, and where a sub-set of these *same* outcomes comprise the outcomes in the respective agency CPDs, CPAPs or comparable documents.

3.5 Monitoring and reporting on UNDAFs and agency country programmes

As with the preparation stage, the monitoring and reporting on UNDAFs tends to be an additional task on top of individual agency monitoring and reporting requirements. Mackenzie found that “the pressure for agency reporting to Headquarters and governing bodies takes precedence [over UNDAF reporting].” “Many agencies have monitoring and evaluation frameworks parallel with the UNDAF Monitoring and Evaluation Plan. In concept, these plans should nest, however they often do not. This creates confusion

³² UNDP, UNFPA, UNICEF and WFP

³³ Longhurst, R., Review of the Role and Quality of the United Nations Development Assistance Frameworks, Overseas Development Institute, May 2006, 46.

³⁴ Winderl, T., Background Paper on Simplification of the Common Country Programming Process, November 2008

and competition for staff time and resources.”³⁵ The Hanoi High-level Conference on Delivering as One in June 2010 reiterated the point with the words: “*The reporting of programme results should be further streamlined, avoiding multiple and duplicate reporting to governments, donors, agency headquarters and governing bodies.*”

The evaluations and MTRs revealed that UNDAF monitoring was often constrained by a lack of suitable indicators with baselines and targets. The JIU study on UN coordination in Africa found that the “lack of a common results-based management (RBM) approach across the United Nations system is impacting negatively on its use at the country level”. The JIU saw “a need to strengthen RBM at country level so as to achieve a system-wide harmonized RBM approach for the implementation of the UNDAFs in Africa”³⁶ and recommended to the General Assembly that it request: “the executive heads of the United Nations system organizations to harmonize their RBM practices for achieving a common RBM approach at country level with regard to the implementation of the UNDAFs in Africa.”

3.6 Joint Programmes

Joint programming has received some impetus in recent years through the Delivering as One initiative with ‘One-UN’ funds, and other programmes funded through multi-donor trust funds (MDTF). A key feature of these funds is that they are *multi-UN-agency* funds. As such, they clearly aim to contribute to UN coherence. While these funds have been growing in number, their overall share of UN development resources remains small: about 9 per cent of non-core funding for development-related activities in 2008 was programmed through such pooled funding mechanisms³⁷.

It was seen already that joint programmes have in some cases brought benefits in terms of both development and reduction in transaction costs for partners. At the same time, some or even many joint programmes do not meet the definition of joint programmes given in the UNDG guidelines. That is, they are general frameworks in the same way that many UNDAFs are. They are not operational in the sense that detailed collaborative annual work planning takes place to ensure that synergies are maximised and duplication eliminated.

The MTR in a country with many joint programmes found that: “most joint programmes suffer from weak coordination mechanisms, limited information sharing between stakeholders, and no joint decision-making bodies. This has and may jeopardize any apparent added value of joint programming. The main issue seems to be the general lack of reporting on progress made in a coordinated and timely manner, under an established accountability framework. The limited knowledge about joint programming at the country level and lack of training have likewise contributed to some of the challenges faced by the managers of joint programmes, particularly in terms of coordination, reporting and monitoring and evaluation.”

It may be concluded that more work needs to be done on harmonizing agency implementing and reporting arrangements. The evaluations and MTRs clearly supported the view that UN agencies’ implementation practices need to be harmonized in order for the potential benefits from joint programmes to be realized. One commented: “The joint programme needs to have one harmonized

³⁵ Mackenzie, A., Results-based management at country level: Systemic issues that prevent good UNDAF results and the use of UNDAF results information, 2008

³⁶ JIU, 2009, page iv

³⁷ A/65/79 and E/2010/76

reporting format and period for financial and programmatic reports to reduce transaction cost for the implementing partners”, while others mentioned the need for agencies to harmonize their implementation practices.

The evaluations and MTRs corroborate in some respects the simplification study³⁸, which saw joint programmes as adding value only because the UNDAF was not operational. In a reference to the initiatives to streamline the UNDAF and agency country programmes, the report suggested it would be “more effective for simplification to continue working towards a single operational document which contains common outcomes and is based on a clear division of labour among UN agencies.”

3.7 Harmonized Approach to Cash Transfers (HACT)

The Harmonized Approach to Cash Transfers (HACT) is intended to simplify implementation when more than one agency works with a given national institution. According to the HACT guidelines, four specific criteria need to be met before a UNCT can be considered ‘HACT compliant’. Data provided by DOCO suggests that so far 14 per cent of UNCTs have met all the criteria. On the key issue of whether two or more agencies working with the same national institution use the same modality, it appears from the evaluations and MTRs that this is not yet happening consistently. However, HACT was not always addressed in the UNDAF evaluations and MTRs.

The UNDG-HLCM High-Level Mission on Harmonization of Business Processes also reviewed the progress with HACT. The Mission confirmed that “different interpretations reflect the still ongoing debate on National Execution (NEX) vs. Direct Execution (DEX) vs. Cash Transfers to Government, and have considerable impact on the homogeneity of delivering models and accountability frameworks.” The Mission added: “...the next UNDAF cycle should address the issue of Direct vs. National Execution (DEX vs. NEX), also considering the role and number of Programme Implementation Units, the usage of alternative models such as the one adopted by UNICEF, and following any guidance on this issue as emerging from a discussion to be undertaken at the global level through UNDG.”

Another question is the extent to which the HACT process has led UN agencies to accept audits by the national institution’s auditors and to no longer conduct audits on a project basis. Information obtained through interviews in UNDP and UNFPA suggest that HACT has reached this level in only about five countries. A subject for further study would be the extent to which HACT has led to initiatives to strengthen financial management or procurement management capacities in national institutions. Some relevant information may emerge from the 2011 Survey on Monitoring the Paris Declaration on Aid Effectiveness, in which 88 UNCTs participated in preparation for the Fourth High Level Forum on Aid Effectiveness, to be held in November/December 2011.

3.8 Coordination in the transition context

One transition country (Burundi) was included among the evaluations and MTRs reviewed for this study, and two other countries have UN Resident Coordinators concurrently serving as UN Humanitarian Coordinators. The Moritz report covered two more countries with UN Resident/Humanitarian Coordinators: Afghanistan and the Democratic Republic of Congo. The observations here are based on

³⁸ Winderl, op cit.

the Longhurst and Moritz studies, particularly where the Burundi evaluation corroborated their findings. The overall finding is that the UN Country Teams appear stronger in transition situations.³⁹

These are situations where Government capacity to coordinate effectively may be limited, and donors see the UN as best placed to help fill the gap. A related factor may be that resources are more plentiful in such situations, including resources to support coordination structures. Moritz observes that the “weight the RC/HC function acquires in these [special development] situations has served to leverage a common vision and team approach in its leadership role of the sectoral/cluster mechanisms, including the leverage of authority over funding instruments such as pooled funds.”⁴⁰

It should not be concluded that a transition situation guarantees effective coordination. The evidence from the evaluations and MTRs is rather that coordination was a strongly felt need, and that the coordination mechanisms had been working well in *some* areas, but there was still a lack of integrated approaches or coherence in others.⁴¹

3.9 Cross-cutting Issues

Longhurst saw transition as a cross-cutting issue like human rights and gender, and he observed that UN agencies appeared more comfortable working together on them. He commented that “UNCTs seemed to relax and do well with cross-cutting issues as they are not undermining their own agency mandates.”⁴² He suggested that the UN has a comparative advantage in cross-cutting issues, and recommended that they be a greater focus of UNDAFs. Moritz identified “decentralization and support for localizing the MD/MDGs and national development strategies to sub national levels” as another cross-cutting area where UNDAF had added value. She noted that “a number of UNCTs are actively pursuing the coordination of efforts to support local authorities in planning and delivery of services.”⁴³

3.10 Participation of non-resident agencies

Specialized agencies, including non-resident agencies, have participated in the UNDAF from the outset. Nonetheless, the attention paid to their potential to contribute at the country level was limited until the specialized agencies became members of the UNDG. Perhaps for this reason, evaluations have not been called upon to assess the efficiency and effectiveness of the specialized agencies’ participation in the UNDAF. The 2005 evaluation guidelines do ask for an assessment of how the comparative advantages of UN organizations including specialized agencies have been utilized, and the 2007 UNDAF guidelines contain similar language. More specific language would be desirable.

³⁹ See for example Longhurst, R., page vi.

⁴⁰ Moritz, J., March 2007, page 18

⁴¹ For example, one review stated: “l’absence d’un programme intégré a souvent conduit à des solutions désarticulées et peu holistiques face à la complexité de la problématique de la réintégration et du relèvement.”

⁴² Longhurst, R., page 17

⁴³ Moritz, J., page 18

4. Operations Benefits and Redeployment of Savings

4.1 Operations Benefits

The 2007 TCPR called on UN agencies “... to rationalize their country presence through common premises, co-location and, where appropriate, to implement the joint office model and expand common shared support services and business units, in order to reduce United Nations overhead and transaction costs for national Governments.”⁴⁴

Many countries, especially the Delivering as One countries, have pursued a wide variety of initiatives aimed at operating at the country level in a more coherent and efficient way. Initiatives have been taken in the following areas, among others: common premises, common services – such as long-term agreements with providers like cleaning services and travel agencies, common ICT systems, and joint procurement. A summary of progress being achieved in this area was included in the 2009 and 2010 reports of the Secretary-General to ECOSOC on simplification and harmonization (E/2009/61 and E/2010/52).

As noted in E/2010/52, a significant number of countries reported achieving cost savings through shared services. The report does not mention the volume of cost savings however, and the documented evidence about cost savings is limited.

Two notable reports that deal with coherence and efficiency of country level operations have been prepared since the 2010 report of the Secretary-General. The first is the report on the UNDG-HLCM High-Level Mission, and the second is the Page report on transaction costs.⁴⁵ Both reports were prepared in the context of the Delivering as One (DaO) initiative. The former report outlined the progress being made in harmonizing business practices, identified constraints (“bottlenecks”) and recommended measures to overcome them. The latter investigated the feasibility of measuring transaction costs.

While recognizing the potential benefits, a key finding from both reports is that major initiatives to streamline operations at country level, such as common premises, common IT services or common procurement systems must be based on a feasibility study, including a rigorous business process analysis. It is pointed out, moreover, that UN country teams do not generally have the capacity or skills to conduct such business process analyses. The Delivering as One countries benefited from supplementary funding which allowed, for example, Tanzania to make a thorough analysis of common procurement and Mozambique to plan a common ICT system.

A case where benefits in financial terms appear to have been demonstrated is the Cape Verde joint office. According to the 2008 DaO Stocktaking Report: “The 2008 total operating costs for the joint office in question were 12 percent lower than in 2005 in spite of inflation, dollar fluctuation, rising costs related to staff salaries, and turnover of international staff with associated higher costs. General operating expenditures have tended to drop every year and in 2008 were 36 percent lower than in 2005 despite rapidly increasing costs of fuel, electricity and water.”

⁴⁴ GA Resolution 62/208, paragraph 120

⁴⁵ Page, H., Definition, Identification and Measurement of In-country Transaction Costs in the context of ‘Delivering as One’ pilot countries, October 2010

Regarding joint procurement, the experience in Tanzania and elsewhere informed the issuance of the UNDG 'Guidelines for Harmonized UN Procurement at Country Level' in September 2009. The guidelines are essentially a practical guide to assist an interested UN country team in pursuing joint procurement. They do not advocate any particular solution (such as a centralized procurement unit) nor do they indicate any specific financial benefits that might be obtained.

Other documents suggest that there is an expectation that costs can be reduced at least in the medium term and/or that more timely or higher quality procurement would result. A business process analysis conducted in one DaO country demonstrated that the procurement process could be reduced from 46 to 39 separate steps, with a saving of staff time of around 11 per cent. The analysis also showed the considerable savings that can be reaped from using long-term arrangements (LTAs). Once established, LTAs eliminate the majority of steps in the procurement process. The UNDG-HLCM High-Level Mission noted that all three country offices they visited had conducted "joint bidding and contracting for Long Term Arrangements (LTAs) for the most frequently procured supplies and services, and these are made available to all interested UN entities. This eliminated the duplication of work which otherwise each agency would have to perform on its own, targeting the same commodities and suppliers."

The feasibility of establishing a 'One-UN' ICT infrastructure has also been studied, notably in Mozambique. This study suggests that savings could be realized by investing in a common infrastructure as against separate investments by the various agencies. Operating costs would also be lower. However, the initial investment would constitute an additional cost for some agencies, which would only be recovered over time. The benefits are expected to be substantive as well as financial: the High-Level Mission found that by "providing a sound base for Intranets and communications tools, shared ICT can be an enabling factor to accelerate collaboration and communication for harmonization activities in other operational areas such as Procurement or Human Resources. Second, the shared ICT capabilities can be used to provide communications and advocacy tools supporting programme objectives, such as the One UN website."⁴⁶

Drawing on the experience in Delivering as One countries, the UNDG issued guidelines on how UN country teams might proceed where there is interest in streamlining the ICT infrastructure or services. The guidelines refrain from suggesting the extent of cost savings that might be achieved. No doubt the scope for making savings would vary considerably from one country to another, and forecasting savings would be hazardous in the absence of business process analyses. It would nonetheless be possible to track progress in this area, as in other areas, through a system of *qualitative* indicators that would show, for example, how many UN country teams had conducted a rigorous business process analysis.

4.2 Redeployment of Savings

The 2007 triennial comprehensive policy review called on UN organizations "to ensure, where possible, that cost savings, as a result of joint efforts and coordination, will accrue to development programmes."⁴⁷ In response, the UNDG prepared a policy note⁴⁸ on challenges associated with the identification, measurement and deployment of "net savings" in operational activities into the programmes of the same countries, and ways to address them. The key elements of this policy note were reported to ECOSOC in the 2010 report on simplification and harmonization.⁴⁹

⁴⁶ High-level UNDG-HLCM mission, April 2010 (page 21-22)

⁴⁷ Resolution 62/208, paragraph 104

⁴⁸ Deployment of cost savings from operational activities into country programmes, February 2010

⁴⁹ See E/2010/52, paragraphs 33 to 35

Two types of savings may be identified. The first is savings achieved for example through more efficient procurement arrangements which result in savings to a programme or project budget. Such savings can be readily redeployed in the programme or project budget under the existing rules of most agencies. Much more complicated is the redeployment of savings in agency support budgets, which could potentially occur in respect of a common ICT infrastructure, or indeed a joint office. The UNDG note recognizes the merits of such redeployment of funds while pointing out the considerable policy and practical challenges that would be faced. The former aspect concerns the policies of the Executive Boards for allocating programme resources and for authorizing country office support costs, which would need to be reviewed. The practical challenges would include the need for a rigorous methodology for calculating the savings. Given these constraints, it is questionable whether the possible benefits would justify the cost of setting up the needed mechanisms.

5. Management and Accountability

The 2007 study on the value added of coordination pointed out that “there is a lack of incentives for inter-agency work, particularly with respect to agency human resource policies, procedures and reporting which continue to focus on agency specific requirements and performance results.”⁵⁰ The ‘Delivering as One’ reports suggest that these challenges are still present, and that UN coordination at country level would be more effective with a “fully empowered” Resident Coordinator.⁵¹

It appears that, at present, the effectiveness of UN coordination at the country level may depend more on personalities than systems. The UNDG-HLCM High-Level Mission noted: “Work on business practices harmonization is often not included in work plans and/or recognized in performance appraisals. This may lead to change “fatigue” and make it difficult to sustain the change process over time. In several cases, the drive and commitment to working together appears to be linked to individuals (with a “can do” attitude), rather than to institutional roles, with implications on sustainability and replicable change processes.”⁵² That report referred to the Delivering as One countries, where presumably the commitment to coordination is stronger than in many other countries.

In recent years, there has been an attempt to institutionalize arrangements for ensuring accountability for coordination results at the country level. The Management and Accountability System of the UN Development and Resident Coordinator System including the “functional firewall” for the RC System (MAS) was created to fill this need. This system is still in its early stages of implementation. As with the other UNDG instruments and processes, the MAS entails costs, mainly for UN agencies themselves, as well as potential benefits. An independent assessment of the MAS is currently underway, so the issues surrounding the MAS were not explored in depth in the present study.

⁵⁰ Moritz, J., 2007, page 25

⁵¹ See the report of the Hanoi Conference, 2010, paragraph 39

⁵² UNDG-HLCM High-Level Mission, 2010, page 11

6. Conclusions

6.1 Costs of coordination

6.1.1 This study has built on and expanded on the coordination cost data provided in the Secretary-General's reports to ECOSOC in recent years regarding the Resident Coordinator System.⁵³ The key information is captured in Table 1 on page 13. A synthesis table outlining the findings relating to both costs and benefits is given in Annex 1.

6.1.2 Table 1 shows an estimate of \$237 million annually for coordination of UN operational activities. This sum is equivalent to 3 per cent of 'country programmable resources' and to 1.6 per cent of total development expenditures by all UN agencies combined. In relation to *all* spending on operational activities for development (including humanitarian as well as development expenditures) it amounts to some 1 per cent. The evidence obtained through this study suggests that these amounts are not excessive. Indeed, it can be argued that the resources currently devoted to UN coordination may not be sufficient.

6.1.3 While the figure of \$237 million is the best estimate based on available data, it may overstate the cost of coordination for several reasons. The first is that the country level cost data covers *all* activities where more than one UN agency work together at country level. It includes preparation of common country assessments and UNDAFs, the work of programme coordination groups during UNDAF implementation, and groups dedicated to realizing operational efficiencies. It may be argued that many of these activities go beyond coordination; it is relevant to note that the new budget classification system approved by the UNDP, UNFPA and UNICEF Executive Boards in 2010 will shift much of the above work from coordination to either programme or operations.

6.1.4 A second reason for treating the figure of \$237 million with caution is that the UNDP country level cost data on which Table 1 is largely based does not distinguish between development and humanitarian activities. Thus, a significant but unquantified portion of the \$237 million relates to coordination of humanitarian assistance. To this extent, the figure overstates the cost of coordinating purely development coordination. On the other hand, Table 1 does not include coordination expenditures by UNAIDS; this may partially offset the inclusion of some country-level humanitarian coordination costs.

6.1.5 A third important qualification of Table 1 is that while data on UNDP's country level costs is reliable, at least as a first approximation, comparable data for other agencies is not available. For the purposes of arriving at a total cost of coordination, an estimate was made of the effort by other agencies at country level, but at best it may represent only an order of magnitude.

6.1.6 A key conclusion on the cost side is that it is very difficult to define coordination costs, and therefore any measurement of them must be treated circumspectly. What appears more important is that independent evaluations and assessments continue to find insufficient coherence of UN activities at country level, and call for greater efforts to be made in this respect. This may imply that the resources currently devoted to coordination are insufficient. At the same time, there is evidence to suggest that some costs could be reduced by streamlining the processes for preparing, implementing, monitoring and reporting on UNDAFs and country programmes.

⁵³ E/2008/60, E/2009/76 and E/2010/53

6.1.7 Table 1 also shows that the effort at *country* level is overwhelmingly the largest part of UN coordination for development. The effort at headquarters and regional levels is small by comparison. This would suggest that, if any further efforts to measure costs are deemed justifiable, they may best be concentrated on the country level.

6.2 Benefits of coordination and related challenges

6.2.1 On the benefits side, this study recognizes that benefits from coordination in the sense of development outcomes and impact cannot be reduced to monetary terms. It also notes that, while “transaction costs” faced by governments and other partners could theoretically be measured, it would not in most cases be cost-effective to do so. It suggests that the question as to whether UN coordination initiatives have succeeded in reducing transaction costs for governments and other partners may be better addressed through qualitative surveys and as part of UNDAF evaluations.

6.2.2 The findings relating to benefits and challenges are informed primarily by the independent UNDAF evaluations and mid-term reviews (MTRs) carried out in the last three years, and by several independent studies commissioned by UNDG in recent years. Less objective but still valuable are reports prepared under the ‘Delivering as One’ initiative.

6.2.3 The evaluations, MTRs and other reports have pointed to a wide variety of positive results from country level coordination, including: stronger national ownership; reduced duplication; achievements in certain cross-cutting areas, including HIV/AIDS, MDGs and transition situations; joint initiatives that clearly reduced transaction costs for partners; and initiatives in the operations area that are likely to lead to more efficient and effective joint or shared systems.

6.2.4 In no case did an evaluation or MTR observe that the costs of the UNDAF and related processes had been excessive. On the contrary, the assessment in every case was that there was scope to do *more* to improve coherence of UN action at country level. For example, as regards reducing duplication and fragmentation, some progress was usually noted, but in general it was judged to be far from enough.⁵⁴ It was also observed that the UN system continues to have difficulty in focusing on a “few areas” where it can achieve a “critical mass.”

6.2.5 The studies and evaluations confirm that governments and other partners can face high “transaction costs” in dealing with the UN system, due to the large number of independent entities and the variety of implementing modalities and programming and reporting procedures that still prevail. It was also found, however, that UN fragmentation and the related transaction costs for governments can be reduced when UN agencies are willing to give up some ‘sovereignty’, and agree that one agency can represent them in some dealings with the government or other partners on a particular topic. This ‘lead agency’ approach was mentioned favourably in a number of reports, as well as in reports on Delivering as One. Some evaluations and MTRs noted that corresponding benefits could occur on the government side, when closer UN coordination is matched by closer coordination among government agencies.

6.2.6 The evaluations and MTRs judged that, among other measures, theme or coordination groups needed to function throughout the life of an UNDAF and not just at the preparation stage. To function effectively, these groups needed a significant commitment of staff time; such costs were considered

⁵⁴ In the same vein, the JIU recommended that additional resources be made available for coordination at the regional and sub-regional level in Africa. JIU, 2009, page iv.

warranted in relation to the expected benefit of a more focused and coherent UNDAF, with reduced duplication and fragmentation.

6.2.7 Although the guidelines call for alignment between the UNDAF and UN agency country programmes, inconsistencies were often observed by the evaluations, MTRs and other reports. This lack of alignment, particularly in the results frameworks, was found to impede joint programming and to complicate the tasks of monitoring, reporting and evaluation of UNDAFs. Another implication is that the UNDAF is not being used to its full potential to simplify country programming.

6.2.8 Compounding the problem of lack of alignment among country level results frameworks are the agency-specific RBM frameworks against which UN agencies have to provide reports to their governing bodies. At present, there is no consistency in these RBM frameworks from one agency to another. Consequently, monitoring and reporting on UNDAF results becomes an additional task, which increases transaction costs on all parties.

6.2.9 A consensus among the studies and Delivering as One documents is that UN agency incentive systems continue to mean that staff tend to give priority to the programming and reporting requirements of their own agency. The shortage of UNDAF evaluations may be an illustration of the low priority given to UNDAF compared with agency systems. Thus, there is still limited accountability for results by the UN as a whole at country level. As the UNDG-HLCM High-level mission noted, progress seems to depend heavily on the personal commitment and drive of individuals rather than on an institutionalised system. A fully operational Management and Accountability System (MAS) may help to address this problem.

7. Recommendations

7.1 Costs of coordination

UNDP could be encouraged to ensure that its biennial country office workload survey continues to capture coordination costs. It would be useful if the survey enables UNDP to distinguish between development and humanitarian activities in future. It would also be helpful if the data are broken down among those coordination activities that UNDP alone funds, and those where UNDP's inputs are mirrored by inputs of other agencies, such as participation in working groups. Other agencies with field operations may be encouraged to administer a similar survey, using a compatible methodology so that a consolidated picture may be formed. Another option would be for the Secretary-General to conduct an independent assessment of costs and benefits of coordination once every four years a part of the Quadrennial Comprehensive Policy Review (QCPR).

7.2 Benefits of coordination and related challenges

7.2.1 Measuring and reporting on progress with coordination initiatives

It should be possible to demonstrate that there is steady progress with implementing more coherent or streamlined processes at country level. This could be done with a set of indicators for many if not all of the areas covered by the UNDG working groups. The indicators would show – for each country – whether it had undertaken or adopted a given process: for example, alignment with national planning cycle, UNDAF, HACT, common premises, common ICT services, etc. The UNDG-HLCM High-level mission

in April 2010 also recommended that such indicators be introduced.⁵⁵ The mission proposed in particular that “the RC/UNCT should be empowered to establish targets and context-specific ‘efficiency indicators’ which should then become part of the performance appraisals of country teams, including of the OMT and its sub-groups”.⁵⁶

Some of these areas could have more than one indicator: for example, under UNDAF there could be an indicator of whether an evaluation had been done, whether the UNDAF Progress Report is provided annually to the Government, and so on. An important area to include is that of reducing the number of missions to the field: an indicator would be the number or proportion of missions carried out jointly. (TCPR paragraph 118 refers.) Another indicator would be the number of parallel Project Implementation Units (TCPR paragraph 119 refers.)

At least some of this data is already in DOCO, which collects it as part of the annual reporting by Resident Coordinators. The data would need to be tabulated and made available on an appropriate website. The indicator table would be updated each year, and would enable member states to see concretely the progress being made. DOCO had in fact previously announced plans to establish a system of country-level databases, which may contribute to such a database. ECOSOC may consider requesting DESA and DOCO to collaborate on this initiative. A system of indicators along these lines could also help reinforce the arrangements for management and accountability.

7.2.2 UNDAF evaluations and mid-term reviews

All UNDAFs should be evaluated. The regional UNDG teams should support UNCTs in this regard, just as they support the UNDAF *preparation* process. DOCO should keep track of UNDAF evaluations and mid-term reviews.⁵⁷

The standard terms of reference for UNDAF evaluations and mid-term reviews should include elements along the following lines, in addition to what is stated already in the guidelines:

- ❖ What was achieved as a result of the UNDAF which would not have been achieved by the agencies acting separately?
- ❖ How effectively did specialized agencies, including non-resident agencies, participate in the UNDAF?
- ❖ What has been the impact on transaction costs faced by UN agencies, governments and other partners?
- ❖ What impact has the Harmonized Approach to Cash Transfers (HACT) had?
- ❖ What results have been achieved through coordination initiatives in the Operations area, and did the benefits outweigh the costs?

Considering that the last overall evaluation of the CCA-UNDAF process was conducted for the 2004 Triennial Comprehensive Policy Review, ECOSOC may consider requesting the Secretary-General to arrange a similar evaluation as part of the preparations for the 2012 Quadrennial Comprehensive Policy Review.

⁵⁵ The mission report stated: “As part of the cost-benefit analysis, ‘efficiency indicators’ should be developed at headquarters level and at the country level, as relevant, which would transparently demonstrate what is being achieved.”

⁵⁶ UNDG-HLCM High-Level Mission, 2010, page 13

⁵⁷ DOCO advises that they began doing this in 2010, but the system did not appear fully operational at the time of the study

7.2.3 Simplifying the UNDAF/Country Programme process

The UNDG and the relevant governing bodies should be encouraged to simplify the UNDAF and country programming processes by working towards a single operational document which contains common outcomes and is based on a clear division of labour among UN agencies, enabling the UN to provide a critical mass of support in areas where it has the greatest comparative advantage. While reviewing country programme proposals, agency governing bodies including the UNDP, UNFPA and UNICEF executive boards should be encouraged to ensure that agency programmes, particularly the results frameworks, including outcomes, outputs and indicators, are fully aligned with the UNDAF.

7.2.4 Simplifying UNDAF reporting and agency reporting

To facilitate greater coherence among UN agencies and to minimize transaction costs, agencies and their governing bodies should be encouraged to carry out a thorough review of their RBM systems, so that their respective monitoring and reporting focuses on the contributions to national outcomes as set out in the UNDAFs, while maintaining any needed tagging to agency mandates and priorities. In this regard, the JIU recommended to the General Assembly that it request: “the executive heads of the United Nations system organizations to harmonize their RBM practices for achieving a common RBM approach at country level with regard to the implementation of the UNDAFs in Africa.”⁵⁸

7.2.5 Estimating financial benefits from coordination in the operations area

The potential to increase efficiency through coordination in Operations was outlined in section 4.1 above. This refers among other areas to common premises, common ICT infrastructure, joint procurement, and other shared services, especially through the use of long-term arrangements (LTAs). UN country teams could be encouraged to make progress in these areas through the system of indicators described in recommendation 1 above. Since most of the schemes (except common premises and some shared services) are still in a developmental stage, the financial savings are still more theoretical than actual. However, rough estimates of savings could theoretically be made, extrapolating from the data available in the business process analyses already carried out in some countries, should this be considered useful.

⁵⁸ JIU, 2009, page v

Costs and Benefits of Coordination – Synthesis

Annex 1

Costs				Benefits (Only at country level)			
Type of cost	Annual cost	Source of data	Notes and challenges	Type of benefit	Progress	Sources of information	Challenges
<p>Country level</p> <p><u>UNDP costs</u> UNDP funding of coordination through Resident Coordinators' Offices and UNDP staff time</p> <p><u>Coordination funds</u> Seed funding for coordination initiatives from UNDP Support for Resident Coordinator (SRC) funds and the Country Coordination Fund</p> <p><u>Country costs (other agencies)</u> Costs of participation in coordination initiatives at country level by agencies other than UNDP</p>	<p>\$119.5m</p> <p>\$31m</p> <p>\$72m</p>	<p>UNDP biennial budget, based on country office workload survey⁵⁹</p> <p>UNDP biennial budget and trust fund expenditure data.</p> <p>Estimate made by extrapolating from the UNDP data</p>	<p>Covers <i>all</i> activities on which 2 or more UN entities work together at country level, and combines DEV and HA coordination. Separate data may be useful.</p> <p>Part of this is spent at global and regional levels too. Breakdown not currently available.</p> <p>More reliable estimates need to be made (as part of the QCPR preparation)</p>	<p>Effectiveness</p> <p><u>Value-added</u> UNDAF added value over individual agency results (Improved focus, reduced duplication etc.)</p> <p><u>Ownership</u> Enhanced national ownership and alignment with national priorities</p> <p><u>National capacities</u> Strengthened national capacities through greater use of national systems and less use of Project Implementation Units (PIUs).</p> <p><u>UN agency participation</u> Enhanced opportunities for all UN agencies to contribute to national development according to their mandates</p>	<p>Some progress noted, but often not easy to discern or to substantiate</p> <p>Positive results noted</p> <p>Positive results but little progress on PIUs.</p> <p>Not assessed as evaluations and MTRs did not address this topic</p>	<p>Independent evaluations or mid-term reviews (MTRs), other independent studies and 'Delivering as One' documents</p>	<p>Streamlining of UNDAF and agency instruments, systematic application of results-based management (RBM) in UNDAFs, and more systematic use of programme coordination groups is advocated.</p> <p>Need for more systematic UNDAF evaluations and for them to address key issues such as value added and transaction costs on partners</p> <p>A system of country Indicators is needed to portray progress and enhance accountability of UN country teams on all coordination initiatives, including areas such as reduction in number of PIUs and deeper application of HACT</p>
<p>Global and regional mechanisms</p> <p>Agency time and other costs devoted to coordination initiatives through global working groups, regional teams, etc. These are mainly under UNDG auspices, but HLCM, HLCP and regional commissions also covered.</p> <p>Global institutions</p> <p>Development Operations Coordination Office (DOCO)</p> <p>Chief Executives Board (CEB) Secretariat</p>	<p>\$10m</p> <p>\$2.5m</p> <p>\$2.5m</p>	<p>Estimate based on number of groups, number and level of staff involved, and time taken.</p> <p>UNDP expenditure data for 2010</p> <p>CEB/2009/HLCM/FB/8</p>	<p>HLCM, HLCM and regional commission data is prorated according to the share (47%) of CEB resources devoted to operational activities (versus normative work.)</p> <p>Share attributable to operational activities</p>	<p>Programme efficiency</p> <p>Reduction in transaction costs incurred by partners and UN agencies in preparing, implementing and monitoring programmes</p> <p>Operations efficiency</p> <p>Reduced costs and/or improved quality of services achieved through joint or common premises and services, including procurement, information and communications technology (ICT), human resources, and use of Long-term Arrangements (LTAs)</p>	<p>Some progress noted through joint programmes, but mostly this topic was not addressed</p> <p>Potential efficiency and effectiveness gains demonstrated, such as in Tanzania and Mozambique</p>	<p>Evaluations and MTRs</p> <p>'Delivering as One' documents</p>	<p>Indicators (see above) may depict progress on topics such as number of countries using a single UN planning document, the trend in number of joint missions, the use of national monitoring systems, etc.</p> <p>Governing bodies encouraged to verify consistency between UNDAFs and CPDs.</p> <p>Indicators (as above) may be used to depict progress in areas such as common premises, common procurement systems etc., and thereby enhance accountability of UN country teams. Some topics require headquarters level policy (legal) decisions. Business process analyses needed, to identify potential for savings from joint procurement, ICT etc.</p>
<p>Total estimated cost</p>	<p>\$237.5m</p>		<p>Represents 3% of CPR or 1% of total UN expenditure on operational activities</p>				

⁵⁹ See DP DP/2010/3 pages 21 and 61, and Annex 3

UN Operational Activities – Mapping the Coordination Architecture

	PROGRAMME EFFECTIVENESS AND EFFICIENCY	OPERATIONAL EFFICIENCY	MUTUAL ACCOUNTABILITY
COUNTRY	UN Country Team (Agency Heads) and Resident Coordinator Office (RCO)		
	Working Group for each focus area of UNDAF (often) M&E group (sometimes) Gender theme group (often) Other theme groups	Security Management Team (SMT) Operations Management Team (OMT) with sub-groups as needed for common premises, services, ICT, human resources, procurement, etc.	Agency heads participate in mutual accountability system (MAS) including performance reporting
ONE-UN PILOTS & SELF-STARTERS	Programme Coordination Groups established for each focus area of UNDAF	OMT and its sub-groups, with support of RCO, carries out business process analysis of joint operations in selected areas, and ensures implementation of joint structures, processes and systems	Exploring more rigorous mutual accountability systems, and joint office modality
	Exploring simplified processes such as UN Country Programme & UNDAF Action Plan		
REGIONAL	Regional undg Teams (6 regions)		
	Manage Quality Support and Advice System (6 regions) – focusing on CCA & UNDAF	Trouble-shooting	Conduct annual reviews of RC and UNCT performance
	Regional Coordination Mechanisms (at 5 Regional Commissions) and related ‘clusters’		
GLOBAL	UNDG and HLCP	UNDG and HLCM	UNDG
	Common and harmonized instruments and processes: <ul style="list-style-type: none"> - CCA & UNDAF - CPD & CPAP & AWP (UNDP, UNFPA and UNICEF) - Joint Programmes - Joint Reporting - Aid Effectiveness - Multi-donor Trust Fund UNDG/ECHA Working Group on Transition Thematic Guidelines, e.g.: <ul style="list-style-type: none"> - MDGs - Human Rights - Gender - Capacity Development - Results-based management - Environmental Sustainability - Climate Change - Disability 	Common and harmonized finance and operations policies and procedures: <ul style="list-style-type: none"> - Cost recovery - Cost Classification (UNDP, UNFPA & UNICEF) - HACT - Finance policies and procedures - Procurement - ICT - Human Resources - Common Services - Common Premises - Legal 	Management and Accountability Framework, including functional firewall <ul style="list-style-type: none"> - RC and UNCT performance assessment - RC access to agency resources and agency reports on progress - RC selection

Annex 3**UNDP country office cost classification review initiative, administered as part of the preparation of the 2010-11 biennial budget**

The purpose of the internal UNDP country office cost classification review was to arrive at an improved understanding of costs and funding alignment at the country office level, with respect to management, development effectiveness and United Nations development coordination activities, most of which now reside in the biennial support budget. As highlighted in paragraphs 15-23 in DP/2009/30, development effectiveness activities exist and are funded throughout the integrated resources plan. The review therefore assisted in providing illustrative estimates of management and United Nations development coordination activities, and – even more importantly – of the extent to which country office staff are engaged in development effectiveness activities.

The internal UNDP country office review took the form of a comprehensive workload study, adopting a broader approach than previous studies implemented by country offices. Those previous workload studies were undertaken in the context of past biennial support budget preparations to validate activities and support the distribution of time and associated costs attributable to UNDP and United Nations development coordination activities. As was the case with past studies, the present expanded workload study uses a simplified, activity-based costing methodology – initiated in 1992 and updated periodically – to confirm country office activities and validate the expected usage (percentage distribution) of total biennial support budget resources. This is considered a rational approach and methodology for estimating and validating the reasonable distribution of activities and costs among management activities, development effectiveness activities and United Nations development coordination activities.

The functional groupings of activities and attribution of costs from the country office cost classification review exercise are presented below. They underscore the findings of previous studies with respect to the inextricable link between management and United Nations development coordination activities in the UNDP country office structure, and confirm that a similar relationship exists with development effectiveness activities. In that regard, material amounts of individual staff time were reported as split between those three types of activities.

The current internal UNDP country office cost classification review was implemented during March-April 2009. Over 3,000 staff in 106 country offices participated, a broad representational sample from which sound estimates could be drawn. The review found that 46 per cent of staff time funded from the biennial support budget at the country office level related to management activities (leadership and representation; programme direction and oversight; and operations management and administration), 27 per cent to development effectiveness activities, and 27 per cent to United Nations development coordination activities. The review also found that 41 per cent of staff time funded from extrabudgetary resources at the country office level related to management activities, 36 per cent to development effectiveness activities, and 23 per cent to United Nations development coordination activities.

Annex 3 cont'd.**Functional Groupings, Explanatory Notes and Attribution of Costs****I. Management Activities – attribution of costs (as grouped and explained below)**

Funding	UNDP leadership and country representation	UNDP programme direction and oversight	UNDP operations management and administration	Total
Regular resources	10%	11%	25%	46%
Extrabudgetary resources	2%	6%	33%	41%

Management activities represent the UNDP functions and activities required to provide leadership and country representation; programme direction and oversight; and operations management and administration. They support the delivery of the development and institutional results outlined in the strategic plan, 2008-2011. These can be categorized into three sub-groupings applicable to country office staff:

(a) *UNDP leadership and country representation.* Activities strictly related to leading and defining the vision of the country office, as well as representing UNDP in advancing its core mandate and major programme goals with governments, donors and other third parties. These activities are normally undertaken by the resident representative or are delegated to other senior staff in the office.

(b) *UNDP programme direction and oversight.* Activities related to overall managerial responsibilities in planning, overseeing, directing and leading the preparation, formulation and approval of country programme documents, country programme action plans, programmes and projects. This subgroup includes continuous implementation oversight of all UNDP-funded programmes and projects. Activities related to strategic partnerships and communications in support of the core mandate of UNDP and positioning the organization within the country should also be included here. These activities are normally undertaken by the country director and/or the deputy resident representative/programme; the deputy country director/programme; or are delegated to other senior staff in the office.

(c) *UNDP operations management and administration.* This subgroup includes activities related to overall staff/office management and the provision of workplace and support services (information and communications technology, finance, human resources, UNDP security, travel, assets and general services) that permit UNDP staff to carry out the mandate of the organization. These activities are normally undertaken by the deputy country director/operations; the deputy resident representative/operations; and/or by operations managers and the management and administration units supervised by them.

Annex 3 cont'd.**II. Development effectiveness activities – attribution of costs (as grouped and explained below)**

Funding	UNDP programme development and implementation	UNDP programme policy advisory services	Total
Regular resources	18%	9%	27%
Extrabudgetary resources	27%	9%	36%

Development effectiveness activities represent UNDP functions and activities required to ensure the delivery of the development results outlined in the strategic plan, 2008-2011. They represent inputs of a policy advisory, normative, technical and implementation nature that are needed to achieve the objectives of programmes or projects in the four UNDP focus areas. These activities are considered integral to achieving planned results. This category would include the costs of policy advisory services and normative work, as well as advocacy and technical support costs incurred during programme or project identification, formulation, management and implementation. They may be categorized into two sub-groupings applicable to country office staff:

(a) *UNDP programme development and implementation*. This subgroup covers activities related to managing the entire UNDP programme cycle, from the identification, conceptualization and formulation phase to the programme or annual work plans implementation, monitoring, reporting and evaluation phases. Partnership activities in support of projects and programmes and the closure of programmes are included here. Also included are: (i) assessments of implementation capacities and the determination of programme/project management arrangements; (ii) provision of technical support; (iii) responding to government/donor queries; (iv) project monitoring; (v) preparing substantive and budgetary revisions and financial analyses; and (vi) compliance with UNDP substantive and financial reporting requirements.

(b) *UNDP programme policy advisory services*. This subgroup includes activities related to the provision of policy and advisory services to UNDP programmes and projects. These include: (i) substantive policy advice; (ii) substantive analysis; (iii) aid coordination; (iv) economic advisory services; and (v) knowledge transfer in the four UNDP focus areas and cross-cutting areas such as capacity development, gender, and South-South cooperation.

Annex 3 cont'd**III. United Nations development coordination activities** – attribution of costs (as grouped and explained below)

Funding	United Nations system coordination and representation	United Nations system programme activities and reporting	Operational support and services to the United Nations system	Total
Regular resources	12%	6%	8%	27%
Extrabudgetary resources	3%	6%	14%	23%

United Nations Development coordination activities represent UNDP functions and activities required to ensure the delivery of the United Nations system coordination results outlined in the strategic plan, 2008-2011. These activities can be categorized into three subgroups applicable to country office staff:

(a) *United Nations system coordination and representation*. This subgroup covers activities related to: (i) the coordination of United Nations system operational activities, (ii) representation and advocacy on behalf of the United Nations system, including non-resident agencies and support to regional director team functions; (iii) joint resource mobilization, including partnerships to support the United Nations system, (iv) common security-related functions, (v) coordination of emergency, humanitarian and relief activities; and (vi) representation of UNDP in the United Nations country team. United Nations coordination activities are normally undertaken by the resident coordinator, while the country director and/or the deputy resident representative usually represents UNDP in the United Nations country team. Activities normally undertaken by the chair of operations manager teams and coordination officers should be included here.

(b) *United Nations system programme activities and reporting*. This subgroup includes activities related to providing substantive support to thematic areas and United Nations Development Assistance Frameworks, and monitoring and reporting on progress towards the Millennium Development Goals, which is undertaken by United Nations country teams. The category also covers activities related to United Nations system harmonization and simplification initiatives, public information and advocacy initiatives, and responding to special requests from the Secretary-General and other senior United Nations officials. Staff time spent leading or representing UNDP in inter-agency thematic or operational groups, the formulation of joint projects/programmes, and designing and implementing 'delivering as one' projects should also be included here. These activities are usually carried out on an as-needs or as-requested basis by UNDP programme managers, officers or policy advisors that lead or participate in inter-agency thematic or working groups.

(c) *Operational support and services to the United Nations system*. This subgroup covers activities related to providing administrative support to the United Nations system (including support services for managing common/shared premises, information and communication technologies, finance, human resources, and communications), and supporting or leading inter-agency operational activities. These activities are usually carried out by UNDP management and administrative staff on an as-needed or as-requested basis.

Annex 4**Global and Regional Coordination Mechanisms**

Name of Forum, Mechanism, Working Group, etc	
A	UNDG
A1	UNDG itself
A2	Advisory Group (at the ASG and <i>Principal levels</i>)
A3	Advisory Group Focal Points
A4	Inter-Agency Advisory Panel
A5	Human Rights Mainstreaming Mechanism
A6	MDG Task Force
A7	Task Team on Aid Effectiveness
A8	UNDG-ECHA Working Group on Transition*
A9	RC System Issues Working Group
	- Talent Management Task Force
	- RC Assessment Centre Steering Committee
A10	UNDAF Programming Network*
	- Inter-agency Group on Gender Equality
	- Task Team on Environment, Climate Change and Rio +20
A11	Joint Funding and Business Operations Network*
	- HACT Advisory Committee
	- Task Team on Common Premises
A12	Expanded Delivering as One Funding Window Steering Committee
A13	Expanded Delivering as One Funding Window Consultative Group
A14	Fiduciary Management Oversight Group (FMOG)
B.	CEB (incl HLCP and HLCM)
B1	CEB
B2	HLCP
B3	HLCP working group on Climate
B4	HLCM
B5	HLCM Human Resources Network
B6	HLCM Procurement Network
B7	HLCM ICT Network
B8	HLCM Finance Network
C.	Regional Level
C1	Regional UNDG Teams (formerly Regional Directors' teams) x 6
C2	Regional UNDG Quality Support and Advice System – Peer Support Groups x 6
C3	Regional Coordination Mechanisms (at Regional Commissions) x 5 plus “clusters”

*In carrying out their duties, these groups may establish time-bound, task-specific and self-supported interagency groups. Five to ten such sub-groups or ‘work streams’ may be active at any given time.

Annex 5**Estimating the country level costs of coordination to agencies other than UNDP**

As noted in the report, UNDP carries out a biennial workload survey to ascertain among other things the amount of staff time spent on, and therefore the cost of, coordination at country level. As far as is known, no other agency does this. Neither UNFPA nor UNICEF, the other two agencies with country programmes in most countries, does so. The Secretary-General's reports to ECOSOC, based on information received from the agencies, have so far provided little information on this subject.

It is evident that country level coordination work is a significant item for at least some agencies. Thus, in order to provide a more complete picture of overall costs, ways of estimating the contribution of agencies other than UNDP were explored. For a starting point, it is known – from the data in Annex 3 – that 27 per cent of UNDP regular (core) staff time and 23 per cent of non-core staff time is attributable to coordination. This figure covers items that UNDP alone finances, such as the Resident Coordinator him/herself on the one hand, and items that relate to activities where UNDP's input is mirrored by inputs from other agencies on the other hand. The work of theme groups would be a typical example of the latter category.

It is also known that the methodology for presenting budgets to the Executive Boards of UNDP, UNFPA and UNICEF will change with effect from the next biennium (2012-13). Under the new, harmonized methodology, the "mirrored" items will no longer be treated as coordination. They will be reported as programme or management, as appropriate. UNDP estimates that the biennial budget coordination costs will as a result be reduced by about 20 per cent. Table 1 shows that the total cost of coordination by staff in UNDP country offices was budgeted at \$119.5m for 2010. The cost of UNDP staff participation in "mirrored" activities can therefore be estimated at \$23.9m (20 per cent of \$119.5m.) Clearly, this is a rough estimate. It may be possible to make a more exact estimate after the completion of the survey that UNDP will shortly be conducting for the coming biennium.

An estimate is then needed of UNDP's share of the workload of all UNCT staff engaged in "mirrored" activities. To do this, data regarding theme groups and other inter-agency groups in a sample of fifteen country teams was reviewed. Within these country teams, it was found that there were altogether 104 group chairs and co-chairs, and of these, UNDP accounted for 26 and all others for 78. Thus, UNDP's share would amount to roughly one quarter of the total. It is therefore estimated that the cost of coordination to entities other than UNDP is three times that of UNDP's mirrored costs, that is, \$71.7 million (\$23.9m x 3).