

Final Report

Constraints Analysis for Common UN Business Operations at the Country Level

By Anders Voigt, 24 May 2016

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EXECUTIVE SUMMARY

This study examines constraints for common UN business operations at the country level. It focus on four categories: Structure, Policy, Capacity and Technology and provides 42 recommendations on how UNDG and HLCM can better enable common business operations.

The study identifies structural constraints - including incentives - as the most significant constraint for common UN business operations at the country level.

This study acknowledges that there is a widespread opinion that UN organisations' policies constitute a constraint, however it also concludes that there are limited concrete examples and evidence that indicate that policy obstacles cannot be overcome when there is willingness and leadership at the country level.

Capacity and technology are not found to constitute noteworthy constraints for common business operations.

Its recommendations to UNDG and HLCM include:

- Clarify to country level practitioners the purpose of Harmonisation, and guide them towards Division of Labour when this is the better route of action
- Enable division of labour through Mutual Recognition of each other's systems
- Study how to create an incentive structure that rewards common business operations and facilitate quality support services
- Open UN organisations' vertical service centres to other UN organisations
- Study the quality/client satisfaction differences between Lead Agency models and dedicated service centres (both vertical service centres and horizontal integrated service centres)
- Increase Headquarters involvement in the BOS and strengthen UNDG capacity to scale innovations deriving from the country level BOSs
- Create a common platform for digital innovations in support service delivery
- Harmonise UN standards for IT hardware and software

1) INTRODUCTION

1.1 Background and context

This study is part of the United Nations Development Group (UNDG) Business Operations Working Group's (BOWG) Annual Work Plan for 2016, and originates from the recommendation in the Mid-Term Evaluation of the UNDG Business Operations Strategy Pilot Programme (BOS Evaluation) to undertake a study to identify barriers to implementation of common business operations.

The study examines the nature of the constraints for common United Nations business operations at the country level, and recommends ways for UNDG and HCLM to help remove or overcome these constraints.¹

1.2 Scope of the study

The study focuses on constraints for common UN business operations at the country level. The study does not look at constraints for common business operations at Headquarters level. And it does not look at agency-specific constraints.

1.3 Method of the study

The Constraint Analysis study focuses on four categories; Structure, Policy, Capacity, and Technology. The study was undertaken through the following four steps:

- Step 1. Desk review of existing studies and open interviews with select stakeholders at Headquarters and country level.
- Step 2. Survey for business operations practitioners at country level.
- Step 3. In-depth interviews with business operations practitioners at country level.
- Step 4. Analysis and reporting.

A fifth, validation, step was added when it became apparent that the study's conclusion went contrary to established understanding of policy as a significant constraint. With the support of the UN System Staff College and UNDG DOCO, their joint Leadership and Training of Trainers in Business Operations 9- 13 May 2016 in Turin was used to validate the study's conclusion.

'UN Common business operations' are support services between or shared by two or more UN organisations.

¹ For the full Terms of Reference for the Constraint Analysis Common Business Operations Country

‘Constraint’ is broadly used as ranging from complicating to fully preventing common business operations.

To distinguish between joint and integrated services, this study borrows US Department of Defence terminology and defines ‘joint’ as two or more Units or UN organisations with separate reporting lines working together to deliver a service/result. ‘Integration’ is when staff or units from different organisations come together and work within one structure/reporting line and together operate as a whole to deliver a service/result.

1.4 Limitations of this study

As the UNDG BOWG oversees six different service lines, the time available for this consultancy did not allow for an in-depth analysis of each service line. Instead it was agreed to predominantly interview OMT Members, who by job function tend to be generalists rather than service line specialists.

Furthermore, a seemingly common trait among the people selected for interviews was a successful track record in general and in common business operations in particular. So the interviewees may disproportionately have been professionals who have found ways to manage and overcome constraints in the UN system – including common business operations.

2) FINDINGS AND RECOMMENDATIONS

2.1 STRUCTURE

The UN organisations were created ad hoc by the UN Member States as global events, political requirements, and development needs evolved during the second half of the last century. As a result, UN organisations have different mandates, governance systems, command and control structures, financial cycles, reward and sanction systems etc. Furthermore, each UN organisation has developed its own organisational culture based on decades of formal and informal compromises on issues such as efficiency norms, quality expectations, risk appetites, and more. The UN organisations were not initially designed to work as ‘one’, and while there are many similarities they are fundamentally different organisations.

This study considers the above evident and will not seek to substantiate this further. This chapter will instead focus on manifestations of structural differences as constraints for common UN business operations, as they have been identified by participants

throughout this study and suggest small structure changes that will further enable common business operations.

2.1.1 Harmonisation

In recent years the UN has undertaken several reform initiatives under headings such as Reform, Coherence, Harmonisation and Delivering as One (DaO). These initiatives have generally sought to increase the UN's ability to work jointly.

In the survey undertaken for this study there were 243 respondents from 25 UN organisations (including IOM). When asked what made the respondents do common business operations at the country level, 27% of the survey takers responded that the most important factor was 'for the sake of harmonisation'. If harmonisation is considered an end in its own, rather than a mean to an end, then the UN System – or rather the UN organisations - may not adequately have communicated internally the intention of the QCPR recommendations that led to these reforms.

Several reports, including the recent "UN System Interoperability Study Main Report" (ERP Study)², discuss 'reform fatigue' in the UN. The existence of reform fatigue can perhaps be partially explained by the fact that so many do not understand the rationale behind the reform.

Concretely, this author has witnessed 12 procurement staff sitting around a table drafting, *together*, the Terms of Reference (ToR) for a common Long Term Arrangement (LTA). If that is how staff at the country level perceive 'harmonisation', then reform fatigue may be the logical outcome. The 12 procurement staff could in 12 different rooms have written 12 ToRs instead of 1, and in much less time. And these professionals all thought they were following UNDG guidelines to harmonise.

This understanding of harmonisation as literally working together may be widespread, as one of the countries examined for this study also reported having had practised the same approach. Both examples are from DaO pilot countries, so this may merely be an early-mover disadvantage. Regardless, the UNDG should seek to ensure that this is not replicated in other countries. The UNDG could do this by communicating clearly the **objectives** of reform³: what harmonisation is (and what it is not). Having identified the objectives, the UNDG can then guide country level practitioners on when **division of labour** and use of comparative advantages through **mutual recognition of each other's systems** is the best approach to reach these objectives.

1. Recommendation: The UNDG could develop a communication and outreach strategy at UNDG and agency level to reemphasise **what harmonisation is**

² UN System Interoperability Study Main Report, July 2015 by Capgenimi

³ This study assumes that optimization is the objective of UN reform

and **when it is the preferable route of action.**

2. Recommendation. The undg could also **make explicit the option of optimisation through Division of Labour and utilisation of each other's existing systems and comparative advantages**, and indicate to practitioners when this is the preferred route of action towards optimisation, rather than harmonisation.

2.1.2 Horizontal and Vertical Optimisation Initiatives

Around the world UN organisations present at the country level are coming together to seek innovative ways, through the Business Operations Strategy (BOS), to deliver better and more cost-effective common support services. The study will refer to this bottom-up country level approach as a 'horizontal' optimisation of UN support service delivery. This can range from basic sharing of LTAs to establishing horizontal integrated service centres; such as the Joint Operations Facility in Brazil and the Green One UN House Common Service Unit in Vietnam.

Simultaneously, many of the same agencies that are participating in the horizontal optimisation exercises are performing their own 'vertical' optimisation of support service delivery within their organisational structures, and are creating vertical service centres - such as WHO's service centre in the Philippines, UNICEF and UNHCR service centres in Hungary, and UNDP in Malaysia⁴.

The horizontal optimisation and the vertical optimisation initiatives both seek better quality and more cost-effective business operations that at the same time allow for flexibility for agencies to respond to local needs in line with their mandate. The horizontal optimization should focus on services that must be done locally while the vertical should focus on services that are better done elsewhere. This study has found no indication that these parallel 'horizontal' and 'vertical' approaches are anything but complementary.

However, the horizontal and vertical approaches are currently not being actively coordinated. This could lead to both horizontal and vertical initiatives trying to optimise the same services at the same time. Furthermore, the vertical service centres seem designed to service individual organisations only. With all the expertise and resources going into vertical service centres, the UN organisations should consider making these vertical service centres open and available to serve multiple if not all UN organisations. This would also benefit the horizontal optimisation effort that takes place at country level, by providing more service options.

⁴ This is not intended to be an exhaustive list of vertical service centres.

The future optimal UN support service structure could well be a **hybrid approach of horizontal and vertical optimisation** – especially in stable environments such as in middle-income countries. UN organisations could continue to optimise their vertical structures, and at the country level continue to work together to optimise the horizontal business operations through the BOS initiative. This way the UN at country level can continue to take local conditions into consideration and utilise the best innovations to come out of other countries' BOS as well as the best services available from vertical service centres. Meanwhile Headquarters can continue to invest in vertical efficiency gains and also help select, support, control and scale the best horizontal innovations to ensure a global impact.

3. Recommendation. UNDG could **study what horizontal and vertical services centre currently exists** and how they add value in terms of quality and costs.
4. Recommendation. UNDG could **review how better to align the global/regional vertical service centre delivery platforms with the horizontal optimisation** of business operations - including through the BOS.
5. Recommendation: **Vertical support centres should be open for multiple if not all UN organisations as clients.** The service centres should therefore be designed in a manner that allows the agency to add their services in the mix of service options available to other organisations, and to the UN systems at country level when they decide on their horizontal optimisation of business operations. This would create a UN marketplace for support services.
6. Recommendation. To enable a UN marketplace for support services, the performance of **UN business operations services should be made transparent and included in an IATI style platform.** The ensuing transparency will allow clients at the country level to choose the service best suited for their needs (when vertical service centres are made open to multiple UN organisations).

2.1.3 Headquarters involvement

Currently the **BOS is a country level innovation utility**. When well-done, the BOS generates innovative ways to deliver support services at the country level. But there is currently little headquarters involvement to support, sort and provide control of these innovations. This also means that **Headquarters are not set up to incorporate BOS innovations within their respective organisational systems, nor are Headquarters sufficiently set up to scale the BOS innovations.**

The BOS has been a remarkable success story. 21 countries have created a BOS and 64 more are seeking to adopt the methodology. But as with any pilots there are limitations and lessons learned.

From this study's perspective, a **future version of BOS will need more Headquarters support and control**. The organic bottom-up growth of the BOS has led to a richness of innovation around the world turning OMTs into innovation labs. It has lifted some OMTs from being mandatory gatherings of transactional professionals to innovative fora for strategic planners. That in itself may have bigger long-term impact than the strategic business operations plans so far created through the BOS.

The future BOS structure should be able to manage the many innovations; select which are good, improve them, and integrate them in the portfolio of agency supported support services.

If, say, 20 countries experiment with different help desk systems, it is obvious that Headquarters divisions that concurrently are trying to harmonise their systems and are creating vertical service integration will struggle to support the 20 different solutions arising from such horizontal integration – regardless of the individual merits of the 20 solutions. The future BOS structure should therefore enable Headquarters to select and refine 1-3 solutions for each of the different common business operations, to enable the respective agencies to incorporate the support for these solutions in their business operations systems, and to bring the solutions to scale globally.

With the attempt to create standardised common service packages, the UNDG is to some extent working towards the latter part. However, with just three such packages completed there is clearly room to increase the prioritisation of this.

Although more than **50% of survey takers find UNDG policies and guidelines supportive** for common business operations, the **BOS does not appear to be sufficiently anchored and supported at Headquarters level**. DOCO has limited capacity to support and scale the many innovations arising from the BOS exercises. This means that the full power of the UN organisational structures are not being utilised.

If an innovation – like the currency exchange best practice identified in Rwanda, or the service delivery structure that led to record high client satisfaction in Vietnam⁵ – could be verified, supported and then scaled by Headquarters, then the impact of horizontal approaches such as the BOS could be truly *transformative* and in full alignment with and in support of the optimisation work being done at Headquarters.

⁵ Reportedly, the UN system in Rwanda has received USD3 million more cash in hand in the last 12 months, from all agencies adopting an already existing (WFP) practice: obtain 3 spot price at HQ level AND 3 spot prices at country level.

Vietnam client satisfaction from their Common Services Unit is at 4.8 on a scale from 1 to 5, following 1000+ responses to automatic one-click surveys following completion of service delivery.

To better connect the BOS the horizontal harmonisation initiatives with Headquarters and to provide better support to the country level, DOCO's capacity should be strengthened. One option is increased funding. Another is a **rotational secondment of expert practitioners** on short-term assignments. With the many UNDG participating agencies taking turns to provide a seconded expert, this set-up would constitute a tiny disruption for the respective Headquarters, while at the same time it would drastically increase the UN system's support capacity for common business operations. Increased DOCO business operations capacity would allow for a concerted effort to gather, test and scale the best service delivery modalities created at the country level. Furthermore, the seconded staff would be exposed to multiple service delivery solutions rather than continue working on the same solutions they have been working on for years, and may therefore return to their UN organisations with new perspectives and skills that would add value to the organisation.

7. Recommendation. **The UNDG effort to create Common Service Packages should be increased.** At the time of writing there are two such Common Service Packages available. The UNDG could agree on an explicit target, say, 50 scalable common services packages by end of 2017, and make the necessary resources available to reach that target.
8. Recommendation: UN organisations should **increase the capacity of UNDG** for supporting common business operations, either through increased funding or through secondment of expert practitioners with country level experience in Procurement, IT, HR, Logistics, Finance and Facility Services. Such expertise could be made available from UN organisations on 6 months rotational assignments. They could support the work currently being led by the UNDG Task Team on Standardised Common Services Packages. This extra capacity could also provide support to countries adopting horizontal optimisation through a BOS process.

Headquarters support is also welcome to ensure that common business operations are conducted in a supportive environment. This includes **having audits that are well-informed of common initiatives** and the UN organisations' support for them.

Audit performs a key role as it is the only function that actually checks the self-reported results of the UNCTs. Accordingly, audit could play an important role in helping the UN enhance the performance of the DaO instruments in general, and the BOS in particular.

Unfortunately, the audit function is currently not considered well equipped to deal with the BOS, and there seems to be an opportunity to transform the audit function into a constructive assessment that can engage in performance audits, validate the impact of common operations and recommend how UNCTs can improve their BOS performance.

9. **Recommendation:** The UNDG should seek to train audit on BOS and common business operations, and seek their support to assess performance (both on quality and cost) of common business operations as primary objective and compliance as a secondary.

2.1.4 Quality

The survey conducted found that **quality concerns** are the main factors in deciding whether to do common business operations. Only 25% rated price as their first concern. Perhaps not unrelated to the quality concern by clients, 61% of survey respondents report that client satisfaction is not measured for common services. And for those that do, its measurement seem to rely on anecdotal feedback and annual year-end surveys. Quality monitoring ought to be an essential basis for the next generation of highly efficient, effective operational support services.

"I'm open to common services. But I don't want to have to go through antiquated processes that [his agency] streamlined years ago. I don't want services that come too late for me to deliver the results that I am measured on. Then I rather do it myself. Even if it costs more. After all it is the results that we deliver for our beneficiaries that matters."

Country Level Head of a UN Agency

10. **Recommendation:** Currently most BOS results frameworks focus on costs, and correspondingly have cost avoidance as a key indicator. But if the clients of the services are more concerned about quality factors than price, perhaps future BOS should focus equally on quality, and consider including a **quality indicator in BOS** - like Client Satisfaction - as well as a cost avoidance indicator.
11. **Recommendation.** Include **Client Satisfaction as an indicator in the individual performance evaluation** of all staff involved in delivery of common support services. One such set-up is the Vietnam model.

With quality factors being identified as the main concerns by client respondents perhaps the model of providing common services as a periphery activity rather than a core activity should be reconsidered. It would be interesting to compare client satisfaction ratings arising from Lead Agency approaches with the ratings from dedicated service centres.

12. **Recommendation.** **Study the quality/client satisfaction differences** between dedicated service centres⁶ where services is the core activity, and Lead Agency models where provision of common services is a periphery activity

⁶ Such as, possibly, Brazil, Vietnam, Cape Verde and Copenhagen

The current Agency Lead approach does not seem to deliver services that meet clients' quality expectations. To ensure sufficient quality in service delivery and to prevent multiple duplicate structures delivering the same services at country level, the UNDG should consider the horizontal integrated service centre model and attempt to identify the organisation(s) that have the most updated technology and the most streamlined business processes, and therefore can operate these centres with the highest quality support services at the lowest cost for multiple clients. These services need not be provided by a UN organisation. However if delivered by UN entities, the UNDG should ensure that the right service delivery platforms are chosen. One such organisation could be UNOPS.

13. Recommendation. To supplement services delivered through Agency Lead models, the UNDG could seek to **identify (UN) organisations that have support services as a mandate/core function, and can provide the management focus, skill-sets and systems to provide quality services through integrated service centres.**

2.1.5 Incentives

Study subjects have repeatedly mentioned '**staff willingness and agency willingness**' as **the primary constraints for common business operations**. And clients of common services report that it is the quality of services that is their largest concern (rather than price, which was the study's initial assumption). It seems that incentive structures are not strong enough to provide quality common business operations services.

The BOS Evaluation also found that '**lack of leadership and will** to implement Agencies' commitment to BOS was a constraint.

The strongest incentives identified for common business operations are; 'More Services at the Same or Less Costs' (84%), 'Good working relationships with UN colleagues' (75%), and 'it makes agency-specific work easier' (58%).

In your opinion, what are the main incentives for doing common business operations at the country level?

Answer Choices	Responses	
It is good for your career	12.29%	29
it is included in your performance review	17.80%	42
it makes agency specific work easier	57.63%	136
it allows for more services at the same or less effort/costs	83.90%	198
It helps with work/life balance	17.80%	42
It creates good working relationships with other UN colleagues	75.00%	177
There are NO incentives to do common business operations	8.05%	19
Other (please specify)	11.44%	27
Total Respondents: 236		

Until now, common services have predominantly been executed through a **Lead Agency approach**, where Operations staff from one UN organisation provides services to other organisations. Common services provided are commonly perceived as ‘add-on work’, seen to be ‘in addition’ to staff’s ‘normal job’, and seemingly with limited incentives to do so. Of the responders from the UN organisation that traditionally does the most Common Services, less than 9% of responders perceived Common Services to be ‘good for their career’. That is 3% less than the average - which includes staff in organisations that does not provide common services.

Several respondents have mentioned that they do not have time to do common business operations ‘in addition to their normal work’. But of the business operations practitioners surveyed, **more than half of respondents spend less than one hour per week on common business operations**. This could indicate that common business operations are not being prioritised.

When asked whether their organisations prioritised common business operations, 24% reported that their country office management gives ‘limited’ or ‘very limited’ priority to common business operations. Meanwhile 31% reported that it was ‘priority’ or ‘high priority’. A mixed picture. As there is no significant variance between the answers from the different UN organisations’, the difference appears to be down to individual managers of the individual country offices and, accordingly, personal preferences rather than structural incentives.

14. Recommendation. UNDG should commission a study analyzing current incentive structures for common business operations and identifying ways to reinforce the incentive structure **that reward performance on common business**

operations. (Related to recommendations 9, 12)

15. Recommendation. **Pilot performance pay in service centres.** Both vertical and horizontal service centres seem ideal locations to pioneer the new provision in staff rules on performance pay. If staff in these centres received a bonus for high client satisfaction and increased client uptake, it would align organisational and individual incentives and encourage a client oriented service culture.

Common business operations have been found to lead to an overall reduction of costs for the UN system at the country level⁷. But it **does not lead to an even reduction in costs among agencies**, and in fact some agencies may even see an initial or permanent increase in their costs from doing common business operations⁸. Furthermore, agencies that do experience a cost-saving may see the saved funds redistributed to other country offices and therefore may not themselves benefit from the efficiency gain⁹.

In the Constraints survey, 36% reported that they do not get to keep locally any savings generated from common business operations. And merely 38% reports that they decide locally on the size of their admin/operations budgets in the first place. **With no direct budget control nor benefit from savings, it should be no surprise if these managers do not invest time and money into generating savings and cost avoidance** through common business operations.

Business operations practitioners report that they cannot get UNCTs to fund cost saving initiatives even when there is a clear, documented return on investment and imminent break-even points. UNDG DOCO has initiated a seed money initiative and an innovation fund that to some extent mitigate this. But the very necessity for a DOCO fund suggests that UNCTs, structurally, do not have sufficient incentives to prioritise efficiency gains.

16. Recommendations. UN organisations to identify **mechanisms that allow offices** that successfully reduce their local costs through common business operations **to re-invest the savings locally.**

17. Recommendation. Ensure that the incentive system starts with the top, and that the **Heads of Agencies at country level are given an incentive to spend management time on achieving efficiency.** One way could be to give each office a lump sum for support services that is based on their programme size, country development level (and similar), and allow them to spend this money as

⁷ BOS Evaluation

⁸ Having a wider range of and/or higher quality business operations available may well be worth a potential increase in cost, as it could lead to better programme delivery and higher funding uptake.

⁹ Other than from costs avoided through reductions in transaction costs for processes where the relevant staff are not let go, but instead retained to do other services.

they see fit. This could potentially accelerate innovative horizontal approaches towards cost-effectiveness.

UN Resident Coordinators may have the longest and most challenging job description of any UN staff, so this study is reluctant to recommend adding responsibilities to it. However there is currently **not a single business operations indicator in the RC's evaluation**. UNDG should consider a business operations indicator in the performance evaluation of the Resident Coordinators in order to strengthen the accountability framework for common business operations.

18. Recommendation. To strengthen the prioritisation of business operations, the UNDG should consider including a **business operations indicator in the Resident Coordinators' performance evaluation**.

Several OMT Members have throughout this study expressed their frustration with the absence of recognition for the work done in the OMT. They call for an **accountability framework** where UNCT and OMT members are rewarded (and sanctioned) based on their performance.

While this study finds that country level implementation of common business operations is de facto led by OMTs, the **OMT members' individual incentives do not seem to be aligned with UN system objectives**¹⁰. As an example: If an Operations Manager has 7 staff she does not have any incentives to seek common business operations solutions if this lead to her staff being reduced to, say, 4 as her Job Description inevitably will change and quite possibly be downgraded. Also, using the same logic, this Operations/Administration Manager may not have an incentive to report positively to her Head of Agency on the services received through common business operations, which in turn will impact negatively on UNCT perceptions of common business operations and the Heads of Agencies' reporting to their respective Headquarters.

19. Recommendation. Make it standard that **OMT Members are officially nominated by their Heads of Agencies**.
20. Recommendation. Make it standard that **OMT work is included in nominated OMT Members' performance appraisals** with input from the OMT Chair for normal OMT Members, and input by the RC for the OMT Chair.

2.1.6 OMTs

Serving in the OMT and as OMT Chair is generally perceived as 'extra work'. **There is no**

¹⁰ It is assumed that the QCPR recommendations are UN system objectives.

compensation and often no acknowledgement for OMT work. Even in DaO countries, some Heads of Agencies at country level reportedly decline to include the OMT work in their Administration/Operations Manager's performance appraisals.

Somewhat surprisingly there is a common uncertainty about who can be the Chair of the OMT. Some believe the OMT can only be chaired by a UNDP staff, and are therefore reluctant to take over in cases where the leadership of the OMT does not meet expectations. As of March 2016 the UNDG provides on its website a generic, recommended Terms of Reference for OMTs. As the OMT is a standing feature of the UN coordination system, perhaps UNDG could also prepare a short online training for new (and current) OMT members.

21. Recommendation. UNDG should create a basic **online induction on UN coordination system for OMTs**. This could include the generic OMT ToR, introduction to UNDG/DOCO support opportunities, UNDAF, BOS, RBM for Operations

There is **limited ability to communicate directly with and between OMTs**.

Communication takes place either through RCOs, the UN organisations' respective structures, or through personal networks. This limits the UNDG's ability to communicate a concerted effort towards harmonisation, and it also limits the opportunity for OMTs to communicate with each other. If optimisation of common business operations is to be scaled, including the BOS, the UNDG should facilitate knowledge sharing between OMTs and enable direct technical communication from UNDG to the OMT professionals.

22. Recommendation. UNDG should create and maintain a **cloud-based system to communicate with OMTs and to facilitate peer-to-peer collaboration among OMTs**. This could be done in conjunction with an online portal for results measurement derived from accumulated BOS results frameworks. This system should seek to facilitate OMT-to-OMT communication and knowledge sharing.

2.1.7 Common Basic Standard Agreements

The UN organisations at country level have multiple different basic standards agreements¹¹ with the host governments. As a result, the **disparities between the different UN organisations' government basic standard agreements create unnecessary complications** for some common business operations; such as customs clearance, protocol, premises management, import/export of programme supplies and staff personal effects, driving license conversion, vehicle use, status of international staff.

¹¹ The 'basic standard agreement' refers to the legal framework for a UN organisation's presence in a country. Among other things it describes the UN's immunities and privileges in the country. Different UN organisations refer to this type of agreements with different names.

If the UN organisations are to operate as one, they should share the same legal foundation. The UNDG should therefore seek to benefit from the best government basic standard agreements negotiated by a UN organisation in a given country. Currently, if the member states through the QCPR wish the UN to work better together as country level, then it should be possible to ask them to support that each country should have one basic standard agreement with the UN organisations in their respective countries.

23. Recommendation. **Ensure that the UN organisations present in a country are covered by one basic standard agreement.** Since the UN Member States through the QCPR have requested that the UN System adopt Common Premises and other Common Business Operations at the country level, and this is being held back by the diversity of basic standard agreements at country level, the Member States should be given the opportunity to support a resolution that call for UN organisations in a country to be hosted through the same basic standard agreement. The agreement can be negotiated country by country, but there should be one for each country.

2.2 POLICY

2.2.1 Headquarters commitment to common business operations

70% of the BOS Evaluation study subjects found that their organisation have provided inconsistent messaging with regard to whether they should engage in common business operations or not. The data from the present constraints analysis survey does not support this particular finding. When directly asked by the present survey, 40% found that their organisations provide them clear and consistent messaging on whether to engage in common business operations. Only 20% do not. While it is clearly a problem that one in five expresses inconsistency in the communication received from their UN organisation, it is significantly less serious than the BOS Evaluation's initially finding.

2.2.2 Policy perceptions

As per below table, respondents to this survey - in average - see policies as being neither enabling or constraining with Facility Services, Procurement, and Logistics being slightly above 'neutral' and Finance, HR and IT being slightly below. Audit was seen as the least enabling.

To what degree does your organisation's policy and procedures constrain you in implementing common business operations?

	very constraining	constraining	neutral	enabling of common business operations	very enabling of common business operations	Total	Weighted Average
Procurement	6.96% 16	19.13% 44	24.35% 56	39.13% 90	10.43% 24	230	3.27
ICT	11.01% 25	26.87% 61	27.31% 62	27.75% 63	7.05% 16	227	2.93
HR	11.84% 27	28.07% 64	32.46% 74	23.25% 53	4.39% 10	228	2.80
Logistics	4.87% 11	13.72% 31	40.27% 91	33.19% 75	7.96% 18	226	3.26
Finance	18.86% 43	25.00% 57	28.07% 64	21.49% 49	6.58% 15	228	2.72
Facility service	3.52% 8	9.69% 22	38.77% 88	37.00% 84	11.01% 25	227	3.42
Audit interpretation of policies	15.25% 34	20.63% 46	45.74% 102	13.90% 31	4.48% 10	223	2.72

The BOS Evaluation found that disconnect between the processes and regulations of Headquarters and the agreed harmonisation strategies for common services at the country level was a barrier for BOS.

In the DESA Survey, 73% of OMTs reported that different policies and procedures have prevented the UN country team from further harmonizing business practices. In other words, the DESA Survey and the BOS Evaluation's findings are similar on policy constraints.

"Only a few respondents offered examples of how regulations and rules or policies and procedures have presented a barrier to the harmonization of business practices."

QCPR OMT Survey January 2016

Yet, the DESA Survey also mentions that when asked to specify what rules or regulations or policies and procedures presented a barrier "Only a few respondents offered examples of how regulations and rules or policies and procedures have presented a barrier to the harmonization of business practices." Interestingly, this study has experienced the same inability of interviewees to identify actual policy constraints.

This study has repeatedly raised the policy constraint issue in its survey and in its interviews and has experienced an absence of concrete policy constraints responses. With repeated statements from interviewees that 'if there is a will, there is a way', this study generally concludes that **although there is a widespread narrative that policy constitutes a significant barrier/constraints for common business operations, this is**

not directly supported by evidence, and the study therefore recommends that UN organisations' policies should not be overemphasised as a constraint for common business operations.

This conclusion was tested at a joint UN System Staff College and UNDG/DOCO ToT course on Leadership in Business Operations 9-13 May 2016 in Turin 34 business operations practitioners were asked to 1) identify policy constraints for common business operations, 2) identify country level workarounds, and 3) suggest HQ solutions. The exercise conducted in Turin did not change the above conclusion.

Having said this, the conclusion is not to be understood as if the UNDG and HLCM cannot provide a more enabling policy environment than the present. The rest of the chapter will focus on this.

2.2.3 Communication of policies on common business operations

The most remarkable from the data in the previous table¹² is the even spread: 38% finds IT policies constraining while 35% find them enabling. One conclusion from this could be that the communication of enabling policies for common business operations has been inconsistent in successfully reaching its target audience.

As a potential remedy for this, interviewees highlighted the **HLCM's Procurement Network's PowerPoint presentation** on Headquarters progress on harmonisation of joint procurement as a very effective tool to change perceptions of policy constraints, as it shows visually how the respective UN organisations have agreed to facilitate common procurement in their policies. The country level practitioners can then use this as a starting point for negotiations with reluctant mid-level management at country level and Headquarters.

There is also limited clarity on who can take what decisions. As common business operations is still seen as outside the normal way of doing business, risk adverse decision-makers are inclined to push basic common business operations decision upwards in the organisational decision trees. This puts pressure on Headquarters service line mid-level managers, who are asked to take responsibility for local agreement that they cannot not fully understand. Unsurprisingly this is a route that leads to negative

"Common business operations is still culturally seen by our organisations as outside the 'normal transactions'. So HQs are more involved [in Common Services MOUs] than in contracting with third parties for amounts up to 10, even 100 times higher and with much higher risks."
Operations Manager at country level

¹² Page 17. To what degree does your organisation's policy and procedures constrain you in implementing common business operations?

answers if answered at all. This study has come to learn that UNICEF is currently working on an initiative that clarifies where decisions for common business operations can be taken. This is very commendable, as it will take away uncertainty from risk adverse staff.

24. Recommendation. The **HLCM** Networks should follow the lead of the HLCM Procurement Network in creating **visual communication tools that demonstrates the progress made on harmonisation at Headquarters** within the six service lines. This could be communicated through the DOCO online platform.
25. Recommendation. The **UN organisations should specify where their country level management can take decisions on common business operations locally** and where they need Headquarters guidance. UNICEF is working on such a guideline, and this could be considered a good practice for all UNDG organisations.

Business operations practitioners in the field often encounter colleagues that claim to be unaware of their respective organisation's agreement to cooperate. It has been suggested that access to documentation that demonstrates the different UN organisations' commitment to conduct common business operations would counter this. They call for a common repository containing the signatures of the respective organisations' executives. This repository could also be included in the OMT induction, discussed above.

26. Recommendation. HLCM/UNDG should include in their website **documentation that demonstrates the commitment to common business operations by the UN organisations' Executives.**

A general observation raised by interviewees is that UN organisations' policy on their standard business operations tends to be in separate documents from their policy on common business operations. This inevitably leads to discrepancies between the documents, as UN organisations' new commitments to common business operations are not immediately included in the old but still valid agency-specific business guidelines.

27. Recommendation. UNDG to request that **all new guidance documents from Headquarters are explicitly aligned with the respective organisation's commitment to common business operations.** If guidance is published on, say, 'Per Diem rates for Counterparts', the document should include explicit reference to how this can be done jointly.

2.2.4 MOUs

Memorandum of Understandings (MOUs) is the traditional tool used in the UN System to provide the legal and financial framework for common services. The ERP study discusses MOUs and suggests that they “(...) adds costs and delay to what could otherwise be a straightforward transaction.”

Currently it is a daunting task from the country level to facilitate the negotiation of variations to the standard MOU text between multiple headquarters legal divisions located in different geographical locations and time zones. Yet without an MOU, decision makers may find themselves exposed to risks they do not understand and therefore opt for the safety of the familiar agency-centric approach.

The legal framework should either be a simple agreement signed at Headquarters levels between the Executives (preferable including mutual recognition) under which decision-making should be delegated to the country level, where agreements could be negotiated and approved quickly, without the involvement of multiple legal departments.

28. Recommendation. **Update the common business operations MOUs** so they allow for several different options, as well as for innovation. For the premises MOU, the templates should facilitate a choice between Public Private Partnerships, Government hosting, and innovations not yet discovered, in addition to the Landlord/Tenant relationship currently included. For the Common Services MOU, the creation of horizontal services centres and mutual recognition should be added in a simple generic MOU that allows the country level to take decisions as they see appropriate for the local condition.
29. Recommendation. The UNDG organisations could also consider a ceiling below which they are willing to **delegate full authority to the country level Head of Agencies to engage in common services without Legal approval from Headquarters**. Such as ceiling could be set at \$100,000 or relative to the level of the Head of Office or the size of the Country Programme.

2.2.5 Mutual Recognition

With the UN organisations’ structural and cultural differences, a focus on *harmonised* business operations will inevitably encounter policy constraints. However we have also found that where there is willingness and leadership these constraints can be overcome. Furthermore, we have found that harmonisation is not always the best path to optimisation at the country level.

The significant effort required at Headquarters level to fully harmonise may therefore

be disproportionate to the obstacles this will remove. While the UNDG can well chose policy areas for further harmonisation, the biggest impact for common business operations at the country level would come from a facilitated division of labour by **creating a legal framework that recognises and accept the differences between the UN organisations' systems.**

All UN organisations generally adhere to the same rules and regulations and to the same principles, such as Public Procurement Principles. All organisations are audited as per the same international standards, and many share Executive Boards. But organisations tend to interact with each other as if they are high-risk third party entities for which the full extend of organisational control mechanisms must be utilised. By creating a legal framework that allows for recognition of each other systems, the UNDG will allow the UN organisations to benefit from each other's comparative advantages when division of labour is the better approach to optimization than harmonization, and when an MOU is not worth its transaction costs.

30. Recommendation. **UNDG should create a legal framework that allow for mutual recognition of each other's systems** so we no longer need to process inter-agency transactions as if there were conducted with a high-risk third party.

The remaining part of the Policy chapter will look into the six UNDG support service lines: Procurement, HR, IT, Logistics, Finance and Facility services.

As a general observation many differences among the UN organisations' policies and practices have been suggested throughout this study. They would all be relevant, if the UN sought to harmonise polices and practices for the sake of harmonisation. However, as this study considers optimisation of business operations the end goal for harmonisation and common business operations, differences are not necessarily seen as constraints.

2.2.6 Procurement policies

50% of survey respondents found Procurement policies to be Enabling or Very Enabling for common business operations. This makes **procurement policies the most enabling** of the six UNDG service lines.

A constraint raised is the differences in the approval ceilings for procurement. I.e. if a small UN organisation has a \$10,000 ceiling for procurement approval, they believe they cannot procure, say, a \$20,000 item through a larger organisation that has a \$50,000 procurement approval ceiling.

31. Recommendation. Seek **Mutual Recognition of each other's procurement processes - including ceilings and general terms and conditions.** If a small

agency does not have procurement experts it is prudent that their Headquarters impose a certain ceiling for procurement approval. However if there is another agency in the same country with dedicated procurement staff led by highly trained professionals, transferring the small agency's ceiling to the larger agency become nonsensical. Instead the smaller agency's Headquarters should recognise the comparative advantages of the other larger organisation and recognise their procurement ceilings (as long as they are within the overall budget approval authority of the smaller agency's Head of Office).

2.2.7 HR policies

28% of survey responders found that HR policies are enabling or very enabling for common business operations. This makes HR policies (along with Finance) the policies that are perceived to be **the least enabling** of common business operations of the six service lines. But it may also be the area where common business operations *at the country level* has the least possible impact.

Differences in policies include:

Recruitment. Different rules/interpretation of **gender parity** in recruitment panels and different rules for when one can do **external/internal advertisement** are mentioned as constraints for common recruitment. Yet many countries do utilise joint recruitment panels and lend technical subject matter experts to each other when and where it adds value.

There are different interpretations of **UN staff entitlements**. These include R&R, Home leave, support in dealing with host government authorities. While these differences may very well be irritants, this study does not consider them constraints for common business operations at the country level.

Rosters for consultants have been attempted in many countries. Yet such rosters have seemingly limited added value, and high transaction costs – both in establishing the roster and in the recurring management. This study fundamentally questions the value added of *horizontal* rosters for consultants. Having said that, should there be a business case for such rosters, the difference in sourcing of consultants would indeed be a constraint – unless Mutual Recognition was adopted. Some organisations consider the sourcing of consultants to be an HR process and others a Procurement process. This leads to obvious barriers for joint horizontal sourcing of consultants. This study instead recommends vertical rosters for consultants, as the particular expertise sought from consultants are more mandate than geographically related.

For some UN organisations, **consultancy rates** are determined as part of the tendering process where others operate with fixed scales. This reportedly constitutes a constraint

in creating common TORs for consultancies. This could be harmonised at Headquarters levels, however it is advised to carefully consider the impact at country level versus the effort required to harmonise at headquarters level.

There is also a difference between the perception of service contracts between the different UN organisations, and some organisations do not communicate to their service contract holders that they are not UN staff. While this can be another irritant between UN organisations, this study does not consider it a constraint for common business operations. This is obviously an area that could be harmonised. But the valued added for doing so does not seem to justify the transaction costs and the impact on the organisations that de facto rely on consultants as low-cost staff to deliver their mandates.

2.2.8 IT policies

IT policies ranks fourth of the six service lines in terms of common business operations, with 35% of respondents rating IT policies as 'enabling' or 'very enabling'. Yet approximately the same number of respondents find them 'constraining' or 'very constraining'. This has been discussed above.

Most UN organisations have generic IT policies¹³ that do not specify much. This in turn requires mid-level managers to interpret policies, and intangible factors such as precedence and corporate culture become concrete constraints. But at its heart it is a question of interpretation. This goes for access and other IT security policies. As with other service lines; if there is a will there is a way. The establishment of the integrated One UN IT Team in Vietnam, with the support of the undg IT Reference Group, has demonstrated this.

2.2.9 Logistics policies

Logistics are the third most enabling policies for common business operations with 41% finding them enabling of very enabling.

Differences identified are:

Different **UN organisations support different Government ministries** that have different requirements and processes. This does not prevent colocation of warehouses, but necessitates parallel supply chain management systems. And the different UN organisations have **different supply chain management software**, which they are obliged to use for global reporting.

¹³ With WHO and UNICEF as notable exceptions. There may well be others.

Different UN organisations have **different insurance approaches and contracts**. This is perceived as a constraint for sharing assets and staff such as vehicles and drivers.

32. Recommendation. The HLCM/UNDG should seek **optimisation of insurance frameworks** either through harmonisation or by identifying and sharing the best current practices. Once this is done, a portal for insurance agreements could be created for the UN organisations at country level to utilise.

Different UN organisations have different standard for vehicles, and heads of office drives cars from different brands.

Many UN organisations do not have a tradition for ‘managed vehicle fleets’ and choose instead to mitigate against spikes in demand by having a larger capacity than otherwise necessary. There is also a very limited uptake in technology to manage fleets. Combined, this makes *common* fleet management difficult to initiate as there is a managerial and technological as well as a cultural barrier to overcome. This study has learned that UNDP, UNFPA and UNICEF are currently undertaking pilots for common fleet management.

33. Recommendation. UNDG should identify and provide the country level with options for **fleet management** using off-the-shelf current digital technology.

2.2.10 Finance policies

Survey respondents find that **finance policies are the least enabling** for common business operations, with 28% finding them enabling/very enabling.

Differences include:

Different **Headquarters banking agreements** constrain common banking set-ups at the country level. While there are obvious benefits from vertical alignment of banking arrangement, the benefits from horizontal banking agreement are less clear. Common banking arrangements does not seem an area where joint horizontal initiatives should be prioritised at the expense of vertical integration.

Headquarters preference for particular currency exchange modalities and the resulting **centralisation of currency exchange policy prevents UN offices at the country level to obtain the best exchange rates locally**. The examples from Rwanda where, simply, adding three locally obtained spot prices to the mix of quotations obtained by Headquarters led to significant improvements in rates¹⁴. **This practice, if brought to scale, could potentially have the single highest monetary impact for the UNDG of any**

¹⁴ See the Rwanda 2013-2018 BOS

UN reform initiatives to date.

34. Recommendation. UNDG should **review the Rwanda model for currency exchange** and if it indeed leads to the promised increases in the price obtained for the sale of dollars, the model should be made available globally for all country offices.

Respondents also report that they are **not able to accept payment for common services** without classifying the funds as a ‘contribution’ with their systems automatically deducting their organisation’s contribution management fees from the payment, as if it was a donation. This leads to increased costs and/or prevents some otherwise capable UN organisations from providing common business operations.

35. Recommendation: UN organisations to **incorporate the ability to receive payment for common services from other UN organisations** without having to add a contribution management fee. This needs to be reflected in policies, processes, and ERP systems.

2.2.11 Facility services

48% of survey takers find facilities services policies to be ‘enabling’ or ‘very enabling’. That makes facility service the leading service line (along with Procurement) for common business operations.

The differences identified are:

Different IPSAS interpretations and different ceilings for assets and ‘attractive items’, and different depreciation practices.

The **MOU process** is seen as difficult to navigate from the country level, with many of the agencies that are not direct party to the UNDG MOUs experiencing inconsistent support for the MOU templates from their different regional offices and Headquarters divisions. Please see recommendation 28 above.

2.2.12 Common business operations with UN Secretariat entities

In general, **specialized agencies** seem to report bigger policy constraints than the funds and agencies. And the highest policy constraint for common business operations is reportedly the rules of **UN Secretariat entities**.

The study finds that the Secretariat’s controls systems in many instances does not allow for common business operations. There is **virtually no recognition by the UN Secretariat of the internal controls of the UN funds and programmes and specialised**

agencies, and all contracts therefore need to be reviewed again by Secretariat panels, which leads to unnecessarily high transaction costs for UN Secretariat entities to engage in common business operations.

Having said that, **common business operations do work when the UN Secretariat entity takes the lead and uses their own systems** and then allows the other more flexible organisations to piggyback their contracts. Travel is one such example.

36. Recommendation. UNDG should develop a MoU with the UN Secretariat entities for common business operations.

2.3 CAPACITY

2.3.1 OMT capacity

Country level OMT capacity varies to such a degree that it may not be possible to provide a general assessment of OMT capacities. However there should be training tools easily available to OMT and UNCT members to limit the variety of knowledge about what the OMT is supposed to do in general, and about available tools such as the BOS. Furthermore, having a minimum knowledge of the UN coordination system - including the mandates of UNCTs and OMTs - should perhaps be a mandatory requirement for membership of UNCTs and OMTs.

37. Recommendation. Create a mandatory **online certificated induction on the coordination system for OMTs** including the role and mandate of the OMTs, tools such as the UNDAF and BOS.

The BOS Evaluation found that the OMTs have a limited capacity to conduct the BOS adequately. While the conducted survey does not support this finding, this study nevertheless supports the BOS Evaluation finding that **OMTs struggle to embrace RBM techniques** including Results Frameworks and Monitoring and Evaluation methods. This is based on the combined experience of the consultant team and interviews of several senior business operations professionals who have conducted a BOS.

Another capacity constraint consistently raised is **time** available for common business operations. Yet more than half of the survey responders reported that they **spend less than one hour a week on common business operations**. So perhaps it is rather a priority issue in line with the willingness/incentives discussion above.

38. Recommendation. When BOS is introduced in countries, **DOCO should continue to facilitate training of RBM skills for the OMTs.**
39. Recommendation. UN organisations should consider including **a session on RBM for business operations staff when they undertake their habitual RBM** trainings of programme staff at the country level.

2.3.2 Headquarters capacity

UN organisations' Headquarters have tremendous capacity through their highly educated business operations experts in their many divisions. However this capacity does not directly support common business operations innovations at the country level. Instead this capacity is mostly focused on ensuring vertical control. Capacity for common business operations at the country level would greatly improve if Headquarters capacity were guided towards supporting OMTs. Please see recommendation 7.

2.3.3 Funding

The DESA 'Report on QCPR Monitoring Survey of OMT 2015' (DESA Survey) found that *"Forty-four per cent of all responding OMTs believe that the lack of financial resources has also prevented the UNCT from harmonizing business practices."*

Where UNCTs routinely approve funding to support UNDAF creation, they are reportedly more reluctant to fund BOS initiatives even when the BOS are found to lead to returns many times the investments. Maybe that is because the Heads of Agencies sitting in the UNCT do not fully decide on the size of their budgets for business operations and/or do not get to keep savings generated, as previously discussed above.

An irritant often raised throughout this study is the **inability of smaller organisations to commit to and pay for common business operations at the country level**. It is common that smaller UN organisations do not have staff capacity to contribute to common business operations and often only partially pay – and sometime they do not pay at all - for some common services. Supposedly this is because they cannot take the decision locally, or have not been allocated funds from their Regional Office or Headquarters.

This leads to a sense of **'freeriding'** among the Operations/ Administration Managers of the larger agencies. They feel that they personally, and the big development agencies that they work for, carry the largest load. Such frustration is understandable. However on reflection and from a UN system perspective this study has not found that such 'freeriding' by the smallest organisations is a negative thing. On the contrary: benefiting from each other's comparative advantages is one of the potential added values from common business operations.

2.4 TECHNOLOGY

73% of survey respondents report that they have not experienced any technological constraint for common business operations. Of those that did report constraints, many referred to speed of internet connection and ERPs. Internet speed is not considered a common business operations issue per se for the purpose of this study, and as a much more extensive study than the present has recently reviewed the ERP question, this study will not attempt to add to that discussion.

2.4.1 Common standards

Traditionally UN organisations have invested in hardware and software that best fit their organisations' criteria. They have done so without including inter-operability with other UN organisations as an important criterion. As a results **the UN have ERP systems, video and telephone conferencing equipment, radios, etc. that cannot easily talk to each other**. This means we have multiple incompatible and potentially underutilised set-ups at the country level to enable the different organisations to speak to their respective Headquarters.

If the UN system could agree on common standards and implement a compatibility requirement this would allow, say, UNIDO Headquarters in Vienna to have videoconferencing capability with other UN organisations

For computer hardware and software the differences between the UN organisations are reportedly large, and may reflect the different funding situations of the different organisations. But currently the agencies with the most updated Microsoft Office software packages cannot run the software on the hardware of the agencies with the least ambitious replacement policies.

40. Recommendation: **UNDG should harmonise standards for IT hardware and software**

a) For **radios**, the UNDG should engage the UN Secretariat and UNDSS and ensure that the UN has common standards for radios. It could be made a global Minimum Operating Security Standard requirement that all UN radios are fully compatible.

b) For **IT hardware and software**, the UNDG IT Reference Group could be asked to compile an exhaustive list of hardware and software categories where a standardisation would benefit the UN system and allow for common business operations. This should also include a cost/benefit analysis.

Issues suggested to this study include: ERPs, firewalls, switches, PABX, radios,

video and teleconferencing equipment, laptops, printers, servers, common authentication, lack of common platforms for intranet, joint databases, knowledge sharing & project management (such as SharePoint), Microsoft Office version, mobile phones & mobile phone operating systems.

For technology the future may be a better investment of time and resources than the present. The rest of this chapter will therefore focus on how the UNDG could create an enabling environment for common business operations through technology.

2.4.2 Digital platforms

The UN's external environment is rapidly expanding app-delivered service solutions, and the UN is incorporating this technology in its programmes. Meanwhile UN business operations do not seem to have benefitted yet. The list of basic services where paper-and-pen solutions are still being used is long. It includes management of attendance, transportation/fleet management, telephone call reimbursement, travel, asset management, project monitoring, cheques, certifications, and probably more. Clearly the UN could benefit from facilitating a 'disruption' in service modalities.

Currently the **UN system does not provide an environment that will enable digital innovations** to be brought to scale to the common benefit of all. Even if one agency were to come up with a 'killer app', the rest of the UNDG would not have access, as our main 21st century infrastructures - our cloud-based IT systems - are closed off from each other. Add to this the fact that some UN organisations still do not provide their staff with smart phones, and we have an environment that does not foster digital innovation in UN business operations.

The productivity gain from enabling staff at country level to find innovative digital solutions may be significant. If we could **encourage apps that facilitate basic services, and scale them through a commonly accessible platform**, then we could both release dedicated staff time and start generating real time data on efficiency and quality (client satisfaction). This in turn could facilitate managers' focus on quality rather than control of such low-risk internal transactions.

41. Recommendation. UNDG should enable **controlled access to each other's clouds through mutual recognition of each other's authentication controls** – such as through CommonConnect. This will create a common platform for innovative business solutions
42. Recommendation. UNDG should seek to ensure that **IT departments, Innovation Units, and business operation teams are directed towards developing practical, scalable apps for basic support services**

3. CONCLUSION

This study has found that when there is willingness and leadership there is opportunity to do common business operations at the country level in all service lines.

The study identifies structural constraints - including incentives - as the most significant constraint for common UN business operations at the country level. It acknowledges that there is a widespread opinion that UN organisations' policies constitute a constraint, however it also concludes that there are very limited concrete examples and evidence that indicate that policy obstacles cannot be overcome when there is willingness and leadership at the country level. Capacity and technology are not found to constitute noteworthy constraints for common business operations.

It recommends that UNDG should continue to focus on 'fit for purpose', and rather than solely focus on harmonisation of policies and practices, the UNDG should seek to facilitate optimisation of business operations by division of labour through mutual recognition of each other's systems, specialisation and comparative advantages.

When done well, the BOS serve as a country level innovation utility. But Headquarters are currently not sufficiently involved for the innovations to be brought to scale.

Quality factors are found to be the biggest concern for clients of common business operations services. This study suggests that the traditional Lead Agency approach to Common Services – where support services is a periphery activity rather than a core activity - and the absence of quality/client satisfaction indicators in business operations management, leads to the current situation where common services do not meet clients' quality expectations.

With the current reform and optimisation trends, the UN should prepare for a future where the traditional common service providers reduce their local support service capacity (i.e. staffing) and increasingly provide support services offshore through vertical service centres. As some services will always need to be delivered locally, the UNDG should consider horizontally integrated service centres at the country level, as multiple parallel structures delivering the same services at the same locations will never achieve maximum efficiency. The Vietnam and Brazil setups are two such examples that could be further studied.

Last, without change to the current incentive structure, a voluntary and decentralised approach may not be as effective as a managed approach to optimisation of common business operations at the country level. Not unlike the findings of the ERP Study, this study finds that genuine optimisation will not happen with the current voluntary approach managed by actors whose job security is negatively affected by the very changes they are asked to implement.

Author

Anders Voigt has worked with UNICEF, UNDP, WHO, UNHCR and the World Bank in different business operations functions. Recently he helped designed and establish a horizontal integrated service centre in the Green One UN House in Vietnam.

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1. UNDG Task Force on Constraints for Common Business Operations: Ms Diane Kepler, Mr Oliver Buehler, Ms Lidia Tutarinova, Ms Hideko Hadzialic, Ms Lori Issa
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8. Ms Lori Issa UNICEF New York
9. Mr Mark Beaty UNICEF New York
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11. Mr Lars Tushuizen UNDG DOCO
12. Mr Luigi Demunnik, UNDG DOCO
13. Mr Sebastian Rottmair, UNOPS
14. Ms Mona Folkeson, RCO Tanzania
15. Mr Antonia Baez, WFP, OMT Chair Tanzania
16. Mr Philip Wilson, UNICEF Tanzania
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21. Mr Hartmut Pfortner, UNICEF and OMT Chair Vietnam
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23. Mr Yves Sassenrath, UNFPA Brazil
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25. Mr Alaa Al-Alami, UNICEF Ethiopia
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