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Governance for the United Nations Development System

Adapting to meet the challenges of a changing world

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Colophon

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Abbreviations

CCA	Common Country Assessment
CEB	Chief Executives Board
DESA	United Nations Department for Economic and Social Affairs
ECOSOC	Economic and Social Council
HDI	Human Development Index
MDGs	Millennium Development Goals
NGOs	Non-Governmental Organizations
QCPR	Quadrennial Comprehensive Policy Review
SDGs	Sustainable Development Goals
SMG	Senior Management Group
UN	United Nations
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNDS	United Nations Development System
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
WFP	World Food Programme

Section 1 Executive summary

The United Nations Development System (“UNDS”)

The UNDS refers to the highly complex organization of interrelated United Nations (“UN”) agencies, funds, programmes and other entities¹ which work together to advance development.

Although not a distinct entity within the UN family, the term “UNDS” is used to encompass all of the UN’s entities and efforts that receive contributions for operational development activities. These entities have evolved over time as the concept of development has expanded. Their subject-area mandates are vast and encompass trade, the environment, population, housing, refugees, children, drugs and crime, women and gender, food, agriculture, HIV/AIDS, operations, aviation, labor, telecommunications, education, tourism, health and intellectual property.

The UNDS plays a special role in the broader international development system, both as a partner to other development actors and as a central driving force of development in its own right. Mandates of individual entities range from program implementation, to the formulation and advancement of standards and norms, to broader advocacy work. As the UNDS is established and supported by Member States and has a broad-based legitimacy among the global citizenry, it has a unique capacity to set global development policy objectives, while coordinating, advancing and leveraging the efforts, both individual and collective, of other members of the international community.

The 2030 Agenda is a considerable increase in complexity compared with the MDGs, and it is not clear if the governance of the UNDS, as currently constructed, is capable of enabling the system to respond to the new agenda.

Given the ambitious demand for change embodied by the SDGs, the UN must lead the way by reforming its own structures and processes to respond to these new demands.

The challenge

The nature of development is changing. This shift is exemplified by the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (“SDGs”), which are predicated on the concept of “leave no one behind.” The 2030 Agenda is intended to be universal, that is, relevant for, and applicable to, all countries, not just developing ones, and to all levels of government, and all sectors. The nature of the challenges addressed in the 2030 Agenda signifies the growing interdependence of country, regional and global action. The 2030 Agenda tackles complex development issues, including climate change and resource scarcity, and seeks to address both their causes and consequences, to offer a pathway to a sustainable future. This is a considerable increase in complexity compared with the Millennium Development Goals (“MDGs”), and it is not clear if the governance of the UNDS, as currently constructed, is capable of enabling the system to respond to the new agenda. Given the ambitious demand for change embodied by the SDGs, the UN must lead the way by reforming its own structures and processes to respond to these new demands.

Previously, the UN’s activities in development were primarily driven by the highly specific needs of a particular country and context and were addressed by the UNDS through budgets allocated by or through that country. The development system as a whole must now respond to more complex issues that require a more holistic approach to development including local, national, regional and global responses. **This will require working across the entities that constitute the UNDS, necessitating governance that can enable common efforts of the entire system toward complex,**

¹ For ease of reference, the terms “entity” and “entities” will be used to refer collectively and/or generically to the UN agencies, specialized agencies, funds and programmes and Secretariat entities that are the focus of this paper.

In each of its four global governance domains – setting technical standards, norm setting and cooperation, generation of data, and technical assistance – the UNDS has competitors which are displacing it or have the potential to significantly do so in the years ahead.

strategic objectives, while minimizing interference with the management and operations of the individual UNDS entities.

At the same time, the context of development is changing. The number of entities involved in development is diversifying, creating a much more competitive environment. These competing entities include non-governmental organizations (“NGOs”), foundations, private sector entities and multi-stakeholder partnerships among them. In some instances, these non-UN actors or partnerships—which face their own governance challenges—can be more efficient and effective than the entities that constitute the UNDS, with specialized expertise and experience that can quickly and effectively be mobilized for development assistance where it is needed. Indeed, in each of its four global governance domains—setting technical standards, norm setting and cooperation, generation of data and technical assistance—the UNDS has competitors which are displacing it or have the potential to significantly do so in the years ahead.

Additionally, the gap between global demands for funding and the amounts available to the UNDS is growing. The prevalence of earmarked funding, which is tied to particular projects, themes or initiatives, rather than core funding, curtails the UNDS’ ability to direct resources in line with its strategic priorities and its flexibility to respond to emerging needs. Earmarked funding within the UNDS rose from 56 percent in 1998 to 75 percent in 2013.² The dearth of flexible financing is impacted by the absence of effective governance and management that can allocate available funds across the UNDS. **In an atmosphere of uncertain resources, UNDS funds and programmes can be driven to compete for funding to sustain their mandates, resulting in ad hoc mission creep by individual UN entities, a watering down of mandates and defensive self-protection.**

These factors make it imperative for the stakeholders of the UNDS, including Member States and the entities of the UNDS itself, to urgently consider the strengths and weaknesses of the UNDS within the wider development system and how best to assert its rightful place once it has been identified. If the UNDS fails to respond adequately now, then its role as a central actor in international development will likely erode, and with it its unique and critical ability to convene development stakeholders across all sectors and to establish development agendas and norms.

Previous efforts at governance reform

The UNDS has undertaken several initiatives to tackle its governance challenges in the past. Many of these initiatives have focused on improving effectiveness through operational coordination and integration efforts, rather than on how to strategically position the UNDS to respond to its existential challenges.

Much of the focus of reform in the UNDS in the 1960s and 1970s was on achieving a greater sense of cohesion and direction among individual entities. These reviews focused on the need for integrated planning and rational resource allocation, clarity of objectives, strong methodology in programming techniques and a need for a better overall direction led by decision making authorities.

These reviews resulted in the convening of a Group of Experts on Restructuring in 1975, which aimed to make the UN system “fully capable of dealing with problems of international economic co-operation in a comprehensive manner.”³ However, while experts around the world reached a consensus on reform, Member States lacked a coherent view. Some sought (and still seek) to protect their own control of

² United Nations Development Group, 2015, ECOSOC Dialogue on the “longer-term positioning of the UN development system,” UNDG Perspectives on Funding. Available at <https://undg.org/wp-content/uploads/2015/05/UNDG-Perspectives-on-Funding-20-April-2015.pdf>.

³ Resolution adopted by the General Assembly, 1974, A/RES/29/3343, para. 5. Available at: <http://www.un-documents.net/a29r3343.htm>.

international institutions, others were seeking to avoid costly reforms and others sought to expand the authority of the General Assembly rather than restructure the system as a whole. This process resulted in only one substantive proposal being implemented—the institution of a Director-General for Development and International Economic Cooperation. That post was intended to coordinate the operational activities of the UN as a whole, but its functions were restricted, and the post was abolished in 1992.

In 1994, the governing bodies of three UNDS entities—the UN Development Programme (“UNDP”), the UN Population Fund (“UNFPA”) and the UN Office for Project Services (“UNOPS”)—were replaced by a common Executive Board. While this and related reforms were intended to revitalize the role of the UNDS in economic and social development, the General Assembly resolution that established the responsibilities of each Executive Board, including the common Executive Board, only provided for each UNDS entity to operate within the overall policy guidance of the General Assembly and Economic and Social Council (“ECOSOC”). **These reform efforts were limited in that they did not seek to ensure that the UNDS operated effectively as a coherent group of organizations.**

Subsequently, the common Executive Board has held combined meetings at least three times annually addressing each of the UNDP, UNOPS and UNFPA. However, much of the agenda of those meetings considers each of the three UNDS entities individually, with the common segment of the agenda focusing on audit and ethics matters, and does not extend to tackling strategic issues of common concern. In addition, while the composition of the common Executive Board provides for the same members to be present, we understand that the representatives of those Member States may vary over the course of the meetings. This further diminishes the continuity and common understanding of topics being considered in respect of the three UNDS entities. The ambition of the reform was therefore not carried through by the legal formulation of the implementing document, nor the resulting limitations on the way that the Executive Boards saw and carried out their remit.

In 1997, the UN Secretary-General established a reform initiative based on the assumption that the UN’s external positioning in development required internal realignment. A number of organizational and technical reforms were proposed, which sought to establish greater unity of purpose and coherence of effort. The reform initiative advocated the creation of a new leadership and management structure, through the establishment of the UN Development Group (“UNDG”) and a consolidated Economic and Social Affairs sectoral group—constituted through the UN Department of Economic and Social Affairs (“DESA”)—to respectively coordinate development practice and overall policy. It also aimed to improve policy and program coherence through several technical operational reforms. These included: the establishment of the UN Development Assistance Framework (“UNDAF”), which sought to align the activities of UNDS funds and programmes to national priorities; and the resident coordinator system, which sought to further harmonize procedures, administrative processes and services.

Shortfalls in the preceding reform efforts led to a further reform push through the convening of the High-Level Panel on System-wide Coherence, which published its report in 2006.⁴ The principal contribution of this Panel was the “Delivering as One” initiative, which sought to achieve operational cohesion at the country level in place of systemic reform led by the headquarters. The Panel had proposed the establishment of three new institutions, to consolidate and drive the “Delivering as One” initiative at the centralized level. However, this was seen by some as weakening

⁴ Report of the High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment, 2006, UNGA A/61/583. Available at <http://daccess-ods.un.org/TMP/6840660.572052.html>.

existing UN institutions, including ECOSOC and the General Assembly, and the key governance proposals were consequently dropped.

An independent assessment conducted in 2012 considered the “Delivering as One” initiative to be a mixed success.⁵ While national ownership of UN development assistance was considered to have been improved, systemic fragmentation remained, as did competition for funding among UN entities. Other reviews of the initiative have also been critical, with some suggesting that benefits ascribed to “Delivering as One” were caused by other reforms already under way and that new planning tools had been implemented under “Delivering as One” without reconciling them with the existing ones.⁶

Historical reform processes have frequently aimed at high-level and aspirational objectives of increasing operational cohesion and integration. However, in many instances they have been less successful than hoped.

These historical reform processes have frequently aimed at high-level and aspirational objectives of increasing operational cohesion and integration. However, in many instances they have been less successful than hoped. In some cases they have been impeded by the legal formulation of implementing resolutions, in others, by the failure of governance structures to mediate between the competing demands of stakeholders. **These instances demonstrate a need to ensure any future reform is based on clear communication, including in the formulation of any legal documents and good governance.**

In 2014, ECOSOC initiated a dialogue on the longer-term positioning of the UNDS. This process is intended to tackle the challenges identified above, including the alignment of functions, funding practices, governance structures and organizational arrangements. The consultative process has included other relevant stakeholders in addition to Member States and has sought to bring together a wide range of views. It is within this context that the governance reform proposals discussed in this paper have been researched and formulated.

The review

This review focused on the way in which six specific funds and programmes and one other entity within the UNDS have been affected by the challenges outlined above. It also focused on how, from a governance perspective, the funds and programmes are positioned to respond to such challenges. Specifically, the review covered the UNDP, UNFPA, UNOPS, the UN Entity for Gender Equality and the Empowerment of Women (“UN Women”), the UN Children’s Fund (“UNICEF”), the World Food Programme (“WFP”) and the UN High Commissioner for Refugees (“UNHCR”). Interviews were undertaken with senior staff within those entities, representatives of UN Member States, as well as other UN experts and stakeholders. Their perspectives on the governance challenges facing the UNDS, and the ways in which to tackle them, were integrated into the findings of this report. The proposals outlined below also include some examples of good governance practices within UNDS entities that could be scaled up in order to address the challenges that are being faced.

These entities have been selected to epitomize a range of experiences within the UNDS. They represent the different ways the UNDS responds to development and humanitarian needs, spanning both normative and operational responses. They also exemplify the different ways in which organizational structures within the UNDS have been established and have evolved over time.

The findings outlined below build on the views of the interviewees and are, first and foremost, applicable to the seven entities discussed in this review. The discussions in the course of those interviews, however, suggest that the findings outlined are also

⁵ Evaluation Management Group, 2012, Independent Evaluation of Delivering as One. Available at <http://www.un.org/en/ga/deliveringasone/pdf/summaryreportweb.pdf>.

⁶ Müller, J., 2010, United Nations System Coordination: The Challenge of Working Together. Journal of International Organizations Studies (JIOS), 1. Available at <http://www.un-reform.net/challenge-of-working-together/article>.

Organizations that respond successfully to such challenges utilize several core governance principles that can help to inform the approach that the UNDS might seek to take.

The core governance principles which should underpin any proposed reform of the UNDS are as follows: first and foremost, the UNDS needs to identify the key components of, and then maintain, its “competitive advantage” as a central actor with a unique position in international development.

Second, each entity’s board must exert strategic leadership and oversight in order to identify and assert the competitive advantage of the UNDS as a whole, and of their own entity.

Third, the UNDS as a whole needs to function in a more coordinated, collaborative and mutually supportive way, including through a reduction in inter-organizational competition.

Fourth, the reform needs to be facilitated by an enabling environment in which the process of change is supported by a desire for change among employees of the UNDS, and mandated at the highest level within the UN.

applicable to the funds and programmes within the UNDS that did not form a direct part of this review.

It must be acknowledged that there are many other UN entities contributing to the UNDS that are not a core part of this review. Some of those, including the specialized agencies, have greater independence within the UNDS than the funds and programmes. The findings should, therefore, only be applied to those entities after consideration of their particular structure and context. The specialized agencies and the unique governance challenges related thereto would benefit from further consideration in their own right and may warrant separate study at a later date.

Drawing on core principles

The complexity of the UNDS reflects the historical context in which its constituent entities have evolved, in a painstaking navigation between political tensions and practical obstacles. The UNDS as a whole bears similarity to conglomerates in the private sector, in that while it consists of a number of different parts that are grouped together to form a whole, distinct entities with different interests, mandates and leadership remain. It may also be compared to the way governments often include an interrelated system of civil service departments, agencies and advisory bodies that compete for resources while ostensibly working toward the same goals. As the UNDS is a system (albeit a highly complex one) that is constituted by individual organizations, the challenges facing the system and each of the funds and programmes may also be informed by the way in which public and private sector entities address similar challenges.

Organizations that respond successfully to such challenges utilize several core governance principles that can help to inform the approach that the UNDS might seek to take. The recognition of these core principles and their relevance for the UN more generally, was supported by the senior UNDS staff, Member State representatives, UN experts and other stakeholders interviewed as part of this review. Therefore, the UN community should take note of these core principles when considering how to react to the changes in the development context the UNDS currently faces.

The core governance principles which should underpin any proposed reform of the UNDS are as follows: first and foremost, the UNDS should identify the key components of, and then maintain, its “competitive advantage” as a central actor with a unique position in international development. Second, each entity’s board must exert strategic leadership and oversight in order to identify and assert the competitive advantage of the UNDS as a whole and of their own entity. The governing bodies have the strategic responsibility for the system and should guide their respective entities through this challenging period of change. Third, the UNDS as a whole needs to function in a more coordinated, collaborative and mutually supportive way, including through a reduction in inter-organizational competition. The leadership and oversight needed for this reduction in inter-organizational competition could be exerted through the creation of a “super committee” that would sit above and help guide the coordination of the system as a whole. Fourth, the reform needs to be facilitated by an enabling environment in which the process of change is supported by a desire for change among employees and a clear mandate for change from the highest level of the UN.

Maintaining the UNDS’ competitive advantage

The provision of development assistance is an increasingly competitive market. The UNDS has begun to face increasing competition from many more efficient and effective development actors that have been expanding their operations, including NGOs, foundations, private sector entities and multi-stakeholder partnerships among them. Even more than this, mimicry of the private sector by entities within the UNDS

has led them to adopt many of the negative characteristics of the private sector, causing them to compete against each other for funding, leading to a “lowest common denominator” approach to defining and carrying out their mandates. This has eroded the unity of the UNDS, which underpins the entities’ own “competitive advantage.”

In the private sector, having a competitive advantage means that a company has an advantage over its competition which allows it to aggregate greater sales or retain more customers than its competition. Competitive advantage can be considered a consequence of several factors. These include:

- having low costs and high income, and therefore high efficiency in generating results for the costs expended;
- having a clear differentiation from competitors, with an area of activity or a capability that cannot be matched by others; and
- having a successful strategy focusing on an area of particular importance to clients or service recipients that cannot be offered by competitors.

Where an organization is working toward the public good, it may be thought to have a unique position of responsibility which is not subject to competition. In some instances, a public sector entity may have a monopoly position in the provision of a service, such as social security, which cannot be undertaken or matched by another provider. While that may be true of some areas of social assistance, it is demonstrable that the UNDS faces competition in several aspects of its mandates. This competition is not limited to the provision of development assistance, in which NGOs and private sector consultancies play an increasing role. It also includes the establishment of development standards, coordination of development activities and advocacy for development principles, in each of which specialized foundations, think tanks and NGOs are also prominent actors.

Organizations that fail to find and maintain a position of competitive advantage in their area of operations will, in the medium term, lose their funding base and the recipients of their services. In the long term, they will cease to have relevance or viability as an organization. Where there is competition among providers of a service, the organizations that succeed will be the ones that can find and maintain a preferential position.

Against this backdrop, the UNDS evidences a long-standing and clear advantage over its emerging competitors in certain respects. Primarily, it has a key role in setting the development agenda. Its role in formulating and guiding the adoption of the SDGs was the latest clear example of the UNDS working with the rest of the development community to establish benchmarks and norms. While other non-UN entities may influence standards, they do not have the unique position of representing Member States who can, together through the UNDS, influence and give effect to development policy and practice.

In order to protect its position within the development system, the UNDS should re-examine and re-engage in those areas where it has a unique role that cannot be matched by other development actors.

In order to protect its position within the development system, the UNDS should re-examine and re-engage in those areas where it has a unique role that cannot be matched by other development actors.

In the provision of development assistance, the UNDS has long been, and remains, the provider of last resort, and a vital resource for the most needy nations. Its role in assisting, in particular, the most vulnerable Member States is one that other providers of development assistance may not readily take on, especially if funding is not immediately available or if the country is inaccessible to organizations that are not already present. The UNDS’ breadth of expertise, split across many funds and programmes, and specialized agencies, and its geographical expanse means that it can frequently provide support to countries on a wide range of subject matters and

with rapid mobilization, when competitor organizations among the community of NGOs, for instance, cannot.

It is therefore suggested that:

1. The UNDS should work to **formally identify its areas of competitive advantage** in the provision of development assistance, leveraging its global reach and access, moral authority and ability to convene all stakeholders, including Member States. This may be done through a formal review of the areas in which it functions and an honest appraisal of those areas where other development actors are more efficient or effective. As a consequence, it may be decided that some activities of the UNDS do not support its unique position and therefore could be deprioritized. A high-level panel on UNDS capability and its governance should be formed to inform this process.
2. The UNDS should seek out ways in which it can **bolster its competitive advantage**. The UNDS should start by identifying these areas of advantage and ensuring that its activities clearly align with them. It could then progress to refocusing development efforts on those areas.
3. The UNDS should **establish a clear overriding mandate** for the system as a whole that is based on its determined competitive advantages. This would inform its internal governance structures.
4. The UNDS should **set out a clear structure in which the mandates for each of its constituent entities are delineated** within a clear overall mandate for the entire UNDS. This should define distinct roles, responsibilities and objectives for each of the entities, so as to maximize the development contribution of each individually and ensure that, as a whole, the UNDS is greater than the sum of its parts.
5. The UNDS should **institute a common Executive Board** that would guide and exercise strategic oversight for the system in its entirety. This could first be instituted as a way of extending, and reinvigorating, the model currently in place for UNDP, UNFPA and UNOPS, by ensuring that the Executive Board takes the opportunity to govern and coordinate the funds and programmes it oversees in a coherent and cohesive way. This could then be extended further to the other UNDS entities that formed the subject of this review—UNICEF, WFP, UN Women and UNHCR—and beyond.
6. **A common Executive Board would need to be empowered and supported** in governing and taking strategic decisions common to the system as a whole and its constituent entities. The current model provides that deliberations regarding each individual entity be undertaken by the single board but could be further strengthened through amendments to coordinate the systems and processes used by each entity. Suggestions include:
 - (a) coordinating preparation by each entity of consolidated operational priorities and plans, on the basis of an understanding of issues arising for the UNDS as a whole and individual entities;
 - (b) coordinating project formulation and implementation, so that mutually supportive activities are undertaken;
 - (c) ensuring that reporting systems and processes are aligned so that they can be easily compared; and
 - (d) ensuring that budgeting systems and processes are aligned so that common budgets with mutually supportive activities can be developed.

7. As a complement to the common Executive Board, and as a means of ensuring that strategic oversight is exercised over the UNDS on a coherent, system-wide basis, the **UNDS should consider instituting a UNDS “super committee”** consisting of representatives from each of the Executive Boards of the funds, programmes and agencies of the UNDS. This could be developed through a pilot phase, for the focused set of funds and programmes that form the subject of this review, save for UNHCR which has its own divergent governance structure. While an additional layer of governance is not optimal, the super committee could focus on issues of common importance to the entities of the UNDS, such as leadership, empowerment and inter-agency competition, and seek out ways of tackling these issues in a coordinated way. The super committee could also be mandated to focus on strategic issues and issues of oversight and governance common to the UNDS as a whole, thereby freeing up the space for strategy to be developed, debated and deployed at the Executive Boards. This could be particularly beneficial given the need for the common Executive Board to continue performing managerial and operational functions. The super committee would enshrine the concept of “agreeing to disagree,” and focus on building trust among Board Members via the process of setting strategy. The individual representatives of the super committee could be appointed on the basis of their interest, expertise and determination to contribute to the common success of the UNDS entities or could be elected by their respective Executive Boards, which would serve to foster accountability on the part of the super committee and its representatives. Linkages between the strategy-setting functions of this “super committee” and the ECOSOC should be further explored by Member States.

Boards exert strategic leadership and oversight

In times of extreme challenge to organizations, boards must anticipate and address those challenges. They must take ultimate responsibility for the success or failure of the organization. They form the only constitutive part of the organization that has the ability to make decisions affecting the operations without the constraints of being part of the direct operational management, with its associated personal affiliations. They are required to think in the broader interests of the organization, without self-interest. Accordingly, boards must have the mandate, responsibility and capability to take remedial action to preserve the organization’s position.

The most difficult problems for boards are those that arise gradually, and whose importance may therefore be concealed wittingly or unwittingly by senior management. In these instances, the board must form an agreement that a long series of minor challenges in fact evidences a significant challenge requiring their oversight and input. Forming such an agreement is key to mobilizing their collective power. The board must then contend with appropriately directing and influencing senior management to tackle the challenge.

In order to be effective in identifying and tackling challenges, boards must comprise highly engaged individuals. Their primary interest must be in the success of the entity. In a public sector context, that includes deprioritizing any political considerations. Those individuals should ideally possess all the capabilities and information required for them to understand the organization, its mandate and its context. The ability to form boards with these characteristics is strongly influenced by the method of selecting board members. Commonly used methods by which effective boards are constituted are outlined in Figure 1.

In order to be effective in identifying and tackling challenges, boards must comprise highly engaged individuals. Their primary interest must be in the success of the entity. In a public sector context, that includes deprioritizing any political considerations.

Figure 1: Methods to ensure boards are well constituted

- > A certain number of independent board members or advisers is appointed
- > All members are nominated based on qualifications that meet a minimum standard and, together, provide the board with an effective blend of skills
- > All members are nominated and appointed through a transparent process
- > It is made clear that it is a duty of the board members to act in the best interests of the organization as a whole
- > Diversity in board composition including with regards to gender, age, geographical, professional and educational background
- > Independent experts are used to manage the selection procedure

Some of these methods are already in use by UNDS entities. There are instances, however, where representatives on some Executive Boards may not have the experience and time necessary to devote sufficient energy to their obligations, particularly where they have a number of responsibilities as a government representative. On some occasions, the role of advising a UNDS entity is not a priority to a Member State, particularly when compared with pressing matters of state that need to be represented at the UN. This may result in some states delegating vital work with Executive Boards to more junior representatives, which can impair the effectiveness of the board.

Where boards lack the essential expertise necessary to make bold, reasoned strategic judgments, they need to be supported with individuals and bodies which have and can contribute the necessary capacity and skills. Various methods of providing support to boards are used in the public and private sector, outlined in Figure 2. If individual board members do not have either sufficient personal capability or sufficient support, it will be extremely difficult for them to make fully informed decisions, on a principled basis, on the future of the relevant organization.

Figure 2: Tools commonly used to support boards

- > The advice of specialized experts on technical issues
- > The use of special facilitators to lead, manage and intermediate discussions between board members on complex topics
- > The use of sub-committees of the board and management to address certain topics
- > A supporting secretariat with expertise in the subject matter of the organization
- > Briefings to board members in writing and in person on key topics for consideration
- > A single point of contact for communication from the board and senior management

Some of the methods of supporting boards summarized in Figure 2 are already utilized by the UNDS entities that formed the subject of this review. By way of example, several funds and programmes have established bureaus, which act as a sub-set of the board and have the role of facilitating interaction between the secretariat and the regional groups represented on the board. This method of

operating can enhance the effectiveness of the board without significantly diminishing the input of each regional group represented on the board.

It is suggested that:

1. Executive Boards should be **challenged to play a much more strategic role** in guiding and overseeing the activities of their organizations. Methods should be found for them to spend less time on operational details and more time on addressing strategic and long-term challenges.
2. Executive Boards should **commit to reducing the influence of the political priorities** of individual members on board performance.
3. Member States should **ensure that meetings of the Executive Boards are comprised of sufficiently engaged and empowered representatives**, so as to guarantee that they have the knowledge, experience and authority to guide the relevant UNDS entity.
4. Executive Boards should **consider using special facilitators** (whether from the entity's secretariat or externally appointed) to help them deliberate on strategic matters.
5. The **bureaus of the funds and programmes should be empowered to play a more vital role** with respect to strategy, decision making and oversight. This is particularly vital for those entities for which a common Executive Board is instituted, which would then require significant support in undertaking effective oversight.
6. UNDS entities should **adopt measures to find, support and retain members of the bureaus who are dedicated to furthering the work of the relevant UNDS entity**. Ways in which the bureaus could be strengthened include:
 - (a) lengthening the terms of office of members, so that the experience they gain can be harnessed;
 - (b) providing specific training to members on managing the views of the wider Executive Board and presenting an appropriately nuanced position; and
 - (c) reconsidering the way in which members are selected and appointed, a requirement that candidates have a demonstrated minimum standard of competence, experience and determination to lead the relevant entity. This might take account of the factors outlined in Figure 1 above.

If the board is not able to be constituted or supported in a way that gives them an ability to set the strategic direction of an organization, and guide it through its challenges, then an alternative must be found. One alternative is to place trust, confidence, power and moral authority in the senior management leader of the organization to develop the strategy and implementation of the operations. This type of model, which supports an "empowered chief executive officer," is similar to that in place at UNHCR. In that context, the Executive Committee is very large, and accordingly cannot act in the nimble, focused way required of a board in responding to challenges. This structure can be effective but relies on having a highly competent leader who has the vision, expertise, strength and independence to guide the organization.

In this context it is suggested that:

7. It should be considered **whether it would be appropriate to delegate more strategic and operational decision making to a single executive**. This may

only be appropriate where a suitable executive director can be identified, with the vision and skills to direct the entity. The decision of whether to make this structural change must be carefully considered as, once the change is made, it might be difficult to overturn those arrangements and return power to the Executive Board.

It is anathema to the functioning of an effective organization that there be direct competition between its constituent parts for the same revenue, clients and area of operation.

UN entities should not compete against one another

It is anathema to the functioning of an effective organization that there be direct competition between its constituent parts for the same revenue, clients and area of operation. All organizations, whether public or private, are constrained by the fact that resources are scarce. Therefore, they must confront the problem of how best to allocate their limited resources within the organization. This problem is particularly acute within systems like the UNDS that encompass multiple sub-groups, each of which must compete for scarce organizational resources, while at the same time coordinating and cooperating with each other to achieve broad system-wide goals. In this context, any breakdown in intra-organizational coordination can lead to adverse effects, including mission creep and overly defensive (and thus inefficient) hoarding of resources. They must all, therefore, confront the problem of how best to allocate their scarce resources within the organization.

Within the UNDS, overlap between individual entities' mandates provides the opportunity for them to compete for resources. Competition over available funding means that UN funds and programmes are given incentives to extend the interpretation of their mandates as far as possible to be eligible for more funding.

This issue is exacerbated by the lack of a vertical management structure that can force entities to coordinate on the most efficient division of fundraising and operation. The ability of Resident Coordinators to effectively coordinate members of the UNDS is currently reliant on the goodwill of UN entities transparently sharing information on their activities. Their attempts to coordinate UN activity are resisted when they are felt to be insufficiently experienced in the development context or to be a representative of a specific UN entity, which appears to be a commonly held view given that the Resident Coordinators sit within UNDP. The UNDAF, which provides a basis for determining the needs of a given country, does not provide a sufficient basis for planning efficient allocation of resources to the various UNDS funds and programmes.

The problem of mission creep and defensive protection of resources within a single organization is more acute in the public sector than in the private sector. Unlike in the private sector, where the funding available to a given sub-unit is often allocated in proportion to that sub-unit's productivity or profitability, in the public sector, such metrics are either non-existent or more difficult to measure.

Some principles of good governance are common in the public and private sector in managing competition between their constituent parts. First among these principles is the importance of setting out clear mandates or mission statements, through which any overlap between constituent bodies' responsibilities can be minimized and managed by those which oversee the organization or system as a whole.

The second core principle is the importance of putting in place effective tools that require and create incentives for collaboration. This can be done by encouraging parts of the organization to see, and be recognized for, the value they bring to the organization as a whole by "cross-selling" to service recipients the expertise that other parts of the organization can provide. In order to effectively collaborate, and to promote to service recipients the capabilities of other parts of the organization, a good understanding by staff of those capabilities needs to be developed.

The third core principle is the importance of asserting effective oversight by one body or entity over the way in which the system as a whole functions. This can include the central management of resources to ensure that they are distributed to the most appropriate and effective implementing body for a particular task.

It is suggested that:

1. **Incentives should be strengthened to recognize and reward coordination between entities**, with the performance of any individual fund or programme evaluated in part on the performance of the UNDS as a whole.
2. **Methods should be developed for UNDS staff to understand the capabilities of other UNDS entities**, their areas of work and their methods of operation. This would enable those staff to effectively “cross-sell” the development assistance of other funds and programmes. This could be supported, in part, through the establishment of a process of seconding or rotating senior level staff between UNDS funds and programmes.
3. Entities should refuse funding for activities outside their mandate and be **encouraged to “cross-sell”** the expertise of sister entities within the UNDS.
4. The **position of the Resident Coordinators within the UNDS should be reconsidered** to ensure they have the **resources, authority, legitimacy and support** necessary to effectively coordinate the work and strategy of each individual fund or programme at country level.
5. The **position of the Resident Coordinators and their authority** over all members of the UNDS (not just funds and programmes) **needs to be clearly stated and widely accepted**.
6. **Incidences where UNDS entities do not respond adequately to Resident Coordinators should be noted and highlighted**, and the consequences of those independent actions should be understood.
7. To enhance coordination to the maximum extent possible, **one entity could be empowered to manage the receipt of available funds and engagement of the most appropriate UN entities to undertake projects**. This could be managed through a higher-level body responsible solely for strategy. The body could be formed either through the revision of a current UNDS entity’s mandate, provided that it rescinded any existing responsibility for operations or programming or the creation of a new entity. This coordinating entity would be judged on the collective and individual performances of the entities it is coordinating and could be held accountable for failures in effective coordination. The judgment of how well the coordinating entity has performed would be made on the basis of assessments at the start of its tenure of the expectation or hope for growth of each of the UNDS entities it oversees. It would therefore be encouraged to ensure that constructive collaboration leads to an increase in resources available to the UNDS as a whole and to the effectiveness of UNDS entities.

Facilitation through an enabling environment

Any significant reform of the UNDS requires the cultivation and promotion of the right enabling environment. In particular, practices and concepts which embed good governance throughout an organization have been proven to enable effective, well-managed and transformative change. Such practices and concepts include: (i) the establishment of a clear tone from the top; (ii) transparent communication; (iii) accountability mechanisms, such as the balanced scorecard; (iv) evidentiary backing and education; and (v) adaptability. The application of these concepts and practices

has helped to create a supportive environment for good governance to flourish in the private sector.

For reform to take root in an organization, it needs to be asserted through the establishment of a clear tone from the very top of the organization. Leadership is required to establish firmly the reasons for reform, the terms of that reform and the methods by which it will be carried out. This is particularly important where the central organizational mandate is being reasserted and mandates of its constituent parts are being revised accordingly. In these circumstances, each part of the organization will require a transparent understanding of its position in the system as a whole. In the absence of transparent communication, organizations may feel their position is at risk and resort to protecting their budget and not engaging or collaborating with the rest of the system.

Leadership during a period of reform requires the establishment of accountability for failure to meet the new strategic direction. It may not be possible or desirable to terminate the employment of individuals who are perceived to be working in a less collaborative way, in part due to the fact that these issues are more difficult to measure. However, it is vital to find a way in which instances where individuals and organizations choose to resist the centralized change should be identified, highlighted and addressed. Similarly, instances where individuals positively adopt the reform process should be highlighted and praised.

One means of embedding this accountability is through a system called the balanced scorecard, in which employees are measured not only against financial or operational goals, but also their performance from three additional perspectives: (i) those of service recipients (customers, in the private sector); (ii) internal business processes; and (iii) learning and growth.

Through providing clear evidence of performance, accountability for compliance with the new strategic direction can be encouraged. One means of embedding this accountability is through a system called the balanced scorecard, in which employees are measured not only against financial or operational goals, but also on their performance from three additional perspectives: (i) those of service recipients (customers, in the private sector); (ii) internal business processes; and (iii) learning and growth. This method of assessment not only allows performance to be assessed, but also provides data and impetus for the furtherance of the objectives of the organization. This provides an opportunity to build a body of information on perceptions of individuals' performance and their willingness to contribute not only to their immediate UNDS entity, but also to the UNDS as a whole. Even if it is not desirable or possible to terminate an employee solely on the basis that they have worked against system coherence, there will be a basis for the reputation of that individual to be recognized by peers. This indirect, social approach to encouraging positive behavior may be particularly effective in the organizational network of the UNDS.

Reform needs to be supported by a desire for change at the operational level. If individuals within an organization do not believe in the need for reform and are skeptical of the principles underlying the reform process, they will resist its implementation. It is therefore vital that staff are educated and encouraged to see the purpose and basis of reform, so that changes in management and operational practices are not seen as dogmatic.

If reform can be shown to be aspirational and transformative, with an evidenced basis for the type of reform being undertaken, then it may be more readily understood and adopted than technical operational changes. **Thus, the detailed purpose and basis of reform needs to be clearly backed up by evidence and then transformed into a readily comprehensible message. That message needs to be distinguished from previous reform agendas, to inspire new action and to show the benefit of the reform process to the organization itself and to individual staff members.** It should indicate how funding and impact can increase for the organization itself and how financial rewards and employment opportunities can improve for staff. In the context of the UNDS, where recent reform efforts have

In the development context, where lives are often at stake, an aversion to acknowledging failure may hinder UNDS entities from taking on risks and making necessary and beneficial changes to strategy and operations.

focused on conforming operational standards, a different approach which indicates a new and more collaborative way of operating may appeal to staff.

The effectiveness of any proposed reform requires a culture of organizational adaptability to be embedded within the UNDS. Doing so will create an ability and willingness on the part of UNDS entities to be flexible to adapt to a changing context. It also requires that UNDS entities regularly and critically examine their own failures to learn from prior mistakes. In the development context, where lives are often at stake, an aversion to acknowledging failure may hinder UNDS entities from taking on risks and making necessary and beneficial changes to strategy and operations. Constructive dialogue on the nature and causes of “failure,” such as it may be defined in the development context, and the learning outcomes to be derived from such “failures” may be greatly beneficial within the UNDS. Such conversations should be regularly encouraged and institutionalized as part of an ongoing learning mechanism.

Methods for embedding adaptability include: engaging a wide range of staff in the process of formulating elements of reform, seeking their innovative ideas for forward-looking change and harnessing the energy from that process in implementing that reform. These activities need not be highly time and resource intensive, but could be done through targeted surveys and consultations online and in selected countries. Adaptability can also be embedded within an organization by fostering an open discussion of prior failures in the spirit of promoting helpful forms of risk-taking and innovation.

It is suggested that:

1. The UNDS should **distinguish any further reform from previous or existing reform processes**. This can be done by explaining the context of the proposed governance reforms, showing the particular nature of the challenges faced by the UNDS at present and describing how they differ from previous contexts. The reform itself can also be identified as different by showing how it is not aimed at technical operational conforming of processes and procedures, but a more fundamental re-alignment and restructuring of the governance of UNDS entities.
2. The UNDS should ensure that **reform is led by a strong tone from the top**. The reasons and means of reform needs to be clearly stated and disseminated, with an expectation being set that the reform will be carried out:
 - (a) at the very head of the UN by the Secretary-General; and
 - (b) by Executive Boards and executive directors or their equivalent of each UNDS entity.

Such messages must be sustained beyond the term of the existing individuals or Member States in each of these positions, so that the desire for strong and lasting cooperation is understood to be an effort aimed at sustaining the UNDS, and not merely a short-term initiative.

3. In order to satisfy, and gain the support of, individuals who require a clear evidence base, **the tone from the top needs to be supported by sufficient evidence** that reinforces the nature of reform being undertaken. This should include analysis about the challenges facing the UNDS together and its constituent entities alone, the types of reform to be undertaken and the way in which they will address the challenges and the basis on which the types of reform have been formulated—whether by reference to other organizations, successes within particular UNDS organizations or otherwise.

4. **Accountability needs to be injected throughout the UNDS**, including through balanced scorecards and the hinging of financial rewards and career progression on individual and wider entity performance.
5. **A culture of organizational adaptability needs to be embedded within the UNDS** to create an ability and willingness to be flexible to adapt to a changing context. This may be encouraged through engaging a wide range of staff in the process of formulating elements of reform, and seeking their innovative ideas for forward-looking change through efficient targeted surveys and consultations. The energy from that process could be harnessed by individuals with the expertise to identify the best ideas and drive implementation of that reform.
6. To encourage UNDS entities to acknowledge and learn from failure, **a Commission on Failure could be established**, with the mandate to (i) understand the nature and challenges of “failure” in the development context; (ii) promote open dialogue on the concept of “failure” within the UNDS; and (iii) promote learning from “failures” in the spirit of embedding adaptability into the UNDS. In order to foster open dialogue, this Commission would not operate as an accountability or appraisal mechanism through which specific individuals could be identified.
7. The UNDS should **seek out and inspire a desire for reform with staff at all levels in the organization through education** about the nature of the challenges faced by the UNDS, and the opportunities presented by cooperation.
8. The UNDS should **aspire to coordination and cooperation at a more strategic level**, rather than simple harmonization of operational standards. While technical reforms may be undertaken to enable more convenient and effective coordination and cooperation, any governance reform that is undertaken needs to be persistently linked back to the principal aim of reform—of identifying, asserting and maintaining the competitive advantage of the UNDS.

The remainder of this report provides the basis for, and expands upon, these core recommendations for the UNDS. With the proposals in this report, Member States and Executive Board representatives will have a basis for initiating direct discussions on the means to ensure the UNDS remains a crucial effective actor in international development.

Section 2 sets out key definitions and provides an overview of the UNDS and its governance. Section 3 outlines the challenges facing the UNDS in the changing landscape of development assistance. Section 4 narrates the history of previous efforts at reforming the governance of the UNDS. Section 5 offers insights into the unique complexity of the UNDS as compared to other private and public sector institutions. Section 6 sets out the scope and methodology of this review. Finally, Section 7 introduces, develops and elaborates upon the recommendations set forth above.

Section 2 The UN Development System

In this section, we set out the characteristics of the existing governance structure of the UNDS. We also outline the nature of the UNDS as a collective of certain UN entities. This helps to set the context for the way in which the entities in the UNDS under review currently function. It also helps to provide a basis for understanding how its entities interact with the current challenges faced in achieving the goals set for international development.

2.1 Governance in funds and programmes

Each entity within the UNDS possesses its own unique governance system. Funds, programmes, and specialized agencies have different governance structures and mechanisms, with different implications for their effectiveness and accountability. The dominant means of internal governance among the UNDS entities is either by Executive Board or Committee (for the funds and programmes) or by governing bodies (for the specialized agencies). Membership of Executive Boards and Committees (hereinafter referred to collectively as “Executive Boards”) and governing bodies may be apportioned by regional grouping, constituency grouping or a mixture of both.⁷

Funds and programmes are mandated to implement General Assembly resolutions and ECOSOC guidance and coordination. They are governed by Executive Boards that are subject to ECOSOC authority⁸

Each board has differing mandates on regular meetings, decision making, substantive agendas, sub-committees, membership and coordination. The UNDP Executive Board, for example, has a president and a secretariat, and is made up of 36 country members apportioned by regional grouping.⁹ It meets for three regular sessions and one annual session per year. It adopts decisions by consensus and is responsible for formally approving the country programmes developed through the UNDAF process.¹⁰ The UNDP Executive Board is jointly shared with UNFPA and UNOPS. In addition, the Executive Boards of UNDP, UNFPA, UNOPS, UNICEF, WFP and UN Women regularly hold joint informal meetings.

⁷ United Nations Department of Economic and Social Affairs (“DESA”) Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda. Background Note, Workshop 3 – Governance, p. 11-12. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_governance.pdf.

⁸ DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda. Background Note, Workshop 3 – Governance, p. 20. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_governance.pdf.

⁹ United Nations Development Programme, Members of the Executive Board. Available at http://www.undp.org/content/undp/en/home/operations/executive_board/membership.html.

¹⁰ DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda. Background Note, Workshop 3 – Governance, p. 21. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_governance.pdf.

The Executive Heads of funds and programmes are appointed by the UN Secretary-General following consultation with the relevant Executive Board, and are confirmed by the General Assembly.

Although there is significant variation in the composition and functioning of the various Executive Boards of the UNDS entities, they exhibit a number of common governance features, for example:

1. Executive Boards represent some fraction of the broader UN membership, and are composed according to principles of representativeness which may differ in specifics but are generally aimed at providing a balance of viewpoints reflective of international geopolitics, funding and other concerns.
2. Executive Boards are tasked with issues of strategy (such as the formulation and approval of Strategic Plans), funding (such as the setting of budgets—whether or not they cover non-core resources) and oversight (such as issues of performance management, reporting, accountability and investigations).
3. Senior management reports to the Executive Boards on a variety of aspects of the UNDS entity’s programming, such as country-level programming. Depending on the institutional culture of the UNDS entity in question, senior management may take on a more active or passive role in advising the Board or making recommendations on strategy or oversight.
4. Bureaus are used by a number of UNDS entities to aid the Executive Boards in their functions, including by serving as liaisons between the Boards and senior management.
5. Executive Boards use Audit Committees or other investigative mechanisms to oversee key aspects of programming, the expenditure of funds and to identify major challenges facing the entity.
6. Executive Boards use various types of performance metrics to assess the effectiveness of the UNDS entity’s programming.
7. Executive Boards exert limited influence over non-core funding, which may be more directly influenced by donor priorities. However, non-core funding may be indirectly influenced by Executive Boards via the setting of strategic priorities and the scrutiny of integrated budgets.
8. Informal and limited coordination exists across Executive Boards of the UNDS entities despite certain Members serving on a number of Boards simultaneously.
9. Nascent and burgeoning coordination exists across senior management teams of the UNDS entities, through the UNDG and Chief Executives Board (“CEB”). This process is ultimately headed by the Secretary-General, although there appears to be little actual accountability of the UNDG and the CEB to the Secretary-General, and the fact that the UNDG’s chairperson is the UNDP Administrator limits its legitimacy and effectiveness for other entities within the UNDS.

Executive Boards exert limited influence over non-core funding, which may be more directly influenced by donor priorities. Non-core funding may, however, be indirectly influenced by Executive Boards via the setting of strategic priorities and the scrutiny of integrated budgets.

2.2 Defining the UNDS

The UNDS occupies a special role in the international development system. Mandates of individual entities extend to providing a forum for dialogue, decision making and norm-setting, to research, advocacy, technical assistance and humanitarian aid. As the UNDS is constituted and supported by Member States, it can take a leading role in setting global development policy objectives, coordinating and advancing the approach taken by the international community. Its universality,

neutrality, broad mandate and the embodiment by it of the international system constituted by Member States are all features that mark the UNDS as unique.¹¹

The term “UNDS” encompasses all of the UN’s entities, efforts and activities that receive contributions for operational activities for development.¹² The UNDS comprises a complex network of country, regional and headquarters offices of UN funds, programmes, regional commissions and specialized agencies that are positioned throughout the UN system. Some fora have formed widely differing views as to the number of organizations constituting the UNDS.¹³ Some of its constituent members, such as the World Bank Group, have a separate staff system and independent governance. Its complexity reflects “a painstaking navigation between a series of political tensions and practical obstacles.”¹⁴

The institutions constituting the UNDS have evolved over time as the concept of development has expanded. Their subject-area mandates are vast, and encompass trade, the environment, population, housing, refugees, children, drugs and crime, women and gender, food, agriculture, HIV/AIDS, operations, aviation, labor, telecommunications, education, tourism, health and intellectual property.

Most of these entities are largely autonomous and self-governing, either through an Executive Board loosely accountable to the ECOSOC or through an internally-elected governing body. Ultimately, the entities are responsible to Member States through the General Assembly. At a more fundamental level, the entities are responsible to the citizens they serve, both those of donor countries, and those who directly or indirectly receive development assistance from the UNDS.

Country-level activities of the UNDS take place through the field offices of these entities. Country offices tend to focus on the development and implementation of projects, but can engage in any range of activities, from operational implementation of programming, to technical assistance and advice, to evaluation and monitoring. The country level is where the highest degree of integration of entities and organization has taken place.

Regional-level activities take place through the regional commissions and the regional offices of the funds, programmes and specialized agencies (which often provide technical capacity to help country offices develop and implement projects).¹⁵ Activities run out of headquarters include formulating policies, coordinating and supporting regional and country offices, conducting human resources and budget activities and participating in governance mechanisms.¹⁶

2.3 Defining “development” and the UNDS’ role

The responsibility of the UNDS to undertake “operational activities for development” has no agreed-upon definition. This mandate is considered by the UN to encompass the activities of UNDS entities which promote the sustainable development and

¹¹ Weinlich, S., 2011, Reform of the UN Development System: New Multilateralist Reform Coalition Needed. German Development Institute. Available at: https://www.die-gdi.de/uploads/media/BP_1.2011.pdf.

¹² This is the standard definition of UNDS, used by the United Nations Secretary-General, United Nations Development Group (“UNDG”), and DESA. See: UNDG, 2015, Functioning and Working Arrangements, Effective 1 January 2015, p. 4. Available at: https://undg.org/main/undg_document/undg-functioning-and-working-arrangements/; DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda. Background Note, Workshop 3 – Governance, p. 3. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_governance.pdf.

¹³ Wilton Park, 2010, The Future of the UN Development System, Conference Report. Available at: <http://www.futureun.org/media/archive1/reports/wp1033-report.pdf>.

¹⁴ Jenks, B. and Chandran, R., 2015, ECOSOC: Draft Paper on Organizational Arrangements, p. 9. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/ie_paper_oa.pdf.

¹⁵ Blanchfield, L., Congressional Research Service, 2011, U.N. System Development Assistance: Issues for Congress, p. 10. Available at: <https://www.fas.org/sgp/crs/row/R41949.pdf>.

¹⁶ Blanchfield, L., Congressional Research Service, 2011, U.N. System Development Assistance: Issues for Congress, p. 11. Available at: <https://www.fas.org/sgp/crs/row/R41949.pdf>.

welfare of developing countries in transition. This covers both longer-term development-related activities and those with a humanitarian assistance focus.¹⁷

Development activities have traditionally been conceptualized as covering economic and social issues, including health, education, agriculture, employment and job creation, entrepreneurship and micro-lending and migration.

Defining sustainable development, and what promotes it, is a large and evolving debate. While the idea of development began as a largely economic concept, it has since evolved to incorporate larger social, health, security and human rights goals. Since 1990, the UNDP has promoted a “human development approach,” and published the leading reports and indicators on development—the Human Development Reports and the Human Development Index (“HDI”). The HDI measures “a long and healthy life,” “knowledge,” and “a decent standard of living.”¹⁸ The UNDP currently describes human development as having the following seven dimensions:

1. long and healthy life;
2. knowledge;
3. decent standard of living;
4. participation in political and community life;
5. environmental sustainability;
6. human security and rights; and
7. gender equality.¹⁹

In 2000, the MDGs, made on the basis of commitments by world leaders at the UN Millennium Summit, set out a blueprint for national goal-setting on development.²⁰ The eight goals were: (i) the eradication of extreme poverty and hunger; (ii) the achievement of universal primary education; (iii) the promotion of gender equality and empowerment of women; (iv) the reduction of child mortality; (v) the improvement of maternal health; (vi) the combat of HIV/AIDS, malaria and other diseases; (vii) ensuring environmental sustainability; and (viii) the development of a partnership for development.²¹

In recent years, development goals have grown to encompass issues of good governance and rule of law as being integral to effective outcomes, as well as humanitarian assistance and crisis response (including resilience measures) as restoring and ensuring human, economic and social security. This shift is embodied in the recently defined concepts of development in the SDGs.²² The SDGs emphasize human development and environmental preservation by building on the MDGs, but being “more comprehensive and ambitious and closely interrelated.”²³

¹⁷ DESA, 2015, Technical note on definitions, sources and coverage, p. 1. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/technical_note_on_funding.pdf.

¹⁸ UNDP, Human Development Index (HDI). Available at: <http://hdr.undp.org/en/content/human-development-index-hdi>.

¹⁹ UNDP, About Human Development, Available at: <http://hdr.undp.org/en/humandev>.

²⁰ Chandran, R., 2015, Governance of the United Nations Development System., p. 5. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/ie_chandran_paper_governance.pdf; United Nations Millennium Development Goals, Background. Available at: <http://www.un.org/millenniumgoals/bkgd.shtml>.

²¹ UNDP, Millennium Development Goals. Available at: http://www.undp.org/content/undp/en/home/mdgoverview/mdg_goals/.

²² UNDP, United Nations Sustainable Development Agenda. Available at: <http://www.un.org/sustainabledevelopment/development-agenda/>.

²³ DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda, Phase 1: December 2014-May 2015, p. 1 (ECOSOC Phase 1). Available at: http://www.un.org/en/ecosoc/qcpr/pdf/ecosoc_dialogue_report_phase_i.pdf; see also UNDP, Post-2015 Sustainable Development Agenda. Available at: <http://www.undp.org/content/undp/en/home/mdgoverview/post-2015-development-agenda/>.

The SDGs set out a wide-reaching and ambitious agenda that covers:

- Goal 1: ending poverty in all its forms everywhere;
- Goal 2: ending hunger, achieving food security and improved nutrition and promoting sustainable agriculture;
- Goal 3: ensuring healthy lives and promoting well-being for all at all ages;
- Goal 4: ensuring inclusive and quality education for all and promoting lifelong learning;
- Goal 5: achieving gender equality and empowering all women and girls;
- Goal 6: ensuring access to water and sanitation for all;
- Goal 7: ensuring access to affordable, reliable, sustainable and modern energy for all;
- Goal 8: promoting inclusive and sustainable economic growth, employment and decent work for all;
- Goal 9: building resilient infrastructure, promoting sustainable industrialization and fostering innovation;
- Goal 10: reducing inequality within and among countries;
- Goal 11: making cities inclusive, safe, resilient and sustainable;
- Goal 12: ensuring sustainable consumption and production patterns;
- Goal 13: taking urgent action to combat climate change and its impacts;
- Goal 14: conserving and sustainably using the oceans, seas and marine resources;
- Goal 15: sustainably managing forests, combating desertification, halting and reversing land degradation and halting biodiversity loss;
- Goal 16: promoting just, peaceful and inclusive societies; and
- Goal 17: revitalizing the global partnership for sustainable development.

The SDGs add significant complexity to the development landscape. The 2030 Agenda adds many new, substantial challenges to the list of goals to tackle—challenges which require collective action from developed and developing countries, such as climate change and marine conservation. This alone will represent a significant “added mandate” for the global development actors. Moreover, the SDGs are universal in scope, and are meant to apply both to developed and developing countries and to all sectors within them. Given the fact that the UNDS entities’ operational footprint is skewed toward developing, middle-income and crisis countries, achieving these goals outside of those contexts (i.e. in the developed countries) will require action and resources from other, non-UNDS actors. Overall, the SDGs are intended to harness the collective efforts of many new actors outside of the traditional development landscape, notably, the private sector, and to leverage many diverse sources of funding to go from the “billions to trillions” needed to achieve its ambitious ends.²⁴ Given shrinking resources allocated to UNDS core budgets, slashed official development assistance budgets among the major donor countries and the rise of middle-income countries financing their own development aims, the funding landscape of global development will need to be calibrated to address these new funding needs.

Given shrinking resources allocated to UNDS core budgets, slashed official development assistance budgets among the major donor countries and the rise of middle-income countries financing their own development aims, the funding landscape of global development will need to be calibrated to address these new funding needs.

²⁴ See e.g. World Bank Group et al, 2015, From Billions to Trillions: MDB Contributions to Financing for Development. Available at: <http://www.worldbank.org/mdgs/documents/FfD-MDB-Contributions-July-13-2015.pdf>.

This significant broadening of the scope of development activity has led to institutions in the UNDS expanding their policy formulation and operational activities to ensure their continued relevance. The institutions have largely done so in an ad hoc way, each expanding their own activities in response to newer challenges and funding constraints.

Section 3 The challenge

In this section, we establish the principal challenges currently faced by actors in the global system of development: the evolution of goal-oriented development, increasing competition, funding challenges and new demands for transparency. The particular way in which they affect the entities in the UNDS is explored. Some of these challenges are not new, nor are efforts to tackle them (as is described further in Section 4). We seek here to explore how these issues have grown to an extent that creates an imperative for governance reform.

Significant changes are affecting the global system of development, its financing, presence and footprint, relationship to “non-traditional” actors such as the private sector and its adaptation to newer contexts of conflict and economic transition. These changes are resulting in several challenges to the way in which the UNDS manages its operations and interactions with stakeholders. Those challenges affect the UNDS as a whole and also manifest within the operations of individual funds and programmes.

These factors create an urgent imperative for the UNDS to consider how it can best identify and assert its place in the development system going forward. If the UNDS fails to respond adequately now, then its unique role in the development sector will not be assured in the long term. If the development sector were to lose the effective contribution of the UNDS, then that could be detrimental to global efforts to advance development.

3.1 System-wide challenges

The UNDS is impacted by a wealth of factors in the context and delivery of aid that challenge the way in which it has been operating. The nature of development is changing. It is simultaneously expanding into an increasing range of responses to need, driven most recently by the progression of the international development community from the MDGs to the SDGs, agreed upon in September 2015. The nature of development provision is also changing, with more entities actively working to advance development, new donors arising and established donors’ contributions not growing or being earmarked for use on initiatives prioritized by donors. As these changes take effect, the gap between the needs for funding and the amounts available to the UN to meet those needs is growing.

Arguably, these challenges are not new. They are merely the result of the latest adaptations to the development context, to which the UNDS has been constantly responding.

In its initial design, the UN system was set up on a decentralized basis, whereby each organization was supported by the Member States engaged in its area of work. UN entities therefore retained their own organizational autonomy, and were

The nature of development is changing. It is simultaneously expanding into an increasing range of responses to need, driven most recently by the progression of the international development community from the MDGs to the SDGs, agreed upon in September 2015.

responsive to their Member States rather than centralized management considerations.²⁵ Some consider this complex architecture of independently governed entities as being at the root of a legacy that beleaguers the UNDS today.²⁶

In the 1970s and much of the 1980s, the UNDS operated on the basis that countries would be pre-allocated resources on the basis of objective criteria. Under this model, UNDP responded to government requests for assistance, UNDS specialized agencies undertook the necessary assistance, and UNDP provided centralized funding for the work to be undertaken. In this structure, UNDP was cast as the “main financing, coordinating and controlling body for the UN’s operational development tasks.”²⁷

However, this model came under challenge over the course of the 1990s, and by 2000 there had been a transformation in the development context. This transformation affected the way in which the UNDS received its funding and the targets it had for its activities.

Core contributions to UNDP peaked in 1992, and since that time, there has been a substantial decline in core funding, together with substantial increases in non-core thematic funding.²⁸

In parallel with this funding trend, the mission for development cooperation was redefined, which culminated with the emergence of the MDGs as a common development agenda at the Millennium Summit in 2000. The change toward goal-orientation marked a significant shift away from the previous model of utilizing entitlements that were granted to agencies and countries. The method of programme implementation also changed, with specialized agencies moving away from direct implementation, to advising national governments on their own implementation of projects.²⁹

Over time, these changes led each fund and programme to attempt to prove their own individual comparative advantages, including with respect to the new development goals, and to access their own funding accordingly. These trends led to increased competition among UN entities as they each sought to share in the available funding.

It is within this context that the current challenges are situated. The emerging challenges described below represent risks that are present now, and that are expected to worsen in the near future. They are a development of trends that have been in existence for some time. It is at this stage that the challenges indicate that the UNDS’ method of operating is under threat and when new actors might arise to displace the UNDS from its predominant role in development.

3.2 The evolution of goal-oriented development

A major emerging challenge to the UNDS is the shifting nature of the situations to which development assistance is required to respond. Previously, the UN’s activities in development were primarily driven by the highly specific needs of a particular country in its own context, and addressed by the UNDS through a budget allocated by or through that country. The development system as a whole is now finding that it

Over time, these changes led each fund and programme to attempt to prove their own individual comparative advantages, including with respect to the new development goals, and to access their own funding accordingly. These trends led to increased competition among UN entities as they each sought to share in the available funding.

²⁵ Wennubst, P., and Mahn, T., 2013, A resolution for a quiet revolution: Taking the United Nations to Sustainable Development ‘Beyond Aid’. German Development Institute, p. 19. Available at: https://www.die-gdi.de/uploads/media/DP_22.2013_01.pdf.

²⁶ Wennubst, P., and Mahn, T., 2013, A resolution for a quiet revolution: Taking the United Nations to Sustainable Development ‘Beyond Aid’. German Development Institute, p. 18. Available at: https://www.die-gdi.de/uploads/media/DP_22.2013_01.pdf.

²⁷ Klingebiel, S., 1999, Effectiveness and Reform of the United Nations Development Program (UNDP). London/Portland, Oregon: Frank Cass p. 3.

²⁸ Jenks, B. and Chandran, R., 2015, ECOSOC: Draft Paper on Organizational Arrangements, p. 5. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/ie_paper_oa.pdf.

²⁹ Jenks, B. and Chandran, R., 2015, ECOSOC: Draft Paper on Organizational Arrangements, p. 5. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/ie_paper_oa.pdf.

needs to respond to more complex development issues, and to seek to tackle their consequences and the underlying causes of these issues.

These changing situations include climate change, resource scarcity, new economies and technologies, the growing importance of private actors,³⁰ globalization and interdependence, urbanization, the changing profile of poverty and rising inequality.³¹ These areas of development require a more holistic approach to development than might be addressed by specialized funds and programmes working on one subject matter, and require global responses that cross beyond country borders.

These new global development challenges are increasingly ones that require collective action³² and a means of engagement and implementation that constitutes a universal response.³³ In the specific case of climate change, efforts are being undertaken to tackle its effects, but the more complex and politically sensitive challenge of tackling its underlying causes have not been effectively taken up by the UN as a whole or the UNDS specifically. Reform to achieve these goals would require a significant overhaul and immense improvements in coordination of the UNDS.

These types of complex development issues exemplify the progression in goal-oriented development. They build on the approach set out in the MDGs, which had specified a targeted set of development goals and objectives.

This broadening of the development agenda is embodied in the SDGs, which include universal goals aimed at human development and preservation of the planet.³⁴ The intense consultations on the SDGs, led by the Member States themselves and facilitated by the UN, resulted in the formulation of 17 goals and 169 targets. The new development agenda is intended to be relevant for all nations, and not just developing ones. It signifies the growing interdependence of country, regional and global action, and the focus that will be placed on the undertaking of collective action. This is a considerable increase on the complexity of the MDGs, and it is not yet clear that the UNDS has adapted its operations to take account of this change.

Among some, it is perceived that these non-UN actors can be more efficient and effective, with focused expertise that can quickly and effectively be mobilized where it is needed.

3.3 Challenges to performance

The UNDS has begun to face increasing competition from the many more efficient and more effective competitors that have sprung up in recent years.³⁵ Those include NGOs, external foundations and private sector entities. Among some, it is perceived that these non-UN actors can be more efficient and effective, with focused expertise that can quickly and effectively be mobilized where it is needed. It is considered by some that, in each of its four global governance domains (setting technical

³⁰ Weinlich, S., 2011, Reform of the UN Development System: New Multilateralist Reform Coalition Needed. German Development Institute, p. 2. Available at: https://www.die-gdi.de/uploads/media/BP_1.2011.pdf.

³¹ DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda. Background Note, Workshop 1-Functions, p. 8. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_functions.pdf; Jenks, B. and Aklilu, B., Draft Discussion Paper on The Longer-term Positioning of the UN Development System in the Post-2015 Agenda, p. 1-2. Available at: http://esango.un.org/event/documents/ecosoc_dialogue_discussion_paper.pdf.

³² DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda, Background Note, Workshop 1-Functions, p. 8. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_functions.pdf.

³³ DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda, Background Note, Workshop 1-Functions, p. 8. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_functions.pdf.

³⁴ DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda, Background Note, Workshop 1-Functions, p. 8. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_functions.pdf.

³⁵ Weinlich, S., 2011, Reform of the UN Development System: New Multilateralist Reform Coalition Needed. German Development Institute, p. 2. Available at: https://www.die-gdi.de/uploads/media/BP_1.2011.pdf; Browne, S. and Weiss, T.G., 2012, Making change happen: enhancing the UN's contribution to development. World Federation of United Nations Associations/Ralph Bunche Institute, p. 8. Available at: <http://www.futureun.org/media/archive1/reports/Making-Change-Happen.pdf>.

standards, norm setting and cooperation, generation of data and technical assistance), the UNDS is being overtaken by these competitors.³⁶

Some countries perceive the UN as being an assistance provider of last resort. Those countries that are able to make use of support from the private sector or other service providers may therefore prefer to do so, in order to avoid the perceived stigma that comes with using the services of the UN. This trend is considered to be more prevalent among middle-income countries that have sought to emerge from development assistance.

This tendency must, however, be placed against the fact that the SDGs provide goals for all countries, including middle-income countries and developed countries. Together, these factors would tend to imply that the UN might play a diminishing role in development assistance, even as the scope of development activity under the SDGs becomes broader. If the UN is to retain a prominent role in development activity across all countries, including middle income countries, it will need to determine where it has a competitive advantage over other development actors. It will also need to determine what role it might play in supporting national efforts to monitor and report on Member States' efforts in the implementation of the SDGs, if it does not itself have a role in those development activities.

3.4 Challenges to funding

With the expanding nature of development assistance and the advancement of other development actors, described above, the gap between the needs for funding and the amounts available to the UNDS is growing. In parallel with this, government budgets in developed countries are shrinking. In this context, there is pressure on governments to reduce the funding they provide for development activities in general and for development activities in middle-income countries in particular. Therefore, while the UNDS is in need of greater funding than ever before, to meet the expectations of the SDGs, it is less able to rely on its traditional funding base.

Problems of financing include not just a lack of funding availability, but a lack of centralization and certainty. When donors cut funding, whether due to perceived underperformance by the UNDS or because the donors' budgets are shrinking, it is a shock. In an atmosphere of uncertain resources, UN entities can be driven to compete for funds to sustain their mandates, resulting in a combination of mission creep and defensive self-protection.³⁷

Another financing issue is the prevalence of earmarked funding, which is tied to particular projects, themes or initiatives, rather than being generally available for UN funds and programmes to use according to prevailing priorities.³⁸ Earmarked funding rose from 56 percent in 1998 to 75 percent in 2013. Predictability and flexibility of funding is necessary in order for entities to plan ahead and prioritize. The earmarking

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³⁶ Browne, S. and Weiss, T.G., 2012., Making change happen: enhancing the UN's contribution to development. World Federation of United Nations Associations/Ralph Bunche Institute, pp. 8-11. Available at: <http://www.futureun.org/media/archive1/reports/Making-Change-Happen.pdf>.

³⁷ Browne, S. and Weiss, T.G., 2012, Making change happen: enhancing the UN's contribution to development. World Federation of United Nations Associations/Ralph Bunche Institute, p. 8. Available at: <http://www.futureun.org/media/archive1/reports/Making-Change-Happen.pdf>.

³⁸ See generally, Browne, S. and Weiss, T.G., 2012, Making change happen: enhancing the UN's contribution to development. World Federation of United Nations Associations/Ralph Bunche Institute. Available at: <http://www.futureun.org/media/archive1/reports/Making-Change-Happen.pdf>; Browne, M.A., 2013, United Nations System Funding: Congressional Issues. Congressional Research Service.; Weinlich, S., 2011, Reform of the UN Development System: New Multilateralist Reform Coalition Needed. German Development Institute. Available at: https://www.die-gdi.de/uploads/media/BP_1_2011.pdf; Multi-Partner Trust Fund Office, 2015, Financing the UN Development System – Getting it right for a post-2015 world. Available at: <http://www.daghammarskjold.se/publication/financing-the-un-development-system-getting-it-right-for-a-post-2015-world/>; United Nations Development Group, 2015, ECOSOC Dialogue on the “longer-term position of the UN development system,” UNDG Perspectives on Funding. Available at: <https://undg.org/wp-content/uploads/2015/05/UNDG-Perspectives-on-Funding-20-April-2015.pdf>; Swiss Agency for Development and Cooperation, 2013, Reform of the United Nations Development System. Factsheet, p. 2. Available at: https://www.eda.admin.ch/content/dam/deza/en/documents/partnerschaften-auftraege/221671-reform-un-development-system_EN.pdf.

of funding to specific projects or areas of work constrains funds and programmes from doing so. Moreover, it undermines UN neutrality, by allowing donors to channel funds into specific causes and privilege particular parties and programmes over others.³⁹ It also leads to competition for resources among the funds and programmes that can lead to, or provide a justification for, mission creep among them.

3.5 Transparency

Coherent monitoring and evaluation of the UNDS' operational activities is required in order to enhance their effectiveness. Information on results from the entire UNDS remains difficult for donor and partner countries, and the recipients of development assistance, to obtain and understand. UN funds and programmes are considered by some to struggle to report on results and make insufficient use of standard indicators. This largely complicates the analysis of results from the field and the collection of global information on results achieved on specific themes.⁴⁰

The perceived lack of transparency is heightened by a focus of the UNDS on responding to the interests of Member States, to the detriment of effective reporting and responsiveness to communities.

Mechanisms such as the International Aid Transparency Initiative do exist to provide open information on the generation and expenditure of aid. However, little evidence exists as to the impact of these initiatives on the effectiveness of aid delivery.⁴¹ These mechanisms provide a way for data to be tagged in a consistent way, but they do not assist in transparent dissemination of that data. Other data platforms, however, do exist to provide this transparency to citizens and journalists.⁴²

Expenditure of aid is only one aspect of the information required for true transparency about the operations and impact of the UNDS. Similar opportunities exist for large pools of data about the context within which development takes place, the actual carrying out of development activity and the impact it has. Sometimes termed "big data," this wider pool of information can help to show how UNDS' activities are relevant and responsive to citizens. Until the UNDS is able to make effective use of these sources of data to transparently evidence its impact, the perception by citizens will remain that the UNDS lacks openness in its operations and, as a result, lacks accountability for its successes and failures.

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³⁹ Weinlich, S., 2011, Reform of the UN Development System: New Multilateralist Reform Coalition Needed. German Development Institute, p. 2. Available at: <https://www.die-gdi.de/en/briefing-paper/article/reform-of-the-un-development-system-new-multilateralist-reform-coalition-needed/>.

⁴⁰ Swiss Agency for Development and Cooperation, 2013, Reform of the United Nations Development System. Factsheet, p. 2. Available at: https://www.eda.admin.ch/content/dam/deza/en/documents/partnerschaften-auftraege/221671-reform-un-development-system_EN.pdf.

⁴¹ McGee, R., and Gaventa, J., 2011, Shifting Power? Assessing the Impact of Transparency and Accountability Initiatives. Institute of Development Studies, 383, p. 16. Available at: <https://www.ids.ac.uk/files/dmfile/Wp383.pdf>.

⁴² Development Tracker. Available at: <http://devtracker.dfid.gov.uk/>; OpenAid Search. Available at: <http://www.openaidsearch.org/>; AidData 3.0. Available at: <http://aiddata.org/>.

Section 4 Previous efforts at governance reform

In this section, we look back at the historical efforts within the UN to reform the UNDS. This helps to understand how the UNDS organizes itself at present, and also how it seeks to coordinate and cooperate within countries. We had to become conversant with these past initiatives in order to appreciate the activities that had been undertaken and assess both where they had succeeded and where they had fallen short. This provides a backdrop for understanding how future governance reforms might be implemented in order to be effective.

The challenges described above demand a clear response. In the face of such challenges, arguably, it is not sufficient for the UNDS simply to believe that the UN will naturally adapt to the new context, or that the trends that have given rise to the challenges will reverse. Positive action is required.

The UNDS has undertaken several initiatives to tackle its governance challenges in the past. Many of the recent initiatives have focused at an operational level of bringing together entities within the UNDS to better serve developing countries and communities, rather than looking at the broad positioning of the UNDS to respond to its existential challenges.

While some reform processes have been couched in terms of creating a coordinated purpose and activity within the UNDS, the method of seeking to do so has focused on operational reforms, which have met with varying degrees of acceptance and success.

Prior initiatives have sought to ensure that strategic responses to challenges are appropriately formulated and led, both at a holistic, system-wide level and within individual funds and programmes. While some reform processes have been couched in terms of creating a coordinated purpose and activity within the UNDS, the method of seeking to do so has focused on operational reforms, which have met with varying degrees of acceptance and success.

Much of the focus of reform in the UNDS in the 1960s and 1970s was on achieving a greater sense of cohesion and direction among UN entities. These reviews focused on the need for integrated planning and rational resource allocation,⁴³ clarity of objectives,⁴⁴ clear development objectives,⁴⁵ strong methodology in programming techniques, an integrated long term approach to development planning⁴⁶ and a need for a better overall direction led by a decision making authority.⁴⁷

These reviews resulted in the convening of a Group of Experts on Restructuring in 1975 which aimed to make the UN system “fully capable of dealing with problems

⁴³ United Nations, 1966, Report of the Ad Hoc Committee of Experts to examine the finances of the UN and the specialized agencies. Available at: <http://apps.who.int/iris/handle/10665/91181>.

⁴⁴ United Nations, 1969, Report of the Enlarged Committee on Program Coordination. Available at: <http://www.worldlii.org/int/other/UNGA/1969/91.pdf>.

⁴⁵ Report of the Commission on International Development (“Pearson Report”), 1978. Available at: <http://unesdoc.unesco.org/images/0005/000567/056743eo.pdf>.

⁴⁶ See UN Joint Inspection Unit, 1985, Some Reflections on Reform of the United Nations, (the “Bertrand Report”), p. 10. Available at: <http://unesdoc.unesco.org/images/0007/000732/073282eo.pdf>.

⁴⁷ United Nations, 1969, A Study of the Capacity of the United Nations Development System.

of international economic co-operation in a comprehensive manner.”⁴⁸ The culmination of this process resulted in many proposals of which the only one to be implemented was the institution of a Director-General for Development and International Economic Cooperation. This post was abolished in 1992, having had its coordinating functions primarily restricted to those developed by the Secretariat, rather than the operational activities on the UN system as a whole. The impact of this reform was therefore limited.⁴⁹

Yet more recent reform was undertaken in the 1990s, which again aimed at strengthening coordination within the UNDS.

In 1994, the governing bodies of three UNDS entities—UNDP, UNFPA and the UNOPS—were replaced by a common Executive Board. While the reform this action formed a part of was intended to revitalize the role of the UNDS in economic and social development, the General Assembly resolution that established the responsibilities of each Executive Board, including the common Executive Board, only provided for each UNDS entity to operate within the overall policy guidance of the General Assembly and ECOSOC. No mention was made at that stage of the common Executive Board, or any individual Executive Board of other UNDS entities, making a concerted effort to ensure that the UNDS operated effectively as a coherent group of organizations.

Subsequently, the common Executive Board has held combined meetings at least three times annually addressing each of UNDP, UNOPS and UNFPA. However, much of the agenda of those meetings considers the three UNDS entities individually, and the common segment of the agenda focuses on audit and ethics matters and does not extend to tackling strategic issues of common concern. In addition, while the composition of the common Executive Board provides for the same members to be present, the representatives of those Member States may vary over the course of the meetings. This further diminishes the continuity and common understanding of topics being considered in respect of the three UNDS entities. The ambition of the reform was therefore not carried through by the legal formulation of the implementing document, nor the consequential limitations on the way that the Executive Boards saw and carried out their remit.

In 1997, the UN Secretary-General's reform initiative was based on the assumption that the UN's external positioning in development required an internal realignment to take place.⁵⁰ His agenda focused on better management and coordination across the UN system, as well as stronger human rights promotion and peacekeeping operations. The reform stressed the links between peace and security, poverty reduction, sustainable human development and the promotion and respect for human rights.

This reform effort involved significant changes to the organization and management of UN secretariat programmes in three main ways:

1. The DESA was created and the role of the UN Human Rights Center was transferred to the Office of the UN High Commissioner for Human Rights.
2. The reforms assigned almost all of the UN entities to one of four new departments within the UN secretariat: (i) peace and security, (ii) economic and social affairs, (iii) sustainable development and (iv) humanitarian issues/human rights.

⁴⁸ Resolution adopted by the General Assembly, 1974, A/RES/29/3343. Available at: <http://www.un-documents.net/a29r3343.htm>.

⁴⁹ DESA Office for ECOSOC Support and Coordination, 2015, ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda, Background Note, Workshop 3 – Governance, 8 May 2015. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/desa_paper_governance.pdf.

⁵⁰ Jenks, B. and Chandran, R., 2015, ECOSOC: Draft Paper on Organizational Arrangements, p. 6. Available at: http://www.un.org/en/ecosoc/qcpr/pdf/ie_paper_oa.pdf.

3. A Senior Management Group (“SMG”) was created, which comprised the heads of the four new departments and several selected senior staff members. The SMG’s objective was to ensure strategic coherence and direction in the UN’s work. The reforms also sought to improve the UN General Assembly system, by reducing the volume of official meetings and documents to enable smaller Member States to play a meaningful role in the General Assembly and ECOSOC’s activities.

Lastly, in his 1997 reform efforts, the UN Secretary-General sought to create new institutional bodies. The International Criminal Court was established, and the process started to create a Human Rights Council to replace the Commission on Human Rights.

Through this process, the UNDG and the Economic and Social Affairs Group were established, which respectively coordinated development practice and overall policy. The UNDG included an Executive Committee comprising the heads of the major funds and programmes, which has subsequently been replaced by an Advisory Group which comprises Assistant Secretary-General level representatives.

In addition to these organizational reforms, a number of technical reforms were proposed, which sought to establish a culture of a greater unity of purpose, coherence of effort and capacity to respond by the UN entities.

In response to the UN Secretary-General’s call for the UN to articulate a coherent vision and strategy for a unified approach toward common development goals at the country level, he adopted the Common Country Assessment (“CCA”) and the UNDAF as strategic planning tools for the UN system. UN Country Teams (“UNCT”) create CCAs and UNDAFs as the first steps to developing country programmes and projects supported by UN entities. Guidelines for their preparation were first issued in April 1999, and have since been revised. The use of common instruments and tools has played an important role in UNCT efforts to improve country-level coherence.

The CCA document provides the rationale for UN operations in the country at issue. It is primarily an analysis of national priorities, needs and steps remaining for the implementation of UN Declarations and Conventions. The CCA draws on national monitoring and analytical processes, assessments such as the national human development reports and reports prepared in compliance with international treaties. The CCA’s goal is to obviate the need for macro-country analyses by individual UN entities as part of their preparations for country programmes and projects. The assessment often forms the basis for UNDAFs or other common country programming documents.

Empirical evidence indicates that the CCA is not a one-size-fits-all solution; rather, it is of mixed utility in certain contexts. On occasion, certain UNCTs have had to abandon usage of the CCA tool due to external pressures from both donors and countries where funds and programmes are active, who see the CCA as duplicative, high in transaction costs and UN-centered. A number of countries, particularly those which have undertaken an active role in their national development planning, have already developed their own planning frameworks that are tailored to their national context and priorities. In these contexts, where the UNCT is expected to play a more supportive role in aid of building national planning capacity, the CCA is perceived as undermining the principle of national ownership. Consequently, UNCTs have preferred to engage in national processes rather than risk marginalization or exclusion from development programming in-country.⁵¹ While this choice allows UNCTs to tailor their processes and activities to the preferences of countries where

⁵¹ UNDG, 2006, UN Programming Common Country Assessment and Alternatives: Early Country Experiences – Synthesis Report – Programming without a CCA. Available at: https://undg.org/wp-content/uploads/2015/08/UN_Programming_CCA_and_alternative-early_country_experiences.doc.

funds and programmes are active, uneven adoption of the CCA tool at the country level potentially frustrates centralized planning at the headquarters or UNDG level.

The UNDAF is based on the CCA's analysis and is the next step to prepare for UN system country programs and projects of cooperation. The UNDAF is a program document, which forms an agreement between a government and the UNCT that describes the UN's actions and strategies to help achieve national development.

Countries that have followed the traditional UNDAF process include Bosnia and Herzegovina (2010-2014) and the former Yugoslav Republic of Macedonia (2010-2015). A new generation of UNDAFs has emerged from upper to middle-income countries, which have requested the UN to work more in partnership with them, as opposed to solely receiving development assistance from the UN. These countries include Serbia, Turkey and the Ukraine.

Ultimately, the UNDAF should result in a greater synergy and sharper focus of UN programs and projects and increased opportunities for joint initiatives and programs. This will allow the country to make more efficient use of available UN resources. It will also create a mechanism to monitor and evaluate the UN's effectiveness. Furthermore, the UNDAF seeks to integrate governance issues into development cooperation and create a greater long-term impact of the UN system in terms of domestic capacity and sustainability of results.

Various sources and interviewees critiqued the usefulness of both the UNDAF and CCA to countries where funds and programmes are active. Empirical reviews of the UNDAF tool have noted several issues around successful implementation of the tool.⁵² For example, it has been found that the quality of the UNDAFs is constrained by a lack of high-level support and incentives to UNCTs to invest in the planning process. Additionally, evidence has shown that in many cases, despite the high cost of producing UNDAFs (in terms of staff time, meetings and other resources), UNDS entities returned to undertaking the same activities at the conclusion of the process, meaning that the overall quality of UN programming and the amount of joint programming was not significantly impacted. The UNDAF cannot adequately address issues of intra-agency competition or defensive resource protection, nor has it, in many cases, dealt with comparative advantage or the positioning of the UNCT vis-à-vis outside actors or competitor organizations. While the UNDAF has been more successful in bringing together certain entities (in particular, the entities within the scope of this review), it has had mixed success in fostering coordination between these entities and the specialized agencies. In many cases, government ownership over the process can be uneven (as has been noted with the rollout of the CCA tool), and the tool in itself obscures important regional dimensions of development.⁵³

Shortfalls in the preceding reform efforts led to renewed energy to reform the UNDS, through the convening of the High Level Panel on System-wide Coherence, which published its report in 2006. The principal contribution of this Panel was the "Delivering as One" initiative, which sought to achieve operational cohesion at the country level in place of systemic reform led from the headquarters.⁵⁴ The Panel had proposed the establishment of three new institutions to consolidate and drive the "Delivering as One" programme at the centralized level. However, this was seen by

⁵² See e.g. Overseas Development Institute, 2006, Review of the Role and Quality of the United Nations Development Assistance Frameworks (UNDAFs). Available at: https://undg.org/wp-content/uploads/2015/07/Review_of_the_Role_and_Quality_of_UNDAFs.pdf.

⁵³ Overseas Development Institute, 2006, Review of the Role and Quality of the United Nations Development Assistance Frameworks (UNDAFs). Available at: https://undg.org/wp-content/uploads/2015/07/Review_of_the_Role_and_Quality_of_UNDAFs.pdf.

⁵⁴ United Nations General Assembly, 2006, Note by the Secretary-General: Follow-up to the outcome of the Millennium Summit, Sixty-first session, Agenda item 113. Available at: <http://www.un.org/ga/61/issues/admin.shtml>.

some as weakening existing UN institutions, including ECOSOC and the General Assembly, and the key governance proposals were therefore dropped.⁵⁵

The “Delivering as One” initiative was considered by the UN’s independent assessment as having had mixed success.⁵⁶ While national ownership of UN development assistance was considered to have been improved, fragmentation remained, and competition for funding did not decrease. Other reviews of the initiative have been even less positive, with any benefits thought to have arisen from reforms already under way, independent from “Delivering as One,” and with new planning tools having been implemented without reconciling them with the existing tools.⁵⁷

These historical reform processes have therefore frequently aimed at high level and aspirational objectives of increasing operational cohesion and integration. However, they have been less successful than hoped in many instances. In some cases, they have been impeded by the legal drafting of implementing resolutions, and in others by failures in governance to mediate between the competing demands of stakeholders. These indicate a need to ensure any future reform evidences excellent communication, including in formulation of any legal documents, and good governance.

Another key instrument in considering any proposed reform of the UNDS is the Quadrennial Comprehensive Policy Review (“QCPR”). The QCPR, instituted in 2008, is the primary mechanism by which Member States, through the General Assembly, review the performance of, and provide policy directions to, the UNDS entities. It replaced the earlier Triennial Comprehensive Policy Review process, which began in 1980. To aid the Member States in their review of UNDS programming, the Secretary-General reports to the General Assembly on the implementation of existing policy directions over the previous four-year cycle. The Secretary-General’s reports also provide detailed information on programming, funding and expenditures. Based on this reporting, the General Assembly issues a resolution outlining new policy directives for the following cycle.

The QCPR is, at best, a blunt tool for addressing the governance challenges facing the UNDS. It is true that the QCPR process has introduced a measure of transparency into UNDS operations through the process of reporting to the General Assembly. However, it has had mixed success in fostering a more coordinated approach among the UNDS entities. In theory, all UNDS entities which report to the General Assembly must implement the policy directives of the QCPR. In practice, however, many UNDS entities do not meaningfully alter their programming or operations in response to each set of directions from the Member States.

In 2014, ECOSOC convened a dialogue on the longer-term positioning of the UNDS.⁵⁸ This is intended to tackle the themes outlined in all of the challenges identified above, including the alignment of functions, funding, governance and organizational arrangements. The consultative progress has been inclusive of Member States and other relevant stakeholders, and has sought to bring together a wide range of views.

It is within this context that the proposals for reform in this report are presented. They are not intended to be definitive of the way in which the UNDS might address its challenges, nor is it expected that any such reforms might provide solutions as

⁵⁵ Müller, J., 2010, United Nations System Coordination: The Challenge of Working Together. *Journal of International Organizations Studies (JIOS)*, 1. Available at <http://www.un-reform.net/challenge-of-working-together/article>.

⁵⁶ United Nations, 2012, Independent Evaluation of Delivering As One. Available at: <http://www.un.org/en/ga/deliveringasone/pdf/summaryreportweb.pdf>.

⁵⁷ Müller, J., 2010, United Nations System Coordination: The Challenge of Working Together. *Journal of International Organizations Studies (JIOS)*, 1. Available at <http://www.un-reform.net/challenge-of-working-together/article>.

⁵⁸ Resolution of ECOSOC, 2014/14. Available at: http://www.un.org/ga/search/view_doc.asp?symbol=E/RES/2014/14.

Good governance, management and oversight...have the potential to reap greater rewards in improved coordination and effectiveness of the funds and programmes under review.

the development context further evolves in the future. It does, however, recognize that many of the reforms that have been implemented are in the nature of harmonizing operational practices within the funds and programmes, and do not focus on methods and means of management, governance and oversight either at an organizational or a systemic level. Most of the operational changes have, to date, resulted in a proliferation of new administrative tools rather than truly harmonizing and streamlining practices from the bottom-up at the UNDS entities. Good governance, management and oversight, on the other hand, have the potential to reap greater rewards in improved coordination and effectiveness of the funds and programmes under review. The following recommendations have been formulated in that context.

Section 5 The complexity of the UNDS

In this section, we consider the complexity of the UNDS. Although it is a complex organizational system, the UNDS has characteristics in common with public and private sector organizations. This section identifies those similarities, so that the relevance of reforms in other contexts can better be understood and appreciated. While not all private sector characteristics can be directly applied to the UNDS, this section considers the extent to which the UNDS can fruitfully refer to effective organizations in other sectors in order to improve its own governance.

5.1 The UNDS as an organization

The UNDS is an organization of great complexity and occupies a unique position in the international development sector. The UNDS is not a formally constituted body. However, it is a recognizable group of related entities. It comprises an interconnected network of country, regional and headquarters offices of UN funds and programmes, regional commissions and specialized agencies that are positioned throughout the UN system. It is also formally recognized, with a standard definition shared by the UN Secretary-General, UNDG and DESA.⁵⁹ It is likewise recognized by individuals and organizations outside the UN system that the UN's development activities are undertaken by the entities in the UNDS, and that they have a level of interrelation that makes it a collective organization.

The complexity of the UNDS reflects the historical context in which its constituent entities were established and through which they have evolved, in a painstaking navigation between political tensions and practical obstacles. Despite the relative independence of some of its component parts, they act and are perceived by others under the single banner of the UN.

5.2 Public and private sector characteristics of the UNDS

Numerous aspects of the UNDS mirror features of private sector organizations. In the provision of development assistance—whether in tangible form (such as food, shelter or infrastructure) or in an intangible form (such as technical assistance or advisory services)—the UNDS resembles private sector enterprises which supply products or services to an end-user, the customer. In the case of the UNDS, this “customer” may either be a government or an individual beneficiary of programming. Both UNDS entities and private sector organizations make use of various tools to collect information about the needs of their customers and beneficiaries, tailor products and services to meet these needs and seek to deliver those products and services in the most cost-effective manner, relative to their competitors. Both incorporate

The complexity of the UNDS reflects the historical context in which its constituent entities were established and through which they have evolved, in a painstaking navigation between political tensions and practical obstacles. Despite the relative independence of some of its component parts, they act and are perceived by others under the single banner of the UN.

⁵⁹ See Section 2.2.

accountability mechanisms, such as feedback mechanisms or “customer service,” into their modes of operation in order to improve on the level of service provided to the customer or beneficiary. Both make certain categories of information about their operations and management publicly available in order to foster informed decision making on the part of investors, donors, customers or beneficiaries.

Increasingly, UNDS entities are forced into competition for resources with other traditional and non-traditional actors in the development landscape, just as private companies must compete for funds from investors and customers.

From a governance standpoint, the UNDS has adopted board structures for many of its entities which substantially parallel the form and function of corporate boards in the private sector. And just as the UNDS must adapt to a changing development landscape, particularly in light of the ambitious and transformational SDGs, private sector actors must continually adapt and refine their mission, products and marketing to changing market conditions and customers’ demands.

In the provision of public goods, such as the setting of technical standards and normative frameworks, the UNDS perhaps better resembles the public sector, particularly in that it combines technical expertise with political concerns to arrive at workable norms applicable to its constituencies. The UNDS also resembles the public sector in so far as it is required to navigate sensitive operational and political concerns, such as the balance of diplomacy, development and defense. Lastly, the UNDS is ultimately accountable to the Member States of the UN, much like the relationship that exists between the public sector and the wider electorate or citizenry.

The UNDS as a whole also has certain structural similarities to conglomerates or partnerships in the private sector. In its entirety, the UNDS consists of a variety of different constituent parts that are grouped together, while remaining distinct entities with different interests, mandates and leadership. In private sector conglomerates, which are a similar collection of distinct and independent entities gathered under one umbrella, reform must take place through a mixture of hierarchical models and consensus, similar to the UNDS reform efforts canvassed in Section 4 above. The UNDS may also be compared with the interrelated system of civil service departments, governmental agencies and service providers, and quasi non-governmental advisory bodies, some of which may be under separate leadership; and wherein there may be conflicts over resources, while still working toward the aims of a single government. As the UNDS is an organization, albeit one that is highly complex, and is constituted by individual organizations, the challenges facing the system and each of the funds and programmes may also be informed by the way in which public and private sector entities address similar challenges.

5.3 Recognizing the limits of private sector approaches

Within the UN, the UNDS has a unique position and character in the formulation of effective policies and the coordination and execution of development activities. In responding to its challenges, the UNDS has a responsibility to maintain the characteristics established in the UN Charter pursuant to which the UNDS was established.

The preamble to the UN Charter provides that the peoples of the UN seek to “promote social progress and better standards of life in larger freedom.” While the Charter does not specify the responsibility of ECOSOC or any of the specialized agencies to the Member States or individual citizens, it does make clear that each such institution is expected to fulfil its mandate with respect to international responsibilities, as defined in their basic instruments, in “economic, social, cultural, educational, health, and related matters.” It is therefore fair to assert that each member of the UNDS cannot subvert its fundamental purpose of improving the

condition of citizens around the world, and that each such member must remain responsive to the Member States that formed and sustained them.

It is recognized that any fundamental shifting of the structures and institutions that comprise the UNDS could be highly disruptive and have the potential of further diminishing levels of collaboration between the constituent members of the UNDS. It is also recognized that any reform that is undertaken must reflect the wishes of the Member States, and therefore can be slow and cumbersome, as well as politically contentious.

In addition, improperly applying certain private sector approaches such as unfettered competition to the UNDS—something which arguably has happened to a certain extent already—would undoubtedly result in a greater expansion or adaptation of individual entities' mandates without constraint, as well as more intense direct competition within the UNDS. The likely consequence of such a development would be that some entities within the UNDS would become redundant and ultimately would cease to exist.

Even with the ability to compete as the private sector does in an unconstrained way, it is unlikely that entities within the UNDS could successfully out-compete the private sector itself. The latter has the advantage of being agile, able to adapt and change its organizational form quickly, able to work alongside and through government and being less constrained by the need within the UN to respond to Member States. Even under certain private sector approaches, UN entities may therefore find that they are challenged in maintaining their role.

Acting more like the private sector would also require entities in the UNDS to be entirely responsive to their clients, that is, the citizens and Member States that require the development assistance that the UNDS provides, rather than the donors that are paying for the assistance to be undertaken. While this arrangement might be beneficial in the long term, it is not reflective of the way in which the UNDS is established, and adapting institutional systems and the mentality of staff to reflect this approach would likely be highly disruptive.

This report is therefore not intended to suggest that the UNDS should change its methods of operating to appear or act exactly as a private sector entity would. Instead, we recommend that the UNDS remain true to its origins and responsibilities by maintaining the key aspects of its public sector approach. The UNDS should bolster its role as a key and trusted advisor to Member State governments when needed, and should continue to serve as the development responder of last resort. So that it may respond effectively to the challenges it faces, the UNDS should take note of the experience of successful public and private sector institutions which have confronted similar governance challenges, and adapt elements of effective practice in a way that is appropriate to the UN system.

This report is therefore not intended to suggest that the UNDS should change its methods of operating to appear or act exactly as a private sector entity would. Instead, we recommend that the UNDS remain true to its origins and responsibilities by maintaining the key aspects of its public sector approach.

Section 6 The review

In this section, we describe the way in which the review was undertaken with a focus on certain entities within the UNDS. In addition, we outline the way in which those entities were selected, in an effort to represent some of the breadth of the UNDS and highlight examples of common and unique means by which some governance challenges are tackled.

6.1 Focusing the review

This review focused on the way in which six specific funds and programmes and one other entity within the UNDS have been affected by the challenges outlined in Section 3, and how they are positioned to respond to them. The entities in question are the UNDP, UNFPA, UNOPS, UN Women, UNICEF, WFP and UNHCR. Due to the breadth and complexity of the UNDS, not all of the funds, programmes, commissions and specialized agencies could be reviewed in detail.

These entities have been selected to present a range of experiences within the UNDS. They present the different ways the UNDS responds to development and humanitarian need, spanning both normative and operational responses. They also present different ways in which organizational structures of entities in the UNDS have been established and have evolved over time.

6.2 Choice of UNDS entities

The entities which are the focus of the review are:

1. The UNDP, which is one of the oldest and largest funds and programmes in the UNDS. It has been selected to form part of the review because of its central role in the provision by the UN of development assistance. This core role is exemplified by the fact that the UNDP Resident Representatives frequently also serve as the UN system's Resident Coordinator, with the role of coordinating all UN institutions to meet a particular country's needs. UNDP previously had a central role in the coordination of UN activities but, more recently, has adapted to undertaking development activity through direct programming.
2. UNICEF, which is the oldest of the funds and programmes under review. It was selected for this review as its role in the UNDS exemplifies the shift that has taken place in UN institutions' mandates as the global context has changed. UNICEF was first established to respond to children's suffering in the aftermath of World War II; however, its mandate was then expanded to address societal ills that cause suffering among children worldwide. Its role includes setting the policy agenda for protecting the rights of children, and undertaking programmes to advance that agenda.
3. The Office of the UNHCR, which has a unique governance structure and a humanitarian mandate which is subject to significant pressure at present. Whereas the UNHCR has an Executive Committee, which is similarly named

to the senior decision making body of the other entities in the review, its composition is very different. It comprises the majority of the Member States of the UN, and therefore much of the power that might otherwise rest with that body is devolved to the High Commissioner. Increasing numbers of protracted crises are causing people to be displaced within or beyond the borders of their home country. The UNHCR is therefore increasingly relevant, but also significantly constrained by the fact that the funds available to it are insufficient to meet its needs.

4. The WFP, which provides a useful example of a fund or programme that has a very clear and simple mandate: to provide food aid, with the ultimate objective being to eradicate hunger and poverty. As its mandate covers the provision of food aid to meet both humanitarian and development needs, the WFP is impacted in the same way as the UNHCR by the growth in protracted crises and resulting funding shortfalls.
5. The UNFPA, which is focused on sexual and reproductive health, provides an example of a fund or programme that has evolved from another entity (in this case, the UNDP). It has undertaken successive processes of restructuring, both in terms of decentralization to become more field-centered, efficient and strategic, and in terms of streamlining to better focus its operations and mandate. It shares an Executive Board with UNDP and UNOPS, and therefore provides a basis for exploring the impact of common governance structures.
6. UN Women, which is important for gaining a nuanced understanding of the governance of the UNDS in several respects. First, it provides a very recent and rare example of an entity which has been formed from integration of other entities within the UN system. Second, it combines operational functions with the role of setting norms, and not just policy, on gender. Third, it is a composite entity rather than being a fund and programme. Oversight for its normative functions is provided by the General Assembly, ECOSOC and the Commission on the Status of Women; oversight for its operational functions is provided by an Executive Board, ECOSOC and the General Assembly.
7. The UNOPS, which was selected owing to its role in undertaking operations to implement projects for the UNDS. It provides another example of an institution that has grown out of UNDP. It therefore has a core function which is common to many of the operations and, in its role at the intersection of other funds and programmes, is able to illustrate the way they operate together.

6.3 Methodology of the review

For this review, interviews were undertaken with senior staff within each of the selected UNDS entities and representatives of UN Member States, as well as UN experts and other stakeholders. We also reviewed literature on governance principles from the public and private sectors, and organizational, strategic, evaluative and financial documentation for each of the UNDS entities. These perspectives on the challenges facing the UNDS, and ways in which to tackle them, were integrated into the findings of this report. The proposals formed by this report therefore include some examples of good practices within UNDS entities that could be utilized more extensively and consistently and, through this usage, help to alleviate the challenges that the UNDS is facing.

The views of the interviewees suggest that the findings outlined in the report can also be applied equally to funds and programmes within the UNDS that did not form a direct part of this review. It must be acknowledged, however, that there are many

In any process of implementing these proposals, a concerted effort could be made for them to be applied not just in one UN entity, but in a broader group of entities that can support one another and showcase the benefits of effective cooperation.

other UN agencies that contribute to the UN development system that are not a core part of this review. Some of those, including the specialized agencies, have greater independence within the UNDS than the funds and programmes. The findings outlined below therefore should only be applied to those entities after due consideration of their particular nature and context.

The findings outlined in the report build on the views of the interviewees and are first and foremost applicable to the seven entities focused on in this review. In any process of implementing these proposals, a concerted effort could be made for them to be applied not just in one UN entity, but in a broader group of entities that can support one another and showcase the benefits of effective cooperation.

Section 7 Drawing on core principles

In this section, we identify and discuss each of the four core principles that can be observed in well governed organizations. Their applicability to the UNDS is assessed critically, and instances where they are already implemented by some or all of the UNDS entities under review are recognized. In light of the assessment of the existing application of these core principles, we have formulated recommendations for consideration by the UNDS and its constituent entities in the reform of their governance.

7.1 Responding to challenges

The challenges faced by the UNDS are neither unique to it nor to the development system generally. These challenges are representative of matters which many organizations face as they adapt to changing contexts. Common elements which impact organizations globally include “the growing internationalization of organizations, the fragmentation of value chains, the creeping increase in knowledge workers, the demands [of] civil society...the diffusion of sources of knowledge production and innovation, the increasingly networked nature of multinational organizations, the increasing need for risk management...and the role of information and telecommunication technologies in networking.”⁶⁰

Organizations that respond successfully to the challenges they face identify and adhere to several consistent core principles.

Organizations that respond successfully to the challenges they face identify and adhere to several consistent core principles. Our review has identified four such core principles which can serve as the basis for governance reform of a complex organization such as the UNDS. These core principles, set out below, were supported by the senior UNDS staff, representatives of Member States, and other UN experts and stakeholders who were interviewed as part of this review. The UNDS should therefore take note of these core principles when considering how it should react to the changes in the development context it currently faces.

It is recognized that the UNDS is a unique organizational arrangement, with particular complexity and challenges that are not shared by any other organizations. Methods and models used by one organization may not be equally applicable to the UNDS, and those used by the private sector may be particularly challenging when translated to development organizations.⁶¹ This report avoids recommending specific models for the UNDS for that very reason. The models that are described below are derived from instances where an organization or organizational system has experienced a challenge analogous with those faced by the UNDS. The responses to the challenges that have been identified are therefore instructive, but may not always be directly applicable to the UNDS.

⁶⁰ de Meyer, A., 2009, Collaborative leadership, University of Cambridge Judge Institute of Management. Available at: https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/workingpapers/wp0905.pdf, p. 5.

⁶¹ McFarlan, F.W., 1999, Don't Assume the Shoe Fits. Harvard Business Review. Available at <https://hbr.org/1999/11/dont-assume-the-shoe-fits>.

The challenges faced by the UNDS are fundamental to the existence of the system in its current form. While each fund and programme can take action to preserve its operations, the impact of those actions will be maximized only if they are coordinated among the funds and programmes. The recommendations are therefore made for consideration both by individual UNDS entities and at a systemic level.

The action required

Four core principles, which should inform the UNDS approach to governance reform, underline the recommendations in the following sections. First, to protect its position, the UNDS needs first and foremost to **identify the key components of, and then maintain, its “competitive advantage”** as a central actor with a unique position in international development. Second, each UNDS entity’s **board must exert strategic leadership and oversight**, in order to identify and assert the competitive advantage of the UNDS as a whole, and of their own entity. The governing bodies have the strategic responsibility for the system, and should guide their respective entities through this challenging period of change. Third, the UNDS as a whole needs to **function in a more coordinated, collaborative and mutually supportive way, including through a reduction in inter-organizational competition**. Such leadership and oversight could be exerted through the creation of a “super committee” that would sit above and help guide the coordination of the system as a whole. Finally, the reform needs to be **facilitated by an enabling environment** in which the process of change is supported by a desire for change among employees and a clear mandate for change from the highest level of the UN.

7.2 Maintaining competitive advantage

The provision of development assistance is an increasingly competitive market. The UNDS has begun to face increasing competition from many more efficient and effective development actors that have established and expanded their operations. These include NGOs, foundations, private sector entities and multi-stakeholder partnerships among them, the latter of which pose their own governance challenges given the differing mandates, competencies and organizational governance of each party to the partnership. Even more than this, the mimicry of the private sector by entities within the UNDS and the botched application of certain characteristics of the private sector has led to them competing against one another for funding, leading to a “lowest common denominator” approach to defining and carrying out their mandates. This has eroded the coherence of the UNDS, which underpins its own competitive advantage.

Against this backdrop, the UNDS evidences a long-standing and clear advantage over its emerging competitors in certain respects. It has a key role in setting the development agenda. Its role in formulating and guiding the adoption of the SDGs was the latest example of the UNDS establishing benchmarks and norms that are looked to by the rest of the development community. While other non-UN entities may set standards, they do not have the unique position of representing and being constituted by Member States who can, together through the UNDS, influence and give effect to development policy and practice.

Having a competitive advantage can be considered a consequence of several factors. These include: having low costs and high income and therefore high efficiency in generating results for the costs expended; having a clear differentiation from competitors, with an area of activity or a capability that cannot be matched by others; or having a successful strategy focusing on an area of particular importance to clients or service recipients that cannot be offered by competitors.⁶² Some types of

The mimicry of the private sector by entities within the UNDS and the botched application of certain characteristics of the private sector has led to them competing against one another for funding, leading to a “lowest common denominator” approach to defining and carrying out their mandates.

⁶² Porter, M., 2008, *Competitive Advantage: Creating and Sustaining Superior Performance*. Simon and Schuster p. 11-15.

competitive advantage may flow from market factors such as economies of scale where the organization's size allows it to absorb high operating costs, and economies of scope where the breadth of the organization's offering wards off competitors and allows it to exploit internal synergies. Still others are rooted in ways of working, whether vertically integrated or non-integrated, business models and processes.⁶³ By exploiting linkages between various activities involved in the organization's value chain and those of its suppliers and logistical channels, an organization can create competitive advantage, optimizing or coordinating these links to the outside.⁶⁴ A joint strategy based on competitive advantage can be developed for various entities within an umbrella organization by identifying the interrelationships among existing entities; selecting the core activities that will be the foundation of the overall strategy; creating horizontal mechanisms to facilitate interrelationships among entities; pursuing opportunities for entities to undertake shared activities; and facilitating transfers of skills.⁶⁵

One may not instinctively think that organizations in the public sector can evidence a competitive advantage. Where an organization is undertaking something in the public good, it may be thought to have a unique position of responsibility which is not subject to competition. In some instances, a public sector entity may have a monopoly position in the provision of a service, such as social security, which cannot be undertaken or matched by another provider. While that may be true of some areas of social assistance, it is demonstrable that the UNDS faces competition in several aspects of its mandates. This encompasses not only the provision of development assistance, in which NGOs and private sector consultancies take an increasing role. It also includes the establishment of development standards, coordination of development activities and advocacy for development principles, in which specialized foundations, think tanks and NGOs play an increasingly important role.

Organizations that fail to find and maintain a position of competitive advantage in their area of operations will, in the medium term, lose their funding base and the recipients of their services. In the long term, they will cease to have relevance or viability as an organization. Where there is competition among providers of a service, the organizations that succeed will be the ones that can find and maintain a preferential position that their competitors cannot.

Clearly defining and focusing on those areas of operation where the UN has a competitive advantage—policy formulation and development assistance—may be done through a formal process of market-based learning and benchmarking the UN against other performers,⁶⁶ or by profile deviation in which the characteristics of the top performers in a certain field are identified.⁶⁷ The UN might most readily determine its areas of competitive advantage by contrasting its characteristics with its private sector and not-for-profit competitors. Undertaken in a comprehensive way, an assessment of this sort may help the UNDS to identify where it could focus its activities and maintain its position as the preferred provider of development assistance.

In the provision of development assistance, the UNDS has long been and remains the provider of last resort and a vital resource for the most needy nations. Its role in assisting all Member States, particularly those that are most vulnerable, is one that

⁶³ Christensen, C., 2001, The Past and Future of Competitive Advantage, MIT Sloan Management Review, 42, p. 109. Available at: <http://sloanreview.mit.edu/article/the-past-and-future-of-competitive-advantage/>.

⁶⁴ Porter, M. and Millar, V., 1985, How Information Gives You Competitive Advantage, Harvard Business Review. Available at: <https://hbr.org/1985/07/how-information-gives-you-competitive-advantage>.

⁶⁵ Porter, M., 1996, From Competitive Advantage to Corporate Strategy, Harvard Business Review. Available at: <https://hbr.org/1987/05/from-competitive-advantage-to-corporate-strategy>.

⁶⁶ Vorhies, D. and Morgan, N., 2005, Benchmarking Marketing Capabilities for Sustainable Competitive Advantage. Journal of Marketing, 69, 80. Available at: <http://journals.ama.org/doi/abs/10.1509/jmkg.69.1.80.55505>.

⁶⁷ Hunt, S. and Arnett, D., 2004, Market Segmentation Strategy, Competitive Advantage, and Public Policy: Grounding Segmentation Strategy in Resource-Advantage Theory. Australasian Marketing Journal, 12, p. 19. Available at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.199.3118&rep=rep1&type=pdf>.

other providers of development assistance may not readily take on, especially if funding is not readily available or if the country is not accessible to organizations that are not already in situ. The UNDS' breadth of expertise split across many funds and programmes, and specialized agencies, and its geographical expanse means that it can frequently provide support to countries on a wide range of subject matters and with rapid mobilization, when competitor organizations cannot.

In the public sector, two key approaches are noted to mitigate against organizations expanding their operations beyond their mission statements and coming into competition. It is suggested that each organization should have a narrow, achievable mission statement with clear parameters, which is to be reviewed regularly.⁶⁸ They should also ensure that compliance with the mission statement is monitored by a higher body. To a certain extent, this sort of coordinated, principled establishment of operational mandates already exists within the UNDS, in which each individual entity, and then the UNDS as a whole, is required to review and align results frameworks and priorities with the SDGs once they are adopted.⁶⁹ However, this does not suffice. Solely aligning work with the SDGs makes apparent the duplication of efforts across the UNDS, but does not reduce it. In addition to this review process to ensure that the frameworks and priorities are relevant, it is necessary for the UNDS to ensure that overlap and the potential for conflict between the operations and responsibilities of funds and programmes is minimized.

In order to protect its position within the development system, the UNDS can re-examine and re-engage with those areas where it has a unique role that cannot be matched by other development actors. It can use this as a basis for reaffirming its overall mandate, and the individual mandates of UNDS entities that contribute as a collective group to that overall goal.

It is therefore suggested that:

1. The UNDS should work to **formally identify its areas of competitive advantage** in the provision of development assistance, leveraging its global reach and access, moral authority and ability to convene all stakeholders, including Member States. This may be done through a formal review of the areas in which it functions and an honest appraisal of those areas where other development actors are more efficient or effective. As a consequence, it may be decided that some activities of the UNDS do not support its unique position and therefore could be deprioritized. A high-level panel on UNDS capability and its governance should be formed to inform this process.
2. The UNDS should seek out ways in which it can **bolster its competitive advantage**. The UNDS should start by identifying these areas of advantage and ensuring that its activities clearly align with them. It could then progress to refocusing development efforts on those areas.
3. The UNDS should **establish a clear overriding mandate** for the system as a whole, based on its determined competitive advantages. This would inform its internal governance structures.
4. The UNDS should **set out a clear structure in which the mandates for each of its constituent entities are delineated** within a clear overall mandate for the entire UNDS. This should define distinct roles, responsibilities and objectives for each of the entities in order to maximize the development

In order to protect its position within the development system, the UNDS can re-examine and re-engage with those areas where it has a unique role that cannot be matched by other development actors.

⁶⁸ Maxwell Locke & Ritter, 2012, How to avoid mission creep. Available at: <http://www.mlrpc.com/articles/how-to-avoid-mission-creep>.

⁶⁹ United Nations System Chief Executives Board for Coordination, 2014, Making the UN System "Fit for Purpose" in Supporting Member States to Achieve Sustainable Development at the Country Level, UNDG Options Paper, 24 April 2014, at p. 7. Available at: https://undg.org/main/undg_document/undg-options-paper-fit-for-purpose/.

contribution of each individually and to ensure that as a whole the UNDS is greater than the sum of its parts.

5. The UNDS should **institute a common Executive Board** that would guide and exercise strategic oversight for the system in its entirety. This could first be instituted as a way of extending and reinvigorating the model currently in place for UNDP, UNFPA and UNOPS, by ensuring that the Executive Board takes the opportunity to coordinate the funds and programmes it oversees in a coherent and cohesive way. This could then be extended further to the other UNDS entities that formed the subject of this review, and other UNDS entities, as its benefits are perceived.
6. **A common Executive Board would need to be empowered and supported** in taking strategic decisions common to the system as a whole and its constituent entities. The current model provides for deliberations regarding each individual entity to be undertaken by the single board, but could be further strengthened through amendments to coordinate the systems and processes used by each entity, such as:
 - (a) coordinating preparation by each entity of consolidated operational priorities and plans, on the basis of an understanding of issues arising for the UNDS as a whole and individual entities;
 - (b) coordinating project formulation and implementation so that mutually supportive activities are undertaken;
 - (c) ensuring that reporting systems and processes are aligned so that they can be easily compared; and
 - (d) ensuring that budgeting systems and processes are aligned so that common budgets with mutually supportive activities can be developed.
7. As a complement to the common Executive Board and as a means of ensuring that strategic oversight is exercised over the UNDS on a coherent, system-wide basis, the **UNDS should consider instituting a UNDS “super committee”** consisting of representatives from each of the Executive Boards of the funds, programmes and agencies of the UNDS. While an additional layer of governance is not optimal, the super committee could focus on issues of common importance to the entities of the UNDS, such as leadership, empowerment and inter-agency competition, and seek out ways of tackling these issues in a coordinated way. The super committee could also be mandated to focus on strategic issues and issues of oversight and governance common to the UNDS as a whole, freeing up the space for strategy to be developed, debated and deployed at the Executive Boards. This could be particularly beneficial given the need for the common Executive Board to continue performing managerial and operational functions. The super committee would enshrine the concept of “agreeing to disagree” and focus on building trust amongst its members via the process of setting strategy. The individual representatives of the super committee could be appointed on the basis of their interest, expertise and determination to contribute to the common success of the UNDS entities (as further discussed below) or could be elected by their respective Executive Boards, which would serve to foster accountability on the part of the super committee and its representatives. Linkages between the strategy-setting functions of this “super committee” and the ECOSOC should be further explored by Member States.

7.3 Exerting strategic leadership and oversight

The circumstances facing the UNDS at present are characterized by challenge. In the private sector context and in many successful public sector entities, the principal responsibility of responding to challenges is held by the board of directors or board of governors. Therefore, in considering how the UNDS might respond to the challenges it faces, it is important to understand the role and form that a board might take.

In times of extreme challenge to organizations, boards must step up to anticipate and address those challenges. They must take ultimate responsibility for the success or failure of the organization. They form the only constitutive part of the organization that has the ability to make decisions affecting operations without the constraints of being part of the direct operational management with its associated personal affiliations. They are required to think in the broader interests of the organization without self-interest.

The role of boards at these times of great stress is to look into the future and to make decisive choices for the entity that will likely determine its level of success in responding to challenges and, through that, its fate overall. Accordingly, boards must have the mandate, responsibility and capability to take remedial action to preserve the organization's position.

In order to be impactful, boards need to take a proactive, forward-looking approach to identifying and responding to challenges and not be focused on the minutiae of management. Boards of public and private sector organizations are expected to know of problems that might affect their organizations and to act upon that knowledge swiftly. In the past, it might have been deemed sufficient that a board respond to a major crisis within three days.⁷⁰ The ubiquity and immediacy of public knowledge of challenges now means that a public response is expected within hours or minutes of a crisis occurring.⁷¹ In the UNDS context, this will require that Executive Boards have sufficient visibility into non-core expenditures in order to assess their contributions toward the strategic objectives.

Equally, the Executive Boards within each fund and programme have overall responsibility for identifying and responding to the challenges currently faced by the UNDS. From its position of oversight over the relevant fund and programme, an Executive Board has a prime position to influence the direction in which the institution is moving and to inspire a particular response to a significant challenge. Indeed, the influence of Executive Boards extends to non-core funding, by virtue of their oversight with respect to strategy documents and integrated budgets. While the management team of a fund and programme will give effect to the operational responses to address the challenge, it is the Executive Board with its higher level overview of the operations that has the ability and responsibility to look ahead and to direct the management team in taking prompt remedial action.

The failure of a board to respond effectively to crisis can affect both the company and the board members themselves. Lawsuits have been brought by shareholders against board members who are believed to have failed to exercise their fiduciary duties to oversee management.⁷²

The most difficult problems for the board are those that arise gradually and whose importance may therefore be concealed wittingly or unwittingly by senior

The role of boards at these times of great stress is to look into the future, and to make decisive choices for the entity that will likely determine its level of success in responding to challenges and, through that, its fate overall.

⁷⁰ This was the time period within which Johnson & Johnson responded to a crisis in which Tylenol bottles were tampered with and laced with cyanide in Chicago, causing the deaths of seven people. Department of Defense. Crisis Communication Strategies. Available at:

<http://www.ou.edu/deptcomm/dodjcc/groups/02C2/Johnson%20&%20Johnson.htm>.

⁷¹ Temin, D., 2014, The Role of the Board in Crisis, *Forbes*. Available at: <http://www.forbes.com/sites/daviatemin/2014/10/08/the-role-of-boards-in-crisis-10-steps-for-directors-before-during-and-after-crisis/#2a614164dca3>.

⁷² New York Times, 2014, G.M.'s Board Is Seen as Slow in Reacting to Safety Crisis. Available at: http://www.nytimes.com/2014/09/08/business/gms-board-is-seen-as-slow-in-reacting-to-safety-crisis.html?_r=0.

management.⁷³ In these instances, the board must form an agreement that a long series of minor challenges in fact evidences a significant challenge requiring their oversight and input. Forming such an agreement is key to mobilizing their collective power.⁷⁴ The board must then contend with appropriately directing and influencing senior management to tackle the challenge.

Crises which require immediate attention by a board fall into four categories:⁷⁵

1. Gradual emergence, external origin: These might involve economic downturns or the emergence of competitive threats, such as breakthrough technologies, new go-to-market strategies, alliances of major competitors or regulatory changes that limit business practices or expand competition.
2. Gradual emergence, internal origin: Examples range from strategic mistakes (such as a poorly conceived merger) to failed product launches, the loss of key talent to competitors and employee discrimination suits.
3. Abrupt emergence, external origin: Some of the most obvious examples are natural disasters, terrorist attacks and product tampering.
4. Abrupt emergence, internal origin: This can include the sudden death or resignation of one or more key executives, failure of critical technology, production or delivery systems or the discovery of fraud.

While the challenges to the UNDS might be considered to be of gradual emergence, they are apparent to the UNDS as a whole and to members of the boards. They therefore cannot be considered to be problems that have been concealed or which are unknown. Since the challenges are known, and are demonstrably significant, it should be possible for the Executive Boards to form an agreement that the challenges demand the mobilization of their collective power.

The most obvious change in board operations in times of crisis is the significant increase in time commitment required from the board in order to study various issues and reports and also attend special board meetings. Additionally, in a crisis, there is likely to be a change in the relationship between the board and the chief executive officer. Rather than just asking penetrating questions, the board members become the prime decision makers, directing the operations of the business directly.⁷⁶ In order to be able to do so, the board may: (i) seek the advice of legal and other specialized experts; (ii) appoint a crisis committee; (iii) appoint a single point of contact for communication; (iv) communicate swiftly and openly with all stakeholders; and (v) monitor operational progress and intervene where necessary.⁷⁷

In common with the UNDS Executive Boards, directors on boards in the private sector frequently have several positions on boards of different companies and competing time commitments. Therefore, when a challenge arises, they may require support in understanding the issues at hand and may need to devote more time to exercising their oversight and high level management functions. As with the private sector, the Executive Boards of various UNDS entities may call on support from their bureaus to fully understand the scope and scale of the challenges as they apply to the relevant fund and programme. That support may include the advice of specialized experts.

⁷³ Lorsch, J., 1989, *Pawns or Potentates: The Reality of America's Corporate Boards*. Harvard: USA. p. 98.

⁷⁴ Lorsch, J., 1989, *Pawns or Potentates: The Reality of America's Corporate Boards*. Harvard: USA. p 102.

⁷⁵ Nadler, D., 2004, What's the board's role in strategy development? *Engaging the board in corporate strategy, Strategy & Leadership*, 32(5) 25-33. Available at: <http://www.emeraldinsight.com/doi/abs/10.1108/10878570410557633>.

⁷⁶ Lorsch, J., 1989, *Pawns or Potentates: The Reality of America's Corporate Boards*. Harvard: USA. p 102.

⁷⁷ Canadian Institute of Chartered Accountants, 2009, *In the Eye of the Storm: Governing in a crisis*. Available at: [Challenges and Changes- In the eye of the storm — governing in a crisis-3.pdf](#).

Where some Executive Board members are not able to commit sufficient time to understanding and assisting in responding to challenges, they may delegate this responsibility to a focused group of the board members. That core group will then have authority to act on behalf of the whole board and may take decisions to address the challenge without having to revert to the entire board.

When a determination has been made by the Executive Board on the remedial activity to be undertaken, it should then assert its power over management to effect that activity. If the board does not have the power to compel management to take a particular route to address the challenge, it should at least make its proposals on strategy clear to management so that the best possible attempt has been made to mitigate the impact of the challenges.

Even in the absence of immediate crises, a corporate board is responsible for effective oversight of the company. Boards of directors collectively determine the fate of a corporation through the decisions they make.⁷⁸ An ideal board is active, deliberate and decisive. It should focus on the overall strategic direction of the company,⁷⁹ effectively monitor management and be accountable to shareholders.⁸⁰ Healthy and transparent dissent is also important within a board⁸¹ so that new ideas can flourish, and “groupthink” cannot mask the emergence of risks.⁸²

In order to be effective in identifying and tackling challenges, boards must be comprised of highly engaged individuals. Their primary interest must be in the success of the entity to the exclusion of personal and national interests. In a public sector context, that includes deprioritizing any political considerations. Those individuals should ideally possess all the capabilities and information required for them to understand the organization, its mandate and its context. The ability to form boards with these characteristics is strongly influenced by the method of selecting board members. Methods by which effective boards can be constituted are outlined in Figure 1.

Figure 1: Methods to ensure boards are well constituted

- > A certain number of independent board members or advisers is appointed
- > All members are nominated based on qualifications that meet a minimum standard and, together, provide the board with an effective blend of skills
- > All members are nominated and appointed through a transparent process
- > It is made clear that it is a duty of the board members to act in the best interests of the organization as a whole
- > Diversity in board composition including with regards to gender, age, geographical, professional and educational background
- > Independent experts are used to manage the selection procedure

⁷⁸ Leblanc, R. and Gillies, J., 2005, Inside the Boardroom: How Boards Really Work and the Coming Revolution in Corporate Governance, p. 156.

⁷⁹ Aisner, J., 2013, Catching up with Boards with Jay Lorsch. Harvard Business School. Available at: <http://hbswk.hbs.edu/item/7298.html>.

⁸⁰ Organisation for Economic Co-operation and Development (“OECD”), 2015, The Revised OECD Principles of Corporate Governance and Their Relationship to Non-OECD Countries. Available at: <http://www.oecd.org/corporate/ca/corporategovernanceprinciples/33977036.pdf>.

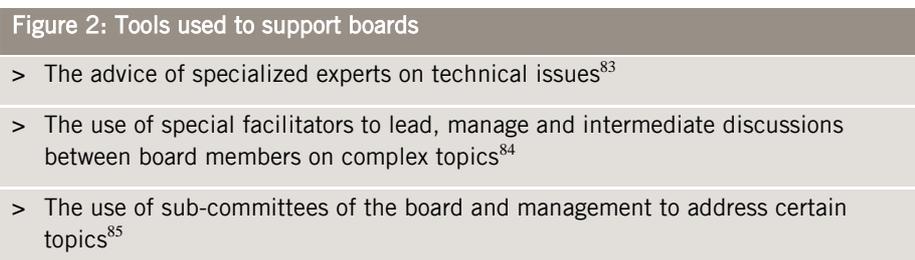
⁸¹ Sonnenfeld, J., 2002, What makes great boards great? Harvard Business Review. Available at: <https://hbr.org/2002/09/what-makes-great-boards-great>.

⁸² Eisenhardt et al, 1997. How management teams can have a good fight. Harvard Business Review. Available at: <https://hbr.org/1997/07/how-management-teams-can-have-a-good-fight>.

Some of these methods are already in use by UNDS entities. There are instances, however, where representatives on some Executive Boards may not have the experience and time necessary to devote sufficient energy to their obligations, particularly where they have a number of responsibilities as a government representative. Member States with smaller missions may only have one or two representatives available to cover the entirety of the country’s UN affairs. Therefore, devoting sufficient resources to Executive Board meetings becomes difficult, if not impossible, particularly when some (such as the Joint Board) meet formally and informally up to 140 times per year. On some occasions, the role of advising a UNDS entity is not a priority to a Member State, particularly when compared with pressing matters of state that need to be represented at the UN. This may result in some states, by perceived necessity, delegating vital work with Executive Boards to more junior state representatives, which can impair the effectiveness of the board. These dynamics may also alter the balance of viewpoints expressed at Executive Board meetings, resulting in unhelpful political considerations or undermining the legitimacy of the Executive Board itself.

Over time, it may be possible to proactively seek board members that are interested in the operations of the fund or programme, with positive ideas about the way it should be managed. Identifying such individuals will be key to ensuring that challenges are noted and managed promptly. One way to identify individuals who are interested in the success of the funds and programmes is by examining those who represent stakeholders that are interested in the success of the operations. Board members that are representative of the key donors to the board, or the key recipients of development assistance, for example, may be incentivized to take a proactive approach to protecting and promoting the continued good operation of the institution. These stakeholders should then be encouraged to invest in building institutional knowledge and talent within their delegations so that their expertise and approach continues into the longer-term.

Where boards lack the essential expertise necessary to make bold, reasoned strategic judgments, they need to be supported with individuals and bodies which have and can contribute the necessary capacity and skills. Various methods of providing support to boards are used in the public and private sector, outlined in Figure 2. If individual board members do not have either sufficient personal capability or support, it will be extremely difficult for them to make fully informed decisions, on a principled basis, on the future of the relevant organization.



⁸³ Boards of private companies often seek out expert advice, including through Advisory Boards. Bottomley ,V. et al, 2014, The Role of Advisory Boards—Who, what, why and how? Odgers Berndtson. Available at: http://www.odgersberndtson.com/media/2267/the_role_of_advisory_boards_-_who_what_why_how.pdf. Under Delaware law, this practice is supported, under Del. Code Ann. tit. 8, § 141(e) (2001), which provides that directors shall be “fully protected” when reasonably relying in good faith on expert advice. See also OECD, 2015, The Revised OECD Principles of Corporate Governance and Their Relationship to Non-OECD Countries. Available at: <http://www.oecd.org/corporate/ca/corporategovernanceprinciples/33977036.pdf>.

⁸⁴ Ungureanu, M.,2013, Board Evaluation – A Window into the Boardroom. Harvard Forum on Corporate Governance and Financial Regulation. Available at: <https://corpgov.law.harvard.edu/2013/05/31/board-evaluation-a-window-into-the-boardroom/>; OECD, 2013, Corporate Governance Boards of Directors of State-Owned Enterprises: An Overview of National Practices, p. 86. Available at: http://www.oecd-ilibrary.org/governance/board-of-directors-of-state-owned-enterprises_9789264200425-en.

- > A supporting secretariat with expertise in the subject matter of the organization⁸⁶
- > Briefings to board members in writing and in person on key topics for consideration⁸⁷
- > A single point of contact for communication from the board and senior management⁸⁸

Some of the methods of supporting boards summarized in Figure 2 are already utilized to some degree by the UNDS entities that formed the subject of this review. By way of example, the Secretariat of UNICEF has challenged its Executive Board to think more strategically about the way in which to tackle the SDGs. It has worked outside of board meetings to brief board members on key topics and to discuss potential proposals. By way of further example, several funds and programmes have established bureaus, which act as a sub-set of the board, and have the role of facilitating interaction between the secretariat and the regional groups represented on the board. This method of operating can enhance the effectiveness of the board without excessively diminishing the input of each regional group represented on the board.

With even more energy and thought put into the functions, and the addition of further resources such as special facilitators to lead, manage and intermediate direct discussions between board members, their impact could be much greater.

Interviewees at the funds and programmes identified that the practice of bureaus and secretariats were performing well but could become much more effective. In particular, we noted that those functions did help in facilitating board members' engagement in advance of formal meetings that the practice was growing and evolving. It appears that with even more energy and thought put into the functions and the addition of further resources such as special facilitators to lead, manage and intermediate direct discussions between board members, their impact could be much greater.

It is suggested that:

1. Executive Boards should be **challenged to play a much more strategic role** in guiding and overseeing the activities of their organizations. Methods should be found for them to spend less time on operational details and more time on addressing strategic and long-term challenges.
2. Executive Boards should **commit to reducing the influence of the political priorities** of individual members on board performance.
3. Member States should **ensure that Executive Boards are comprised of sufficiently engaged and empowered representatives** in order to ensure that they have the knowledge, experience and authority to guide the relevant UNDS entity.

⁸⁵ US laws, for example, require boards of publicly owned companies to create committees to examine audits as well as compensation. See Sarbanes-Oxley Act of 2002, Section 301. Other committees are commonly formed to address issues of governance and the nominating of new directors. See the New York Stock Exchange Listed Company Manual, §303. Available at: <http://nysemanual.nyse.com/lcm/>. See also OECD, 2015, The Revised OECD Principles of Corporate Governance and Their Relationship to Non-OECD Countries. Available at: <http://www.oecd.org/corporate/ca/corporategovernanceprinciples/33977036.pdf>.

⁸⁶ Many public entities and not-for-profits, including the funds and programmes included in this review, and others, utilize secretariats. In the private sector, a corporate secretary or company secretary is an important element of the governance of the corporation. See Society of Corporate Secretaries and Governance Professionals, 2013, The Corporate Secretary: An Overview of Duties and Responsibilities. See also OECD, 2015, The Revised OECD Principles of Corporate Governance and Their Relationship to Non-OECD Countries. Available at: <http://www.oecd.org/corporate/ca/corporategovernanceprinciples/33977036.pdf>.

⁸⁷ See OECD, 2015, The Revised OECD Principles of Corporate Governance and Their Relationship to Non-OECD Countries. Available at: <http://www.oecd.org/corporate/ca/corporategovernanceprinciples/33977036.pdf>.

⁸⁸ The OECD Principles of Corporate Governance (2015) recommend the use of a lead director as a single point of contact between executive (senior management) directors and non-executive directors. See also Larcker, David F. and Tayan, B., 2013, Board of Directors: Structure and Consequences, Stanford Business School Corporate Governance Research Initiative. Available at: <https://www.gsb.stanford.edu/faculty-research/publications/board-directors-structure-consequences>.

4. Executive boards should **consider using special facilitators** (whether from the entity's secretariat or externally appointed) to help them deliberate on strategic matters.
5. The **bureaus of the funds and programmes should be empowered to play a more vital role** with respect to strategy, decision making and oversight. This is particularly vital for those entities for which a common Executive Board is instituted, which would then require significant support in undertaking effective oversight.
6. UNDS entities should **adopt measures to find, support and retain members of the bureaus who are dedicated to furthering the work of the relevant UNDS entity**. Ways in which the bureaus could be strengthened include:
 - (a) lengthening the terms of office of members of the bureaus so that the experience they gain can be harnessed;
 - (b) providing specific training to bureau members on managing the views of the wider Executive Board and presenting an appropriately nuanced position; and
 - (c) reconsidering the way in which bureau members are selected and appointed, a requirement that candidates have a demonstrated minimum standard of competence, experience and determination to lead the relevant entity and which might take account of the factors outlined in Figure 1 below.

If the board is not able to be constituted or supported in a way that gives them an ability to set the strategic direction of an organization and guide it through its challenges, then an alternative must be found. One structure that can be used is to place trust, confidence, power and moral authority in the senior management leader of the organization to develop the strategy and implementation of the operations. This type of model, of supporting an "empowered chief executive officer," is similar to that in place at UNHCR. In that context, the Executive Committee is very large and accordingly cannot act in the nimble, focused way required of a board in responding to challenges. This structure can be effective, but relies on having a highly competent and effective leader, who has the vision, expertise, strength and independence to guide the organization in an effective way.

In this context it is suggested that:

7. It should be considered **whether it would be appropriate to delegate more strategic and operational decision making to a single executive**. This may only be appropriate where a suitable executive director can be identified, with the vision and skills to direct the entity. The decision of whether to make this structural change must be carefully considered as, once the change is made, it might be difficult to overturn those arrangements and return power to the Executive Board.

7.4 Eliminating competition within the system

It is anathema to the functioning of an effective organization that there be direct competition between its constituent parts for the same revenue, clients and area of operation. All organizations, whether public or private, are constrained by the fact that resources are scarce. Therefore, they must confront the problem of how best to allocate their limited resources within the organization. This problem is particularly acute within organizations like the UNDS that encompass multiple sub-groups, each of which must compete for scarce organizational resources, while at the same time coordinating and cooperating with each other to achieve broad organizational goals. In this context, any tension between intra-organizational competition and

coordination can lead to adverse effects, including mission creep and overly defensive (and thus inefficient) hoarding of resources. The UNDS entities must all, therefore, confront the problem of how best to allocate their resources within the organization. Given the ambitious demand for change embodied by the SDGs, the UN must lead the way by reforming its own structures and processes to confront this challenge, through targeted governance reforms.

Within the UNDS, overlap between individual entities' mandates provides the opportunity for them to compete for resources. Competition over available funding means that UN funds and programmes are incentivized to extend the interpretation of their mandates as far as possible in order to be eligible for more funding.

This competition is exacerbated by the lack of a vertical management structure that can force agencies to coordinate on the most efficient division of fundraising and operations. Although entities are encouraged to align their programming with the QCPR, such alignment is not mandatory and is routinely deprioritized. The guidance of UN Member States, as reflected in the QCPR, is commonly not heeded by UNDS entities. Moreover, Resident Coordinators' ability to effectively coordinate members of the UNDS is reliant on the goodwill of UN agencies transparently sharing information on their activities. Their attempts to coordinate UN activity are resisted where they are felt to be insufficiently experienced in the development context or to be a representative of a specific UN entity, which appears to be a commonly held view given that the Resident Coordinators sit within UNDP. A similar challenge is made to the legitimacy of UNDG, which also has close, historical ties to UNDP, including with respect to the fact that UNDG's chairperson is the UNDP Administrator. The UNDAF, which provides a basis for determining the needs of a given country, does not provide a sufficient basis for planning efficient allocation of resources to the various UNDS funds and programmes. The Chief Executives Board, though it comprises many of the heads of the key UNDS entities, is no more than a voluntary mechanism. It is reliant on individual entity heads' willingness to cooperate and the dynamism of the Secretary-General who heads it. Coordination within the UNDS is further complicated by the autonomous status and governance structures of the specialized agencies.

Within examples in the public and private sectors, it is considered by some that the best way to manage intra-organizational competition for resources is to link and integrate the various competing parts, either through formal hierarchical structures or through informal lateral cooperative relations.⁸⁹ Lateral cooperation can happen at three levels of joint action: formalized institutional agreements, common policy making and operational cooperation.⁹⁰ The enhancement of such informal cooperative action has been suggested within the UNDS already, where it is proposed to be focused around common programs and common operations.⁹¹ Specific means of breaking down the institutional, technological and knowledge silos within the UNDS include strengthening and giving greater credence to Resident Coordinators and other UNDS coordination mechanisms.

The problem of mission-creep and defensive protection of resources within a single organization is more acute in the public sector than in the private sector. Unlike in the private sector, where the funding available to a given subunit is often allocated in proportion to that subunit's productivity or profitability, in the public sector such metrics are either non-existent or more difficult to measure.

⁸⁹ Tsai, W., 2002, Social Structure of 'Coopetition' Within a Multiunit Organization: Coordination, Competition, and Intraorganisational Knowledge Sharing, *Organization Science*, 13(2): 0-180. Available at: <http://pubsonline.informs.org/doi/abs/10.1287/orsc.13.2.179.536>.

⁹⁰ Imperial, M.T., 2005, Using Collaboration as a Governance Strategy: Lessons from Six Watershed Management Programs, *Administration & Society* 2005; 37; p. 288. Available at: <http://aas.sagepub.com>.

⁹¹ United Nations System Chief Executives Board for Coordination, 2014, Making the UN System "Fit for Purpose" in Supporting Member States to Achieve Sustainable Development at the Country Level, UNDG Options Paper, 24 April 2014, at p. 3. Available at: https://undg.org/main/undg_document/undg-options-paper-fit-for-purpose/.

Some principles of good governance are common in the public and private sector in managing competition between their constituent parts.

First among these principles is the importance of setting out clear mandates or mission statements, through which any overlap can be minimized and managed by those who oversee the organization or system as a whole.

The second core principle is the importance of putting in place effective tools that require and incentivize collaboration. One means of doing so is by encouraging parts of the organization to see, and be recognized for, the value that they bring to the organization as a whole by “cross-selling” the expertise that other parts of the organization can provide...

The third core principle is the importance of asserting effective oversight by one body or entity over the system as a whole.

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The third core principle is the importance of asserting effective oversight by one body or entity over the system as a whole. This can include the central management of resources, to ensure that they are distributed to the most appropriate and effective implementing body for a particular task.

It is suggested that:

1. **Incentives should be strengthened to recognize and reward coordination between entities**, with the performance of any individual fund or program evaluated in part on the performance of the UNDS as a whole.
2. **Methods should be developed for UNDS staff to understand the capabilities of other UNDS entities**, their areas of work and their methods of operation. This would enable those staff to effectively “cross-sell” the development assistance of other funds and programmes. This could be supported, in part, through the establishment of a process of seconding or rotating senior level staff between UNDS funds and programmes.
3. Entities should refuse funding for activities outside their mandate and be **encouraged to “cross-sell”** the expertise of sister entities within the UNDS.
4. The **position of the Resident Coordinators within the UNDS should be reconsidered** to ensure they have the **resources, authority, legitimacy and support** necessary to effectively coordinate the work and strategy of each individual fund or program at country level.
5. The **position of the Resident Coordinators and their authority** over all members of the UNDS, and not just funds and programmes, **needs to be clearly stated and widely accepted**.
6. **Incidences where UNDS entities do not respond adequately to Resident Coordinators should be noted and highlighted** and the consequences of those independent actions should be understood.
7. To enhance coordination to the maximum extent possible, **one entity could be empowered to manage the receipt of available funds and engagement of the most appropriate UN entities to undertake projects**. This could be managed through either the revision of a current UNDS entity’s mandate or the creation of a new higher level body responsible solely for strategy (and not for any operations or programming). This coordinating entity would be judged based on the collective and individual performances of the entities it is coordinating and could be held accountable for failures in effective coordination. The judgment of how well the coordinating entity has performed would be made on the basis of assessments at the start of its

tenure of the expectation or hope for growth of each of the UNDS entities it oversees. It would therefore be encouraged to ensure that constructive collaboration leads to an increase in resources available to the UNDS as a whole and the effectiveness of UNDS entities.

7.5 Facilitating change through an enabling environment

It is recognized that the types of reform indicated above might be resisted by institutions within the UNDS. Many organizations are resistant to change. Any significant change in context or approach inside or outside an organization can cause individuals to become entrenched in order to protect their department personnel or their own position. This tendency to maintain the status quo increases as organizations grow and is therefore a significant risk within the UNDS, given its size.⁹² This risk is made more acute by the need within the UNDS for consensus in decision making. This strengthens the ability to maintain the status quo, as any platform for far-reaching reform can be blocked more easily.⁹³

Any significant reform of the UNDS therefore requires the cultivation and promotion of the right enabling environment. In particular, practices and concepts which embed good governance throughout an organization have been proven to enable effective, well-managed and transformative change.

Any significant reform of the UNDS therefore requires the cultivation and promotion of the right enabling environment. In particular, practices and concepts which embed good governance throughout an organization have been proven to enable effective, well-managed and transformative change. Such practices and concepts include: (i) the establishment of a clear tone from the top; (ii) transparent communication; (iii) accountability mechanisms, such as the balanced scorecard; (iv) evidentiary backing and education; and (v) adaptability. The application of these concepts and practices has provided the environment for good governance to flourish in the private sector.

The key characteristics of the process of leading organizational changes through “responsible, collaborative leadership” are: (i) causing collaboration between fragmented networks among peers across different geographical and cultural networks; (ii) listening comprehensively to collaborators and responding quickly to the needs of peers; (iii) influencing peers in networks without becoming manipulative; and (iv) adapting flexibly and rapidly to manage changing circumstances, but not at the expense of taking shortcuts in decision making which prove costlier in the long term.⁹⁴

Two overall methods for overcoming entrenched positions can be discerned from the public and private sector. First, decision making can be controlled by imposing strict hierarchy with more limited options for organizational changes to be made.⁹⁵ Second, various methods can be used to work with and through disruptive individuals, through influencing and educating them.

For reform in an organization to take root, it needs to be asserted through the establishment of a clear tone at the very top of the organization.

For reform in an organization to take root, it needs to be asserted through the establishment of a clear tone at the very top of the organization. Leadership is required to firmly establish the reasons for reform, the terms of that reform and the methods by which it will be carried out. This is particularly important where the central organizational mandate is being reasserted and mandates of its constituent parts are being revised accordingly. In these circumstances, each part of the organization will require transparent understanding of its position in the system as a whole. In the absence of transparent communication, organizations may feel their

⁹² Rieger, R., 2011, How Fear Destroys Companies: Through Parochialism, Territorialism and Empire Building. Business Insider. Available at <http://www.businessinsider.com/the-biggest-threat-to-an-organisation-is-the-fear-that-lives-within-its-own-walls-2011-8?IR=T>.

⁹³ Browne, S. and Weiss, T.G., Making change happen: enhancing the UN's contribution to development, World Federation of United Nations Associations/Ralph Bunche Institute, 2012, pp. 12-13. Available at: Making change happen: enhancing the UN's contribution to development.

⁹⁴ de Meyer, A., 2009, Collaborative leadership, University of Cambridge Judge Institute of Management. Available at: https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/workingpapers/wp0905.pdf, pp. 13-14.

⁹⁵ Tsoukas, H., 1996, The firm as a distributed knowledge system: a constructionist approach, Strategic Management Journal, 17, p. 22. Available at: <http://www.htsoukas.com/wp-content/uploads/2014/05/1996-The-firm-as-a-distributed-knowledge-system.pdf>.

position is at risk and resort to protecting their budget and not engaging or collaborating with the rest of the system.

Looking at the hierarchy within the UNDS, it might be considered whether the UN Secretary-General, ECOSOC or the General Assembly is able and willing to render firm and binding guidance and recommendations that are required to be adhered to by entities comprising the UNDS. It should be noted, however, that there has been a longstanding and evidenced resistance by some Member States to the reform of the UN system. In particular, there has been a resistance to curbing the independence of UNDS entities by placing the system directly under the control of a powerful Secretary-General. Any support of a strengthened hierarchy with greater power resting within the UN system would therefore need to be supported by the Member States.

Leadership during a period of reform requires the establishment of accountability for failure to meet the new strategic direction. It may not be possible or desirable to terminate the employment of individuals who are perceived to be working in a less collaborative way, in part due to the fact that these issues are more difficult to measure. However, it is vital to find a way in which instances where individuals and organizations choose to resist the centralized change are identified, highlighted and addressed. Similarly, instances where individuals positively adopt the reform process should be highlighted and praised.

Through providing clear evidence of performance, accountability for compliance with the new strategic direction can be encouraged. One means of embedding this accountability is through a system called the balanced scorecard, in which employees are measured not only against financial or operational goals but also their performance from three additional perspectives: those of (i) service recipients (customers, in the private sector); (ii) internal business processes; and (iii) learning and growth.⁹⁶ This method of assessment not only allows performance to be assessed but also provides data and impetus for the furtherance of the objectives of the organization. This provides an opportunity to build a body of information on perceptions of individuals' performance and their willingness to contribute not only to their immediate UNDS entity but also the UNDS as a whole. Even if it is not desirable or possible to terminate an employee solely on the basis that they have worked against system coherence, there will be a basis for the reputation of that individual to be recognized by peers. This indirect, social approach to encouraging positive behavior may be particularly effective in the organizational network of the UNDS.

If individuals and institutions within the UNDS cannot be controlled through hierarchical methods, it may still be possible to influence them so that they support (or at least do not block) change. A key element of success in achieving organizational change is that individuals in an organizational setting are facilitated in identifying one another's perspectives and taking each other and their interdependencies into account in their own actions.⁹⁷ Developing knowledge and mutual understanding among decision makers can help to cut through self-interest in making appropriate decisions.⁹⁸

⁹⁶ Kaplan, R., and Norton, D., 2007, Using the Balanced Scorecard as a Strategic Management System, Harvard Business Review. Available at: <https://hbr.org/2007/07/using-the-balanced-scorecard-as-a-strategic-management-system>.

⁹⁷ Adler, P. and Kwon, S., 2002, Social capital: prospects for a new concept. *Academy of Management Review* 27(1), p. 36. Available at: www.csee.wvu.edu/~xinl/library/papers/social/social_capital.pdf.

⁹⁸ Ferreira, M., 2011, Multinationals and subsidiaries: A bibliometric study on Ghoshal's managing across borders. Instituto Publico de Leiria, p. 9. Available at: http://globadvantage.ipleiria.pt/files/2011/06/working_paper-78_globadvantage.pdf. Chesbrough, H. and Teece, D., 1996, When is virtual virtuous: organising for innovation. *Harvard Business Review*, 74(1): 65-73. Available at: www.netvis.fuqua.duke.edu/iande/readings/chesbrough_1996.pdf. Adler, P. and Kwon, S., 2002, Social capital: prospects for a new concept. *Academy of Management Review*, 27(1), p. 36. Available at www.csee.wvu.edu/~xinl/library/papers/social/social_capital.pdf. Burt, R., 2000, The network structure of social

Some research on the best approach to managing change within the private sector has focused on the concept of transformational leadership. The research identified the following elements that leaders can undertake to initiate and implement change: (i) developing innovative ideas for change; (ii) influencing managers to enlist their support for those ideas; and (iii) inspiring subordinates to make change happen. Research undertaken through a survey of 393 mid-level supervisors from a Fortune 500 organization indicate that those individuals who felt empowered were seen by their subordinates as more innovative, upward influencing and inspiring. Empowerment of individuals to instigate change may therefore be a key element of the effective management of change.⁹⁹

In order to give effect to this approach of “influencing” change within the UNDS, it would be advisable to communicate clearly any reform processes. By ensuring that the reform processes are closely aligned with the needs of the individual funds and programmes, it would be more likely to ensure that staff can relate to them and support them. In order to create a common understanding among decision makers, experience from the private sector indicates that it is important to use common terminology which is widely understood and to establish explicitly a shared sense of the issues with which the UNDS is concerned. Through this process, different perspectives can be reconciled openly and a commonly understood approach to resolving the challenges faced by the UNDS can be reached.

Reform needs to be supported by a desire for change at the operational level. If individuals within an organization do not believe in the need for reform and are skeptical of the principles underlying the reform process, they will resist its implementation. It is therefore vital that staff are educated and encouraged to see the purpose and basis of reform so that changes in management and operational practices are not seen as dogmatic.

If reform can be shown to be aspirational and transformative with an evidenced basis for the type of reform being undertaken, then it may be more readily understood and adopted than technical operational changes. The detailed purpose and basis of reform therefore needs to be clearly backed up by evidence but then transformed into a readily comprehensible message. That message needs to be distinguished from previous reform agendas, to inspire new action and to show the benefit of the reform process to the organization itself and individual staff members. It should indicate how funding and impact can increase for the organization itself, and financial rewards and employment opportunities can improve for staff. In the context of the UNDS where recent reform efforts have focused on conforming operational standards, a different approach which indicates a new, more collaborative way of operating may appeal to staff.

The effectiveness of any proposed reform requires a culture of organizational adaptability to be embedded within the UNDS. Doing so will create an ability and willingness on the part of UNDS entities to be flexible to adapt to a changing context. Most importantly, adaptability also requires that UNDS entities regularly and critically examine their own failures to learn from prior mistakes. In the development context, where lives are often at stake, an aversion to acknowledging failure may

In the development context, where lives are often at stake, an aversion to acknowledging failure may hinder UNDS entities from taking on risks and making necessary and beneficial changes to strategy and operations.

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⁹⁹ Spreitzer, G. and De Janasz, S., 1997, Empowered to Lead: The role of psychological empowerment in leadership. CEO Publication 7:319, p. 14. Available at: http://www.researchgate.net/profile/Gretchen_Spreitzer/publication/242322738_Empowered_to_lead_the_role_of_psychological_empowerment_in_leadership/links/54b8f8b40cf269d8cbf72816.pdf.

Constructive dialogue on the nature and causes of “failure,” such as it may be defined in the development context, and the learning outcomes to be derived from such “failures” may be greatly beneficial within the UNDS.

hinder UNDS entities from taking on risks and making necessary and beneficial changes to strategy and operations. Constructive dialogue on the nature and causes of “failure,” such as it may be defined in the development context, and the learning outcomes to be derived from such “failures,” may be greatly beneficial within the UNDS. Such conversations should be regularly encouraged and institutionalized as part of an ongoing learning mechanism.

Methods for embedding adaptability include: engaging a wide range of staff in the process of formulating elements of reform, seeking their innovative ideas for forward-looking change and harnessing the energy from that process in implementing that reform. These activities need not be highly time and resource intensive but could be done through targeted surveys and consultations online and in selected countries. Adaptability can also be embedded within an organization by fostering an open discussion of prior failures in the spirit of promoting helpful forms of risk-taking and innovation.

It is suggested that:

1. The UNDS should **distinguish any further reform from previous or existing reform processes**. This can be done by explaining the context of the proposed governance reforms and showing both the particular nature of the challenges faced by the UNDS at present and how they differ from previous contexts. The reform itself can also be identified as different by showing how it is not aimed at technical operational conforming of processes and procedures but at a more fundamental realignment and restructuring of the governance of UNDS entities.
2. The UNDS should **ensure that reform is led by a strong tone from the top**. The reasons and means of reform need to be clearly stated and disseminated, with an expectation being set that the reform will be carried out:
 - (a) at the very head of the UN by the Secretary-General; and
 - (b) by Executive Boards and executive directors, or their equivalent, of each UNDS entity.

Such messages must be sustained beyond the term of the existing individuals or Member States in each of these positions, so that the desire for strong and lasting cooperation is understood to be an effort aimed at sustaining the UNDS and not merely a short-term initiative.

3. In order to satisfy and gain the support of individuals who require a clear evidence base, **the tone from the top needs to be supported by sufficient evidence** that reinforces the nature of reform being undertaken. This should include analysis about the challenges facing the UNDS together and its constituent entities alone, the types of reform to be undertaken and the way in which they will address the challenges and the basis on which the types of reform have been formulated—whether by reference to other organizations, successes within particular UNDS organizations or otherwise.
4. **Accountability needs to be injected throughout the UNDS**, including through balanced scorecards and the hinging of financial rewards and career progression on individual and wider entity performance.
5. **A culture of organizational adaptability needs to be embedded within the UNDS** to create an ability and willingness to be flexible to adapt to a changing context. This may be encouraged through engaging a wide range of staff in the process of formulating elements of reform, seeking their

innovative ideas for forward-looking change and harnessing the energy from that process in implementing that reform.

6. To encourage UNDS entities to acknowledge and learn from failure, a **Commission on Failure could be established** with the mandate to (i) understand the nature and challenges of “failure” in the development context; (ii) promote open dialogue on the concept of “failure” within the UNDS; and (iii) promote learning from “failures” in the spirit of embedding adaptability into the UNDS. In order to foster open dialogue, this Commission would not operate as an accountability or appraisal mechanism through which specific individuals could be identified.
7. The UNDS should **seek out and inspire a desire for reform with staff at all levels in the organization through education** about the nature of the challenges faced by the UNDS and the opportunities presented by cooperation.
8. The UNDS should **aspire to coordination and cooperation at a more strategic level**, rather than simply harmonization of operational standards. While technical reforms may be undertaken to enable more convenient and effective coordination and cooperation, any governance reform that is undertaken needs to be persistently linked back to the principal aim of reform—of identifying, asserting and maintaining the competitive advantage of the UNDS.

Section 8 Conclusion

The UNDS' place in the international development system is unique. Its universal presence, normative leadership and partnerships with other development actors give it a special role in coordinating, advancing and leveraging the efforts of other members of the international community. It is the sole development actor with wide-ranging recognition, acceptance and legitimacy, due to its establishment by and support from all the Member States of the UN. It is the provider of last resort in many countries and regions where other development actors will not or cannot assist.

Given the many transformative changes underway within the international development space, however, the continued pre-eminence of the UNDS among the various development actors is by no means assured.

Given the many transformative changes underway within the international development space, however, the continued pre-eminence of the UNDS among the various development actors is by no means assured. The complexity and breadth of the SDGs create the need to develop and deploy collective responses to collective problems. The entry of new actors such as the private sector into the “traditional” development space, and the ever-widening gap between the demands for funding and the amounts available, provide a challenging context for sustaining development action in its current form.

A great deal of time, energy and resources were expended on creating the new development agenda embodied in the SDGs. However, little corresponding activity was undertaken in parallel to set out how the UN's governance would help to tackle that agenda and how it needs to be improved to deliver on the challenging targets that have been set. There is an urgent need to revisit the way in which development assistance is provided. The UNDS is in prime position to lead this reform for the development system as a whole but, in doing so, needs to reassess its own position. This all points toward the same conclusion: a top-to-bottom re-thinking of the governance of the UNDS is urgently required to preserve and burnish its role as a central actor in the international system.

The UNDS is in prime position to lead this reform for the development system as a whole but, in doing so, needs to reassess its own position...a top-to-bottom re-thinking of the governance of the UNDS is urgently required to preserve its role as a central actor in the international system.

The ECOSOC Dialogue on the longer term positioning of the UNDS has provided a ripe opportunity for this re-thinking of the governance of the UNDS, with the aim of identifying and bringing about the changes and initiatives needed for meaningful reform. This report aims to add a fresh perspective to the myriad of voices of the relevant stakeholders consulted for that process, informed by extensive experience gained as trusted legal counsel advising organizations grappling with governance challenges.

This report stands alongside the ECOSOC Dialogue and is complementary to it. It builds on the views of Member State representatives and Executive Board members, among others, and above all seeks to offer them innovative options to improve governance, grounded in a review of good practices in the UNDS and in other organizations.

Drawing on the characteristics of effective organizations in the public and private sector, four core governance principles can be discerned. These should underpin any proposed reform of the UNDS. Implemented sensitively, these principles have significant potential to contribute to the longer term positioning of the UNDS and related reform processes currently underway.

First and foremost, the UNDS should identify the elements that comprise its “competitive advantage” as a central actor with a unique position in international development. Second, each fund and programme's board must exert strategic leadership and oversight. Several methods exist to help boards take this approach,

including the existing support to boards from bureaus and secretariat functions, but these must be strengthened. Third, the UNDS must be more collaborative and mutually supportive and less competitive between its constituent parts. Enabling this requires overarching guidance, which could be provided by the creation of a “super committee,” comprising representatives from the Executive Boards of the funds, programmes and agencies of the UNDS. Fourth and finally, any reform needs to be facilitated by an environment that supports the existing desire of employees of the UNDS to reform. The expectations of reform need to be established through a clear “tone from the top” at the highest level within the UN and reinforced through transparent communication and accountability measures that incentivize reform, such as effective appraisal processes using balanced scorecards.

The governance reform proposals discussed in this paper do not address each and every challenge experienced by the UNDS, nor are they capable of immediately resolving those challenges. Rather, these proposals have been devised and refined with interviewees in the spirit of providing constructive, well intentioned critiques and suggestions from informed and experienced outsiders to the UN system. In order to be effective in their implementation, they will need to be refined and championed by those within the UNDS who would have responsibility for carrying them out.

The urgency and necessity of governance reform in the UNDS is clear, as a way to ensure that the UNDS remains relevant and capable of leading the work to address the SDGs. Through taking action on governance, the UNDS can address the needs of its key constituents—Member States and their citizens—and Member States in turn can uphold their responsibility to the UNDS. The same determination that led to the creation of the SDGs must be harnessed to implement the necessary reform of governance of the UNDS.

With the proposals in this report, Member State and Executive Board representatives have a basis for initiating a direct discussion on the means to ensure the UNDS remains a crucial effective actor in international development. Through discussions and action, they can support existing good governance practices and press for the reforms that can further improve those practices and ultimately ensure the UNDS can meet the challenges of the changing landscape of international development.

Through taking action on governance, the UNDS can address the needs of its key constituents—Member States and their citizens—and Member States in turn can uphold their responsibility to the UNDS. The same determination that led to the creation of the SDGs must be harnessed to implement the necessary reform of governance of the UNDS.

Section 9 Schedules

Schedule 1

Interviews conducted

Interviews were conducted with individuals in the following roles, in the following numbers:

Role of interviewee	No.
Directors and other senior personnel of UNDS entities under review	10
Secretaries to and Members of Executive Boards or Executive Committees of UNDS entities under review	6
Other personnel of UNDS entities under review	8
Representatives of Member States	20
Outside experts	3

Schedule 2

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UNDS documents

UNDS constitutive documents

1. General Assembly resolutions and statutes
2. Protocols and Rules of Procedure
3. Organizational charts
4. Structural review documents

UNDS policy and strategy documents (from 2010 onwards)

1. Strategic plans
2. Financing and budget documentation
3. Strategy reviews
4. Annual reports
5. Programme and operations policies and procedures
6. Accountability and oversight policies
7. Evaluation policies

Other documents (from 2010 onwards)

1. Executive Board and Committee minutes
2. Evaluations and audits, as well as management responses to audits
3. Project data
4. Independent reviews of UNDS entities and UNDS initiatives

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