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United Nations development system reform

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Report by the Director General

In its decision IDB.46/Dec.12, the Board requested the Director General to regularly report on United Nations development system reform-related matters to the Programme and Budget Committee, the Industrial Development Board and the General Conference of UNIDO.

I. Background

1. The present report provides an update on the United Nations development system (UNDS) reform, as part of a series of reports on the matter presented since 2018. Following past practice, a conference room paper will provide more comprehensive information ahead of the Industrial Development Board.

II. Recent developments

2. Almost five years have passed since the repositioning of the UNDS through resolution 72/279 of 1 June 2018. Major elements of the reform have been realized promptly: the reinvigorated United Nations resident coordinator (UNRC) system, the core of the UNDS reform, became effective in January 2019. Since then, development coordination has become a full-time task for UNRCs, following the separation of UNRC functions from the Resident Representative of the United Nations Development Programme (UNDP).

3. At the time of writing, the share of UNRCs that are former UNDP staff has decreased to 33 per cent. UNRCs currently originate from 23 UNDS entities, including one from UNIDO.

4. Recognizing the importance of the UNDS reform, UNIDO supported the reform efforts from the outset. The transformation of the UNDS aims at a more cohesive

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inter-agency coordination and thus provides opportunities for an improved multilateral response to the implementation of the 2030 Agenda.

5. UNIDO engaged at different levels to ensure that inclusive and sustainable industrial development receives appropriate attention, balancing the three dimensions of sustainable development and closing the gaps in SDG implementation, based on its long-standing expertise and special role as the platform of cooperation with the private sector.

6. The Organization continues to further strengthen its engagement with UNRCs and UNCTs. In 2022, UNIDO signed new United Nations Sustainable Development Cooperation Frameworks (UNSDCF) for Algeria, the Bolivarian Republic of Venezuela, Burundi, Cabo Verde, Chile, Ecuador, Gabon, the Islamic Republic of Iran, Libya, Mongolia, Montenegro, Nigeria, Pakistan, the Plurinational State of Bolivia, the Republic of Moldova, Sao Tome and Principe, Saudi Arabia, Serbia, South Sudan, Sri Lanka, Tajikistan, Yemen and Zambia, as well as the multi-country UNSDCF for the English and Dutch Speaking Caribbean.

7. In several of the UNSDCF documents signed, UNIDO assumes a leading role in the “prosperity” and the “planet” pillars of the 2030 Agenda at the country level. While too early to assess, the new system approach to country programming provides an opportunity for UNIDO to effectively promote its mandate within the UNSDG.

Reporting

8. A recent development is the introduction and enhancement of the UNSDG data portal to showcase the work of UNCTs in 162 countries and territories, drawing on data provided by UNCTs through the results-reporting platform known as UN INFO.¹ While the data sets are work in progress, the Development Cooperation Office (DCO) and UNCTs work to progressively address data gaps. In the near future, the platform will display progress made under the respective UNSDCFs.

9. UNIDO contributed to the work of the inter-agency working group that developed a menu of output indicators to measure the system-wide contribution to the achievement of the SDGs, gathered by the UN INFO platform. Following a consultative inter-agency process, the menu released in November 2022 includes 64 output indicators to capture the joint contribution of the UNDS towards the SDGs.

10. In this context, UNIDO provided inputs for the report “Measuring the UN contribution towards the SDGs: Overview of key results on the UN contribution to advance the SDGs, including through the socioeconomic response to COVID-19”, presented to the Economic and Social Council of the United Nations (ECOSOC) in April 2022. Indicator ENV.1 of the UNIDO integrated results and performance framework forms the basis of the indicator “reduction of CO₂-equivalent emissions through UN support” of the aforementioned UNSDG output indicator menu, for which UNIDO is the methodological lead entity.

Funding

11. In support of the reinvigorated UNRC-system funding model based on three streams of funding, UNIDO provided an annual cost-sharing contribution of \$2.24 million in 2022 and 2023.²

12. According to the Development Cooperation Office, concerns regarding the long-term sustainability of the \$281 million annual budget of the UNRC system and

¹ <https://uninfo.org>.

² The three streams include voluntary contributions to the Special Purpose Trust Fund for the new Resident Coordinator system (SPTF), cost-sharing arrangement of UNSDG member entities, and a 1 per cent coordination levy applied to tightly earmarked third-party non-core contributions for UNDS activities. (As outlined in IDB.47/13.) UNSDG entity cost-sharing allocations were revised in late 2021 for the biennium 2022–2023, following the announcement that the World Intellectual Property Organization would join the UNSDG from 2022.

DCO remain. This relates particularly to the voluntary contributions to the special purpose trust fund. The revenue from the 1 per cent coordination levy also seems to be falling below expectations.³ Member States will continue discussions on the future of the funding model in the context of the ECOSOC and the General Assembly.

13. The uneven implementation of the Funding Compact is similarly of concern. Agreed by Member States in 2019 (A/74/73/Add.1), it recognizes the need for a fundamental shift to enable the UNDS transformation, and articulates concrete commitments on both sides, by Member States and UNSDG entities. It aims to put the funding for UNDS entities on a more sustainable footing, with more core, pooled and thematic funding. The reliance on a few donors for a large portion of its funding makes the UNDS vulnerable to potential policy shifts.

14. UNIDO welcomes the initial commitments made by Member States in the Funding Compact, which correspond to the funding priorities also advocated by the Organization over the past years, including the appeal for strengthened contributions to thematic trust funds and for core activities.

15. While an update on Funding Compact implementation will be provided at the ECOSOC Operational Activities Segment at the end of May 2023, there are indications of a backward trend, particularly on core funding. Instead of increasing toward the 30 per cent target by 2023, the overall share of core funding decreased from 19.4 per cent in 2017 to 17.2 per cent in 2020. At the same time, the number of contributors to pooled funds also decreased from 59 in 2017 to 48 in 2020.⁴

16. Strengthening inter-agency cooperation and related funding instruments is at the core of the UNDS reform and the Funding Compact, and very welcome by UNIDO. However, inter-agency and multi-partner contributions for UNIDO activities remained at modest levels also in recent years, amounting to \$7.2 million in 2021 and \$6.5 million in 2022.

17. For UNIDO, the regular budget and voluntary contributions will remain the essential basis to carry out its mandate in support of the 2030 Agenda, despite efforts to maximize opportunities associated with the UNDS reform and new generations of pooled funds.

Efficiency agenda

18. An assessment of benefits of the UNDS reform was provided in document GC.19/CRP.4 of November 2021. The findings remain valid.

19. While not the core purpose of the reform, one prominent aspect that received attention by Member States, is the “efficiency agenda”. In March 2018, the Secretary-General projected that the UNDS reform could lead to overall savings of \$310 million per year to be redeployed to development activities.⁵

20. Annual savings of up to \$120 million were expected to be realized through the ambitious target of increasing the share of common premises to 50 per cent by 2021. As summarized in IDB.48/CRP.6, a report by the Joint Inspection Unit of the United Nations system found that the cost savings estimate was too high and that capital requirements for ownership and construction of new premises were not considered.

21. In 2022, a total of 26 per cent of United Nations system entities were in common premises, compared with 23 per cent at the end of 2020. A recent review found that about half of the premises included in the original estimate were not suitable for

³ According to the website of the SPTF (<https://unsdg.un.org/SPTF> accessed in February 2023), cost-sharing contributions amounted to \$77.3 million in 2022; approximately \$23.3 million were raised through the imposition of the 1 per cent levy and \$67 million received in voluntary funding.

⁴ Funding Compact Indicators MS 1.1 and MS 3.2, reported at the ECOSOC Operational Activities Segment 2022.

⁵ Explanatory note #10 titled “Preliminary estimates on potential efficiencies emerging from the repositioning of the United Nations development system” of 29 March 2018.

consolidation, either because they are the only United Nations premise in a city; because the premise is managed by the government; or because the premise had restrictions to host other entities or occupants had restrictions to relocate.

22. Instead of focusing on the percentage of common premises alone, an effort is being made to expand common premises in a dozen of countries with the highest efficiency potential. Another 50 countries are developing or advancing business plans for common premises. In terms of UNDS personnel, over 56 per cent are already located in common premises.

23. UNIDO has fulfilled the co-location target, with currently 56 per cent of its field offices located in common premises. However, this figure fluctuates, as cost efficiency determines the location of UNIDO offices. Office space in a government building or individual lease agreements are often cheaper than contributions for presence in common premises. UNIDO continues to monitor opportunities for co-location wherever operationally, physically and financially beneficial.

24. Advancing common business operations in United Nations country teams is another area where cost efficiencies are envisioned. All 131 United Nations country teams now have business operations strategies (BOS) in place, which should help eliminate the duplication of processes within business operations; leverage the common buying positions of the UNDS; and maximize economies of scale. The BOS is composed of six agreed common service lines: procurement, finance, ICT, logistics, human resources and administration.

25. Based on BOS data collected at the UNCT level, UNIDO participation in BOS resulted in cost avoidance of approximately \$310,500 in 2021 and \$215,600 in 2020.⁶ Due to the centralization of corporate services at UNIDO headquarters and the light staffing and limited resources of UNIDO field offices, cost avoidance was reported predominantly under the service line administration.⁷

26. Other elements of the efficiency agenda, including the common back offices and global shared service centres are in the phase of development and have so far not led to measurable benefits for UNIDO.

27. UNIDO has achieved significant efficiency gains and cost-savings in its core service functions over the past years. The Organization's own corporate services remain highly competitive and are more cost effective than services outsourced to other UNDS entities. UNIDO continues to seek further opportunities in the efficiency agenda, particularly at the country level, and to engage on a case-by-case basis.

III. Action required of the Committee

28. The Committee may wish to take note of the information contained in the present document.

⁶ Data for 2022 was not available at the time of writing, due to the ongoing data collection. The categories of cost avoidance reported in the data platform of the Efficiency Impact Reporting Task Team of the Business Innovation Group include estimated labour cost avoidance, i.e. time savings. In 2021, about one third were such working time savings, not actual monetary cost reductions. It is difficult to verify the accuracy of data, due to differing cost categories and as they may be attributable to the UNIDO regular budget, project funding, or both.

⁷ Specific services included common premise management; outsourcing of security services; common compound security services; vehicle rental, maintenance and fuel management; conference management; data and telecommunication infrastructure; travel services; and interpretation and translation services.