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JOINT MEETING

**Hundred and Twenty-fifth Session of the Programme Committee and
Hundred and Seventy-third Session of the Finance Committee**

Rome, 12 November 2018

**Implications of the implementation and funding of the UN Development
System Reform**

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Executive Summary

- The UN Secretary- General has put forward an ambitious UN Reform agenda, encompassing reforms of the United Nations peace and security architecture, its management and budgetary set-up, as well as its sustainable development operations.
- This document focuses on the repositioning of the UN Development System (UNDS); it is organized around the five areas of major change as articulated in General Assembly Resolution 72/279. It provides an overview of FAO's engagement in the UNDS reform process and a preliminary analysis of the implications for FAO. It requests the Joint Meeting's guidance on identifying appropriate means to cover the unbudgeted funding gap for FAO arising from the doubling of its contribution to the UN Sustainable Development Group (UNSDG) cost-sharing arrangement in 2019.

Guidance sought by the Joint Meeting of the Programme and Finance Committees

The Joint Meeting is invited to:

- a) take note of the Secretariat's engagement in the joint planning effort for implementation of the UNDS reform to start in January 2019 as outlined in the "Secretary General's implementation plan for the inception of the reinvigorated resident coordinator system" and the implications for FAO as a UN Specialized Agency;
- b) take note that the UNGA Resolution 72/279 called upon Member States to ensure that all UN entities double their agreed contributions under the current UNSDG cost-sharing arrangements;
- c) provide guidance on the funding of the unbudgeted amount of USD 2.55 million in 2019, considering the options of:
 - i) identification of specific areas to de-emphasize within the approved 2018-19 Programme of Work and Budget from which to shift resources;
 - ii) assessment of an additional Regular Programme contribution to cover the required amount;
 - iii) establishment of a special Trust Fund for additional voluntary contributions;
- d) note that the Secretariat will report to the Finance Committee at its May 2019 session on further action taken to cover the additional UNDS contribution.

I. Background and Scope

1. With its pledge to leave no one behind and its ambition to ensure peace and prosperity for all on a healthy planet, the 2030 Agenda for Sustainable Development is an important driver for change. Accordingly, the UN Secretary-General has put forward an ambitious UN Reform agenda, encompassing reforms of the United Nations peace and security architecture, its management and budgetary set-up, as well as its sustainable development operations.

2. In June and December 2017, the Secretary General released two reports which present the vision for a more effective, cohesive and accountable UN development system (UNDS).¹ In May 2018, the General Assembly adopted *Resolution 72/279* on the repositioning of the UN development system, which builds on the 2016 resolution on the *Quadrennial Comprehensive Policy Review*.² It outlines the most far-reaching and ambitious reform of the UN development system in decades focusing on a new generation of UN country teams, reinvigorating the role of the UN Resident Coordinator system, revamping the UN regional approach, strategic direction, oversight and accountability for system-wide results, and funding of the UN development system.

3. This document provides an overview of the repositioning of the UN Development System organized around the five areas of major change as articulated in Resolution 72/279 (*Section II*), an overview of FAO's engagement in the UNDS reform process (*Section III*), and FAO's preliminary analysis of the implication for the Organization of the elements of Resolution 72/27, including the funding of the UN Resident Coordinator System in 2019 (*Section IV*).

II. Overview of the Repositioning the UN Development System

4. *A new generation of UN country teams (UNCTs)*. UNCTs are to be centred around a strategic country support plan — developed in close consultation with governments and reflecting national priorities — and led by an impartial, independent and empowered UN Resident Coordinator. The planning exercise will be based on a common country analysis (CCA) prepared by the UNCT and will result in a UN partnership agreement (UNDAF) negotiated with the host government. The aim is to ensure systematic and system-wide transparency and accountability for results.

5. *Reinvigorating the role of the Resident Coordinator (RC) system*. A reinvigorated system will be based on mutual accountability between RCs and UNCT members, enabled by a clear separation of the RC function from that of the UNDP Representative. The new system will enter into force in January 2019. As part of this reform, the UN Development Operations Coordination Office (UNDOCO) will also be decoupled from UNDP and move to the Secretariat, where it will be accountable to the Secretary-General for managing the Resident Coordinator system.

6. *Revamping the regional approach*. A coordinated, re-profiled and restructured regional approach will fully support the work at country level. The regional level is expected to offer a convening platform and deliver integrated policy advice, as well as normative and technical support, on regional priorities. Re-profiling and repositioning the work of the Regional Economic Commissions is therefore a priority, as is the strengthening of linkages between these Commissions and the broader UN family at regional and country levels.

7. *Strategic direction, oversight and accountability for system-wide results*. While primary accountability will remain at the country level, between the UNCT and host governments, improving multilateral oversight of system-wide activities of the UN development system is essential. ECOSOC and UN entity Executive Boards are working to strengthen and ensure coherent decision-making and guidance for collective action by the UNDS. A new *System Wide Strategic Document (SWSD)* is being developed by the UN Transition Team, as a key instrument for promoting new thinking and acting across the UNDS.

¹ A/72/124–E/2018/3 and A/72/684–E/2018/7, *Repositioning the United Nations development system to deliver on the 2030 Agenda*

² A/RES/71/243

8. *Funding the UNDS.* The GA resolution on the repositioning of the UNDS, which was adopted on 31 May 2018, emphasized *inter alia* that adequate, predictable and sustainable funding of the resident coordinator system is essential and adopted a hybrid formula to provide sufficient funding in line with the report of the Secretary-General on an annual basis starting from 1 January 2019.³ According to the Resolution 72/279, funding is to come from three sources: (i) a 1 percent coordination levy on tightly earmarked third-party non-core contributions to UN development-related activities; (ii) doubling the current United Nations Development Group cost-sharing arrangement; and (iii) voluntary, predictable, multi-year contributions to a dedicated trust fund to support the inception period.

III. FAO's Engagement in the UNDS Reform Process

9. FAO is taking an active role to ensure that specificities of UN specialized agencies are duly taken into consideration in the UNDS Reform Process and in the implementation arrangements of the United Nations Assembly resolutions to factor in the independent membership and governance structures.⁴

10. In this regard, FAO is participating in the governance of the repositioning process at the global level, including working within the CEB subsidiary bodies, an array of specific working groups, task teams, design teams and reference groups and, for overall guidance, the UNSDG and its Core and Advisory Groups on UN development system reform. It should be noted the very good team work within these groups and the quality of the partnership established amongst concerned UN entities under the leadership of the UN Deputy Secretary-General with the able support of the UN reform transition team.

11. FAO considers the UNGA resolution 72/279 an important step towards making the UN a more effective and responsive partner to support UN Member States as they set national goals and targets to implement the 2030 Agenda. To achieve the required transformational change, all stakeholders will need to embrace new ways of working together, including a shift from projects to policy and programmes, from do-it-ourselves to enabling others, from funding to financing, and from data ownership to trusted custodianship. System-wide changes such as this also require substantial political and financial support from the Member States, including sustainable funding for the new positioning of the UNDS to enable implementation of the Agenda 2030.

12. During the second trimester of 2018, FAO participated actively in the advisory group chaired by the Deputy Secretary-General which led to the "*Secretary-General's implementation plan for the inception of the reinvigorated resident coordinator system*" presented by UNSG in New York on 12 September 2018.

³ A/RES/72/279, paragraph 10

⁴ This is notwithstanding the fact that the compulsion of General Assembly Resolutions upon specialized agencies such as FAO, with its own membership and governance structure, is not as comprehensive or irremissible as for entities that report to the UNGA. This point has also been made by the ILO in its update to its Governing Body on the United Nations reform (GB 33/INS/4, paragraph 4).

IV. Preliminary Analysis of the Implications of the UNDS Reform for FAO

A. A new generation of UN country teams (UNCTs)

13. FAO is playing an active role in the work of the UNDAF Design Team, thereby contributing to the elaboration of the new UNDAF guidance to be completed by early 2019. The new UNDAF is expected to be the most important instrument for planning and implementing UN development activities at the country level and will be an overarching framework for the UN entities' individual programmes.

14. While recognizing the primacy of the UNDAFs, FAO considers its Country Programming Frameworks (CPFs) as key central planning documents for the Organization and these will continue to exist. FAO agrees that the Agency programming documents, like the CPF, be aligned to the UNDAF, but highlights the need for flexibility in what may remain outside the UNDAF. Specialized agencies like FAO have global obligations approved and funded by their global and regional governing bodies for relevant normative areas, as well as policy and technical programmes, which cannot be renegotiated at the country level with every formulation of a UNDAF.

15. Criteria for defining the UN's presence and the composition of individual UNCTs are still to be developed at a global level within the framework of the UN Sustainable Development Group, in consultation with Member States. FAO emphasizes that host countries must have the last word on the issue of presence, which should be informed by national priorities and the fully agreed agenda.

B. Reinvigorating the role of the Resident Coordinator (RC) system

16. Resident Coordinators are expected to play a key role and will be empowered in the country to "coordinate, not subordinate" country programming among all UN entities. The enabler and facilitator role of the Resident Coordinators will be the turning key for the success of the Reform, building on Agencies, Funds and Programmes' (AFP) policy, technical and operational capacities and enhancing the collective and coordinated action for fund raising and advocacy. The Resident Coordinator should avoid direct operational responsibilities to maintain a neutral role *vis à vis* the AFP, the Dual Reporting system will need to be further clarified.

17. FAO welcomes the separation of RC functions from the UNDP Resident Representative, mandated by GA Resolution 72/279, which will help to ensure greater neutrality and impartiality of the RC function. FAO currently has only one RC seconded to the system (Mauritania); FAO will continue to propose high-performing colleagues with due consideration to gender and geographic balance and considers it vital that a better balance of RCs from across the UN system is achieved.

18. Another key issue for FAO is that FAORs will continue to be accredited to governments and have direct access and working relationships with line ministries, in particular with the ministries of agriculture and other relevant technical ministries, building on FAO's Strategic Framework, as well as its normative and standard-setting role.

19. FAORs will continue to report primarily to the FAO Director-General, but will also report to the RC on the UNDAF planning and results for which FAO is responsible at country level. The vision is one of mutual accountability of the UN Resident Coordinator and UN Country Team members for the planning and delivery of UNDAF. In relation to the CPF, FAO agrees that in the future they will have to be prepared in consultation with UNCTs and Resident Coordinators with a view to adding value and ensuring consistency with the UNDAFs, but believes it would be simpler keeping the accountability lines for the CPF between FAO and Host Governments.

C. Revamping the regional approach

20. The Regional Architecture will be reviewed and refined in the course of 2019. FAO has established excellent collaboration with Regional Economic Commissions (RECs) and is an active member of the Regional UN Sustainable Development Group. FAO is looking forward to strengthening joint statistics, policy and analytical work with RECs and with other UN Agencies. Improved alignment at global, regional, subregional and country levels strengthens national ownership, brings substantial efficiency gains, and improves effectiveness.

D. Strategic direction, oversight and accountability for system-wide results

21. The strategic repositioning of the UNDS in response to the 2030 Agenda is a major process that goes far beyond the administrative reforms that have dominated discussion so far. Adapting the UN system to the demands of the SDGs requires not only a fundamental shift in the way the system works together, but also in the system's role, responsibilities and capabilities. As noted in the Secretary-General's two landmark reports of June 2017 and December 2017, the new development vision of the 2030 Agenda requires greatly strengthened capacities in the areas of integrated policy support; scaled-up data management and analysis; enabling and sustaining effective multi-stakeholder partnerships as a core modality of international cooperation; and to help catalyze the three orders of magnitude larger financial needs for the 2030 Agenda, a switch in emphasis from funding to (catalyzing) financing.

22. A key instrument for promoting new thinking and acting will be the System-Wide Strategic Document (SWSD), and FAO is, and will remain an active participant in the deliberations that have been launched for the next iteration of the SWSD in 2019.

E. Funding of the Resident Coordinator system

General comments

23. As outlined in the Secretary-General's *Implementation Plan for the Inception of the Reinvigorated Resident Coordinator System* (14 September 2018), the new independent RC system model will cost approximately USD 290 million annually, including USD 255 million in staffing and operating costs of the RC Office and the UN Development Operations Coordination Office (DOCO) and USD 35 million for a coordination fund. Approximately USD 60 million is expected to be financed by the 1% coordination levy, USD 77 million by doubling each entity's contribution under the UNSDG cost-sharing agreement, and the remaining gap of USD 153 million through voluntary contributions.

24. FAO has significant concerns both on the level of costs and the sustainability of the funding model. FAO believes that future arrangements for coordination of the Resident Coordinator system, including UNDOCO, should be built on an efficient and effective model maximizing some of the programming and policy functions existing within regional and global capacities and functions of the UN entities and that therefore better use should be made of existing capacities, including of the UN Regional Commissions, to ensure ownership and collective governance of UNSDS entities and avoiding duplications or unsustainable costs.

25. Furthermore, FAO recalls that over the last five biennia it has worked under a flat nominal net appropriation budget, coupled with continuously growing demands for additional support in high-priority areas. To manage within these constraints, FAO has identified over USD 145 million in efficiency savings which it has redirected to priority areas. FAO would like to see better reflected this type of constraint and efficiency savings approach within the funding proposals presented under the new RC system model.

26. In view of anticipated budget constraints, but also from a management perspective, it may be appropriate to consider rolling out the new RC model in a smaller number of countries in 2019, both to learn lessons and to ensure that funds from the three sources are available at the levels anticipated.

FAO and the doubling of the UNSDG cost-share

27. FAO's originally agreed contribution to the UN Resident Coordinator system of USD 4.3 million is included in the 2018-19 approved Programme of Work and Budget. The 2018 share of USD 2.15 million has been paid. UNDOCO has now requested FAO to pay a cost-share contribution in 2019 of USD 4.7 million, USD 2.55 million above the budgeted amount.⁵

28. Despite the fact that many of the specialized agencies and other UN entities were in the middle of a biennium with an already approved budget, the UNGA Resolution on the repositioning of the UNDS called upon Member States in the relevant governing bodies of the UN development system entities to ensure that all entities double their agreed contributions under the current UNDG cost-sharing arrangement.⁶ FAO is now looking for guidance from its Members on the appropriate approach, as are other specialized agencies faced with the same budgetary challenge.

29. FAO's Conference Resolution 12/2017 approved the 2018-19 budgetary appropriation of USD 1,005.6 million and the associated programme of work. Taking into consideration the UNGA Resolution, as well as the fact that FAO's approved budget does not include resources for a doubling of the UNDG cost-sharing arrangement in 2019, the Joint Meeting is requested to provide its guidance on the funding of the unbudgeted amount of USD 2.55 million in 2019. The options include:

- i) identification of specific areas to de-emphasize within the approved 2018-19 Programme of Work and Budget from which to shift resources;
- ii) assessment of an additional Regular Programme contribution to cover the required amount;
- iii) establishment of a special Trust Fund to receive additional voluntary contributions.

30. The Secretariat will report to the Finance Committee at its May 2019 session as part of the Annual Report on Budgetary Performance and Programme and Budgetary Transfers on any further action taken to fund the additional UNDS contribution of USD 2.55 million in line with Members' guidance.

⁵ This figure not only includes the doubling of the previously agreed amount of USD 2.15 per year, but also includes the doubling of cost increases to which FAO to date has not agreed; FAO believes that cost increases should not be passed on in the cost share, given its own successive flat nominal budgets and the necessity of absorbing such costs.

⁶ Resolution 72/279, paragraph 12.