



Governing Body

332nd Session, Geneva, 8–22 March 2018

GB.332/HL/1

High-Level Section

Working Party on the Social Dimension of Globalization

HL

Date: 19 February 2018

Original: English

FIRST ITEM ON THE AGENDA

Reform of the United Nations: Implications for the ILO

Purpose of the document

The reform of the United Nations development system (UNDS) is likely to have important implications for ILO activities at global, regional and country levels. Further to the decision taken at the 329th Session regarding the implementation of the 2016 Quadrennial Comprehensive Policy Review (QCPR) resolution, it is therefore proposed that the Governing Body discuss the UN Reform Agenda and most particularly the proposals for reform contained in the UN Secretary-General's report "Repositioning the United Nations development system to deliver on the 2030 Agenda: our promise for dignity, prosperity and peace on a healthy planet" submitted on 20 December 2017. If adopted by the Economic and Social Council (ECOSOC) and the UN General Assembly, these proposals would require close consideration by the Governing Body. This paper summarizes the proposals and highlights some of the possible implications for the Organization. The actual scope and extent of the reform measures will become clearer only as intergovernmental negotiations advance over the coming months. The paper should be read in conjunction with the Secretary General's report.

Relevant strategic objective: All.

Main relevant outcome/cross-cutting policy driver: Enabling outcomes A, B and C.

Policy implications: Yes.

Legal implications: None.

Financial implications: None.

Follow-up action required: Yes.

Author unit: Multilateral Cooperation Department (MULTILATERALS).

Related documents: GB.329/POL/5; GB.329/HL/1; GB.329/INS/3/1.

I. UN reform

1. Since taking office in January 2017, the UN Secretary-General has pursued a reform process comprising three interlinked tracks within an overarching vision of conflict prevention and greater coherency, efficiency and integration in field operations. These include a restructuring of the UN's peace and security architecture; UN management reform; and a repositioning of the UN development system (UNDS) to facilitate support to countries in the implementation of the 2030 Agenda for Sustainable Development (2030 Agenda). This effort is complemented by specific measures to promote gender parity in the UN senior management; enhance protection from sexual exploitation and abuse and protect whistle-blowers.
2. The peace and security architecture reform aims at prioritizing prevention and sustaining peace; enhancing the effectiveness and coherence of peacekeeping operations and special political missions; and making the peace and security pillar more coherent and effective while aligning the peace and security pillar more closely with the development and human rights pillars. To achieve these objectives the Secretary-General has proposed to establish a UN Department of Political and Peacebuilding Affairs and a UN Department of Peace Operations, rationalizing processes and optimizing coordination mechanisms.
3. UN management reform is focused on simplifying procedures and decentralizing decisions of the UN Secretariat with a view to greater transparency, efficiency and accountability to better support normative and operational activities. The Secretary-General has proposed to empower and transfer greater responsibility to managers bringing decision-making closer to the point of delivery while holding them accountable for the programme and financial performance of their programmes.¹ Particular measures are oriented to improve planning and budgeting processes; reduce duplicative structures and overlapping mandates; and increasing support for the field.
4. The reform of the UNDS,² which most directly concerns the ILO, seeks to improve the system's coherency and address long-standing concerns about fragmentation and duplication of efforts among the system's funds and programmes and specialized agencies, particularly at country level. The adoption in September 2015 of the rights-based, universal and integrated 2030 Agenda required greater reflection on how the UNDS operates at all levels in order to provide the integrated policy advice, normative and statistical support, capacity development and direct service delivery to countries necessary to achieve the Agenda's Goals and targets and its overarching imperative to leave no one behind. To this end, an in-depth intergovernmental dialogue on the UNDS functions, capacities, governance structures, organizational arrangements, funding and partnership approaches was undertaken under the auspices of the ECOSOC in 2015–16, focusing on how to build on earlier reforms that created the "UN Delivering as One" approach a decade ago. This review provided substantive inputs for the Quadrennial Comprehensive Policy Review (QCPR) resolution³ in December 2016 in which member States identified those reforms that should be carried

¹ *Shifting the management paradigm in the United Nations: Ensuring a better future for all – Report of the Secretary-General*, A/72/492, 27 Sep. 2017.

² Commonly understood as the 44 UN funds, programmes, UN Secretariat departments and specialized agencies that receive funding for operational activities for development.

³ The policies of the ECOSOC and the General Assembly for the UNDS are reviewed every four years in the context of the QCPR. The resulting General Assembly resolution guides the UNDS operational activities for development, and outlines how the system's entities should work together for the subsequent four years.

forward and areas where the Secretary-General should develop additional proposals. In March 2017 the ILO Governing Body reviewed ⁴ the QCPR resolution and its implications for the ILO.

II. UNDS reform actions and timeline

5. Responding to the requests in the QCPR resolution, the Secretary-General submitted his first report entitled *Repositioning the United Nations development system to deliver on the 2030 Agenda – Ensuring a better future for all* ⁵ in June 2017, containing his principal ideas and actions for reform. In the second half of 2017 he put in place an ambitious consultation programme involving member States, UN entities and other key stakeholders to develop specific proposals. The ILO was engaged throughout at the highest levels, providing data, interviews, comments and other inputs for the reviews and through its representation in the UN System Chief Executives Board for Coordination (CEB), the High-Level Committee on Management (HLCM), the High-Level Committee on Programmes (HLCP) and the United Nations Development Group (UNDG).
6. In the meantime, the Secretary-General restructured the UNDG ⁶ to support his vision for the UNDS reform, including appointing the Deputy Secretary-General as the UNDG Chair and the Administrator of the United Nations Development Programme (UNDP) as Vice-Chair, and restructuring its working groups. The ILO is a member of a core group of agencies ⁷ that will meet quarterly and serve as the key inter-agency instrument for reform implementation. A Joint Steering Committee to enhance humanitarian and development collaboration, chaired by the Deputy Secretary-General, was also created. A review and reform of the UN Department of Economic and Social Affairs (DESA), including the appointment of a Chief Economist, reflecting DESA's reprioritization on economic policy and financing for development, is under way.
7. Following discussion of the proposals by ECOSOC members, it is expected that a resolution will be adopted by the General Assembly later in the year, with implementation starting in early 2019. General Assembly resolutions are binding for UN entities that report to it but not for specialized agencies like the ILO that have independent governance structures. However, as a member of the UN system, and in accordance with the provisions of the 1946 UN–ILO relationship agreement, the ILO is committed to contributing to the aims and objectives of resolutions relevant to its mandate and in particular with regard to the implementation of the 2030 Agenda. As many reform measures will touch on the management, governance and configuration of ILO country operations and the Organization's relationship to ECOSOC, following adoption, the General Assembly resolution will be brought to the ILO Governing Body for consideration at the November 2018 or March 2019 session. In the meantime, the Office will continue to analyse the impact of this far-reaching reform as the proposals are further developed through intergovernmental negotiations.

⁴ [GB.329/INS/7](#).

⁵ Document [A/72/124-E/2018/3](#).

⁶ The Secretary-General has also renamed the UNDG as the United Nations Sustainable Development Group (UNSDG).

⁷ Comprised of DESA, FAO, ILO, OHCHR, UNDP, UNEP, UNESCO, UNFPA, UNHCR, UNICEF, UN WOMEN, WFP, and WHO, the rotating Chair of the Regional Economic Commissions and the Chairs of the UNDG strategic results groups.

III. The Secretary-General's proposals for reform of the UNDS

8. The Secretary-General's December 2017 report presents a package of proposals in seven key areas including: a system-wide strategic document for collective support for the 2030 Agenda; United Nations country teams (UNCTs), including the role of the United Nations Development Assistance Frameworks (UNDAFs), agency country presence and common back offices and services; the Resident Coordinator (RC) system; regional approaches; strategic direction, oversight and accountability; partnerships; and a funding compact between the UNDS and member States.
9. The proposals, if adopted by the General Assembly, could pose a range of challenges for the ILO where they impact the Organization's key functions and independence as a tripartite normative specialized agency or the Office's management structures, rules and processes. However, they would also present many opportunities for the ILO and its constituents to leverage the reach and convening power of the UN to advance the implementation of the Decent Work Agenda in support of the Sustainable Development Goals (SDGs).

System-wide strategic document: realigning collective support for the 2030 Agenda

10. The system-wide strategic document,⁸ which was developed within the UNDG, comprises a framework for guiding the development system's alignment to the 2030 Agenda. It is constructed around "four cornerstones": coherent and effective support for the 2030 Agenda across the UN Charter; system-wide functions that need to be strengthened in support of the SDGs; system-wide instruments for collective results; and more effective funding mechanisms to underpin these efforts. It focuses on time-bound measures to reduce overlaps and bridge gaps in UNDS coverage of the SDGs, including the strengthening of the skill sets of the UNDS.
11. Intended as a "living document" under the responsibility of the UNDG, it will also serve as an accountability instrument with annual reports of its implementation for ECOSOC. The first update and revised set of actions will be presented to the ECOSOC Operational Activities Segment in 2019.
12. Actions to be undertaken in the near future include a review of the work programmes of the system's various research and training institutes, which could be an opportunity to position the International Training Centre of the ILO (ITC-ILO) in system-wide efforts on training and national capacity development related to the SDGs in its areas of expertise. It also identifies five flagship initiatives focusing on SDG skill sets or thematic areas that require immediate collective attention, several of which could represent opportunities for ILO participation.⁹

⁸ Provided in its entirety as annex in the Secretary-General's report.

⁹ The flagship initiatives cover the following areas: climate change, equality, eliminating violence against women and girls, the data revolution for sustainable development, and risk, resilience and prevention.

A new generation of United Nations country teams

13. The Secretary-General's proposals foresee a new generation of more streamlined UNCTs whose contributions and country presence better reflect country priorities and context than is currently the case. UNDAFs would be repositioned as the single most important UN country planning instrument in support of the 2030 Agenda, and individual UN agency physical presence would be determined relative to a set of criteria based on country priorities and needs. The RC would drive system-wide support, including coordination of partnerships and pooled funding, and hold UNDS entities accountable for results.
14. Under national leadership, civil society, development partners, businesses and other stakeholders would be extensively engaged during UNDAF design, implementation, monitoring and evaluation. Individual country programmes such as the ILO's Decent Work Country Programmes (DWCPs) would need to be fully aligned to UNDAFs. While this is already the case in a growing number of countries, if this becomes the norm for the system, it will be imperative for ILO constituents to participate in these processes to ensure that world of work priorities identified by national tripartite constituents in the DWCPs are reflected in the UNDAF. In that regard it would be advantageous to synchronize the timing of DWCP development to fit the UNDAF cycle where possible. It is also essential that constituents be recognized national partners in UNDAF discussions and that they have the capacity to participate. In the short to medium term, aligning ILO technical programmes and projects at country level that respond to existing tripartite decisions may prove challenging if they are not easily linked to UNDAF priorities, which could exclude them from potential advantages of being brought into the UNDAF in terms of visibility as national priorities and funding.
15. The composition of UNCT membership is to be defined at the outset of each UNDAF cycle in an open discussion between the host government and the UNDS, facilitated by the RC. The process would include determining the specific expertise required to respond to country needs and priorities, identifying which entities should participate based on their comparative advantages, evaluating whether the scale of an entity's programmatic activity outweighs its operational and administrative costs,¹⁰ and, upon the advice of the RC, an entity's own consideration of its need for and type of physical country presence. The proposal recognizes that the defined mandates and responsibilities of normative entities will need consideration in such an assessment, which is critical for the ILO. The RC would submit the proposed UNCT composition to the UNDG and a subsequent recommendation to the host government.
16. The proposals suggest that entities that do not meet the criteria could continue their country activities through other means, including, for example, representation agreements with other UN agencies or secondments and collocation within the RC office or other agencies with related mandates.
17. The model under consideration is geared toward rationalizing UNCT membership and reducing the number of individual agency country offices per country. It clearly favours the presence of larger agencies with significant direct service delivery profiles. Redefining the UNCT footprint for each country's five-year UNDAF cycle also has human resources implications which would need to be balanced against the ILO's fulfilment of its programme and budget obligations. It should be noted that the ILO could even see increased demands for country presence under this model.

¹⁰ Based on relative thresholds to discourage the presence of agencies with a low ratio of programme spending to operation costs and expenditures under 10 per cent of annual UNCT expenditure.

18. For some agencies, secondment or delegated representation may potentially be cost saving ways to ensure country presence, although other options should be considered. The ILO is a UNCT member in 111 countries, but has country offices only in 36¹¹ and thus mostly participates in UNCTs from multi-country offices as a non-resident agency, with ad hoc representation at UNCT meetings by national coordinators or local ILO project offices in some countries. Given the role of ILO national coordinators in DWCP development and relations with national ILO constituents, clarification of their status in UNDAF development and other UNCT activities under the reform will be needed.
19. The potential consequences of the proposed selection criteria also need to be carefully considered in relation to recommendations of the independent evaluation of the ILO's field operations and structure 2010–16¹² and against the ILO's need for independence to pursue its normative and constitutional mandates to support and supervise countries' implementation of ratified Conventions under articles 10, and 22–26 of the ILO Constitution and follow-up on Declarations endorsed by member States, particularly the ILO Declaration on Fundamental Principles and Rights at Work (1998) and the ILO Declaration on Social Justice for a Fair Globalization (2008).

Common business services and back-office functions

20. The promotion of common business services and back-office functions responds to a long-standing call by member States to generate greater efficiencies and cost savings through economies of scale that can then be redeployed into programmes. To this effect, the Secretary-General proposes an increase in the share of common premises of UN agencies at country level from the current 16 per cent to 50 per cent by 2021. He has also requested the HLCM and UNDG to devise a strategy to consolidate location-dependent services by establishing common back offices for all UNCTs by 2022. This could also include six to seven networks of shared service centres¹³ managed by larger entities in the system. A pilot phase on an opt-in/opt-out basis for agencies is foreseen.
21. A key element of proposal is the scaling-up of the roll-out of UNDG Business Operations Strategies to all UNCTs by 2021 from the current 26. A Business Operations Strategy is a framework under the “Delivering as One” approach aimed at supporting UNCTs to take a strategic, results-oriented approach to planning, management and implementation of harmonized business operations at the country level. It promotes cost-effective, common operations which may include common services for procurement, finance, IT services, logistics, human resources and facilities, including common premises. The Office has not participated in the Business Operations Strategies of any of the pilot countries to date, although it has taken part in a limited number of inter-agency initiatives in the areas of procurement, common treasury platforms, common accounting standards and security. Some agencies, including the ILO, have expressed concerns about the Business Operations Strategies, and integrated services centres in general, in relation to the actual cost savings and larger issues associated with the harmonization of rules and procedures, particularly in the areas of finance and human resources where significant differences with the UN funds and programmes and other specialized agencies remain. In addition, the majority of UN agencies have developed agency-specific, fit-for-purpose IT systems. While greater

¹¹ Excluding 21 National Coordinators' Offices in the Europe, Asia and Arab States regions.

¹² [GB.331/PFA/9](#).

¹³ Shared services centres are part of the UN Secretariat's global service delivery model to centralize location-independent operational and administrative functions (e.g. finance, human resources, payroll, IT) for UN departments, funds and programmes within a limited number of offices.

harmonization of systems could be advantageous, the resource and time implications in transitioning to a common platform should not be underestimated.

22. The Secretary-General's report rightfully claims that the key to unlocking further progress on common services and back-office functions is advancement of the mutual recognition of policies and procedures among UNDS agencies. The Office supports the further work on mutual recognition and considers further harmonization of financial, human resources and other operational rules and regulations desirable. The ILO has had some positive experiences in the areas of procurement and treasury operations.
23. With regard to common premises, ILO country offices or development cooperation projects are physically located with other UN agencies in 38 countries, which has operational benefits for inter-agency collaboration. Most ILO premises are leased, and in some 40 countries these are provided free of charge or subsidized by the government. The ILO owns its premises in ten countries. Therefore, the costs of moving to common premises would require careful review. Apart from assessing potential efficiency gains of expansion of common premises and back-office functions in some countries, there are also concerns that the "One UN" model of clustering staff by UNDAF results group, rather than by agency, could potentially undermine the strategic and operational cohesiveness of the ILO's work. Access of ILO constituents would also have to be fully ensured.

A reinvigorated Resident Coordinator system

24. Substantial changes to the RC system are foreseen in the reform proposals. These are aimed at enhancing the impartiality, authority and accountability of RCs and providing the system with a more secure funding base. They also look to increase the relevance of substantive capacities of UN agencies vis-à-vis local needs and establish clear accountability for collective results. An empowered RC in this scenario would be able to better steer country teams towards collective UNDAF results and enhance mutual accountability within the UNCTs for shared performance against country priorities. In addition, changes would be made to RC recruitment, selection and leadership development to ensure that RCs have the right skill sets to drive coherence in a collaborative manner and respond to the multifaceted needs of the integrated and norm-based 2030 Agenda.
25. Resident Coordinators would be accredited by governments as the highest ranking development official of the UN at country level with a reporting line to the Secretary-General through the Deputy Secretary-General. The RC system operations and the UN Development Operations Coordination Office (DOCO) as its management body would be transferred from UNDP to a stand-alone and renamed¹⁴ coordination office reporting to the Deputy Secretary-General. RCs would no longer carry out the function of UNDP Resident Representative, freeing them to concentrate on their role of impartial coordinators of UN support to countries to implement the SDGs. RCs would, however, continue to also serve as Humanitarian Coordinators and/or Deputy Representatives of the Secretary-General in certain contexts. RC offices would be better staffed, with a minimum of five experts covering areas such as strategic planning, economics, policy support, monitoring and evaluation, and strategic partnerships.
26. The UNDP, with its extensive country presence and capacity, would continue to support the RC system in terms of operational coordination, common premises and administrative and

¹⁴ Proposed as UN Sustainable Development Group Office (UN-SDGO). The DOCO is the secretariat for the UNDG and supports the regional UNDGs and the work of the RC system and UNCTs, including guidance and RC recruitment, assessment and professional development, among other responsibilities.

back-office services on a fee-for-service model. It would also have an enhanced advisory and integration role within UNCTs, leading on system-wide planning, risk management, localization and monitoring of SDGs, financing for development and pooling of UN expertise or mobilizing external partners across the SDGs.

27. During the reform discussions of the last two years, the ILO has been supportive of proposals to separate the RC function from that of the UNDP Resident Representative. Perceived and real partiality in the system has hindered greater integration and made reducing inter-agency competition more difficult. An impartial RC who can focus on her/his coordinating role and promotes the normative fundamentals of the 2030 Agenda, including international labour standards, can be an important and effective ally of the ILO, its mandate and tripartite constituents. In this regard ILO contributions, including the participation of the ITC–ILO to revised RC leadership training would be key. It would also be advantageous for the Office to orient ILO officials to seek RC positions.
28. The proposed enhancement of RC authority concerns several areas: UNDAF priorities and alignment of agency programmes; country-level presence of agencies; the leadership profiles and appraisals of UNCT members; and country-level inter-agency pooled funding. RCs would not only lead the UNCT in consultations with host governments on UNDAF priorities but also have a final say on UNDAF strategic objectives in the absence of a consensus within the UNCT and according to an agreed dispute resolution mechanism. The RC would have sign-off authority on agency programmes to ensure alignment within the UNDAF.
29. The UNCT members would maintain a direct reporting line to their respective agency for their in-country activities, but they will also report to the RC on their support to the implementation of the 2030 Agenda. In defining the scope of this oversight and accountability for collective results, some agency activities would remain outside the UNDAF in view of the nature of certain mandates, normative functions or other exceptional circumstances. This would be critical for the ILO in terms of the Office's standards related supervisory functions and follow-up. However given the coverage of the Decent Work Agenda in the SDGs and the ILO's role as custodian of 14 global indicators, reporting to the RC on 2030 Agenda implementation would cover a considerable portion of ILO work at country level.
30. It is also proposed that that RCs contribute more systematically to agency performance appraisals of UNCT members and UNCT heads continue to inform the performance of RCs. This performance assessment system would need to be reflected in job descriptions, performance appraisals and relevant programme documents of UNCT members. While the ILO's job descriptions for country directors already reflect their UNCT responsibilities, this proposal to formalize the relationship with RCs on performance implies a deeper level of integration.
31. Underpinning this substantial recasting of the RC system is a proposed increase in the level of funding by US\$80 million annually to a total of \$255 million and a switch from voluntary sources to assessed contributions to provide predictable core funding. The Secretary-General is also seeking additional voluntary contributions of \$35 million, or \$270,000 per RC office, to create a discretionary integration fund to enable RCs to incentivize collaboration and draw catalytically on the assets of the UNDS. The Office is supportive of such an approach as continuing to rely on voluntary contributions and increased cost-sharing among UN agencies that are functioning under zero growth or falling budgets is not sustainable. In 2016–17, the ILO contributed \$4.3 million in support of the RC system, which represents the ILO's share of a funding pool for an agreed set of UNCT coordination functions at country level.

A revamped regional approach

32. The findings of the review of the UNDS's regional functions and capacities in late 2017 underscored the need to adjust the system's regional architecture to better serve the needs of the 2030 Agenda. This includes clarifying the division of labour, reducing overlaps and aligning efforts among regional entities – the Regional Economic Commissions (RECs), the regional UNDGs (R-UNDGs) and the regional offices of UN entities. The review recognized the critical roles of the regional structure of the specialized agencies, funds and programmes in providing strategic and policy guidance, technical backstopping policy and operational support to their country offices.
33. A two-step approach to reform is proposed with an update to member States in 2019 on the options for longer-term re-profiling and restructuring of the UN's regional assets. The first phase would concentrate on rationalizing certain functions of the RECs, R-UNDGs and the country-level activities of UN DESA. A clear protocol for country engagement of secretariat entities and other non-resident UN agencies would be put in place to ensure that the RCs are informed of their in-country development activities. Over the longer term the RECs, which are at present quite heterogeneous in capacity and focus, would privilege their convening, think tank and policy advisory roles.

Strategic direction, oversight and accountability for system-wide results

34. The QCPR called for improved governance of the UNDS aimed at greater coherency, transparency, responsiveness and effectiveness. The Secretary-General, recognizing the prerogative of member States in this area, has suggested a focus on ECOSOC and the Executive Boards of the New York-based funds and programmes.
35. It is proposed that the ECOSOC Operational Activities Segment become an accountability platform for system-wide performance on the 2030 Agenda with two annual sessions rather than the current one. The first would provide policy guidance on system-wide action at all levels, including for member States to exercise their oversight role over the system's regional architecture and coordination; and the second could focus on strengthening guidance provided to the governing bodies of the UNDS with a view to ensuring a common approach in strategic and programmatic efforts towards the implementation of the 2030 Agenda and better coordination of the UNDS with humanitarian and peacebuilding efforts.
36. The Secretary-General is also recommending the merger of the Executive Boards of the New York-based funds and programmes¹⁵ to ensure a more unified member States' voice and a coherent approach among these agencies that have a very large operational footprint. He notes that a joint board would also provide a better interface for increased coordination with the boards of the specialized agencies.
37. Finally, the Secretary-General proposes to establish a small, independent system-wide evaluation unit, to be administered by the UN Department of Management and directly accountable to ECOSOC. This unit would collaborate closely with the evaluation offices of the UN system through the UN Evaluation Group (UNEG). It would complement but not duplicate the functions of the Joint Inspection Unit (JIU).

¹⁵ UNDP, UNFPA, UNOPS, UNICEF, and UN Women.

Partnerships for the 2030 Agenda

38. A key feature of the 2030 Agenda is the recognition of the intrinsic and critical role of partnership and collaboration with stakeholders beyond the United Nations at the global, regional and national levels. Partnership efforts within the UNDS remain fragmented and duplicative with heterogeneous standards and procedures. As a first step to develop a system-wide approach, the Secretary-General has activated senior UN leadership to coordinate a process within the UNDG, with the support of UN DESA and the Global Compact, to agree on a system-wide approach to partnership. A reinvigorated UN Office for Partnerships will become the UN's Global Gateway for partnerships and the UN structures. The scope and breadth of this new approach is yet to be defined but will require further review regarding implications for the ILO, especially in relation to partnerships with business organizations and the private sector.
39. Structures and mechanisms for South–South cooperation will also be revamped in the lead-up to the March 2019 High-Level United Nations Conference on South–South Cooperation. The ILO, with its experience in tripartite engagement, facilitation methods and wealth of good practices in South–South and triangular cooperation (SSTC) is well placed to contribute to enhanced inter-agency processes and showcase the value of SSTC for promoting decent work.
40. This reform also looks to strengthen system-wide integrity, streamline due diligence procedures and risk management across the UN system, including acceptance of the ten principles of the Global Compact as a common partnership standard for private sector entities. Global Compact leadership has been asked to consider ways to improve governance at the global level, and its oversight and the impact of its local networks, with a particular focus on engaging small and medium-sized enterprises.
41. At the country level, RC offices would be empowered to serve as a one-stop shop for partnerships with external partners, including with international financial institutions (IFIs). Regarding the latter, a system-wide compact with the IFIs is foreseen, with an agreement with the World Bank expected this year.
42. While simplified and harmonized procedures are appealing from an efficiency perspective, a one-size-fits-all approach could pose difficulties for specialized agencies in particular in seeking public–private partnerships in accordance with their mandates. The special status of ILO constituents at country level as UN partners requires specific consideration. Furthermore, the compatibility of an enhanced role for the Global Compact in the oversight of private sector partnerships at global and country levels requires further review.

Funding compact

43. Declining levels of core funding to UNDS entities has plagued the system for years, fuelling competition, fragmentation of efforts and mandate creep.¹⁶ In his June report, the Secretary-General proposed a funding compact between the UNDS and member States around a limited number of concrete and realistic mutual commitments. The Secretary-General's second report provides proposals for this agreement centred on lifting the level of predictable, less earmarked, multi-year funding from a broadened and more diverse base in

¹⁶ Many UN agencies and funds and programmes are heavily dependent on voluntary contributions. Core budget contributions are now less than 22 per cent of total contributions received by the UNDS.

return for greater transparency, accountability and reporting on results achieved through system-wide action.

44. Specifically, the proposals would see the UNDS:

- provide annual reporting on system-wide support to the SDGs, both at country level and to ECOSOC, requiring further harmonization of methodologies and data collection within the system;
- enhance transparency and access to financial information across UNDS entities, including enrolment in the International Aid Transparency Initiative (IATI);
- undergo independent, system-wide evaluations on results achieved;
- achieve full compliance with existing cost recovery policies and further exploration of harmonized but differentiated cost recovery by individual agencies;
- allocation by UNDS entities of at least 15 per cent of non-core resources to joint activities, including to complement resources from inter-agency pooled funds; and
- enhance visibility of member States' contributions.

45. In return, member States are asked to commit to:

- increase the share of core resources for individual agencies to at least 30 per cent in the next five years;
- improve the quality of earmarked funding, including doubling inter-agency pooled funds to \$3.4 billion, or 16 per cent of total non-core contributions, by 2023;
- increase funding to the RC system; and
- support country-level activities through pooled funding by capitalizing a joint fund for Agenda 2030 to support UNDAF implementation at \$290 million per annum and higher contributions to the Secretary-General's Peacebuilding Fund.

46. For the ILO, certain of the above requests of the UNDS would be more complex than others to implement. The proposal that entities allocate 15 per cent of non-core funding they receive to joint activities may be challenging for the ILO and other specialized agencies with specific mandates and budgetary structures. At present, 8.5 per cent of extra-budgetary non-core resources (excluding Regular Budget Supplementary Account), have been mobilized through multi-donor trust funds or other non-core resources for inter-agency collaboration. The ILO provided data to IATI in 2016 and is committed to continued participation in this initiative. The Office also supports compliance with full cost-recovery policies, and the visibility of donors is a priority in line with its current partnership approaches.

IV. Next steps and conclusion

47. Following a decision by UN member States, the Secretary-General expects that the change process would be completed within four years. Critical recommendations such as the UNCT reconfiguration and RC system reforms are expected to be operational by the end of 2019.
48. Through this Working Party discussion, the ILO tripartite membership has the opportunity to comment on the reform proposals and provide views on the opportunities and challenges of the UNDS reform for the Organization as proposed in the Secretary-General's report. Specific reform measures contained in the General Assembly resolution requiring Governing Body approval will be brought to subsequent sessions for debate and decision.