

**Review,
UN-World Bank Relations in the Field**

Summary Report

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Project: Review of UN-World Bank Relations in the Field
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Executive Summary

- a. ***Strengthen UN and World Bank Relations:***
 - i. Align World Bank-UN programming cycles and instruments (unified UNDAF-CAS);
 - ii. Multilateral coordination and cooperation must be outward looking, driven by the Paris Declaration principles. Internal UN-Bank relations should be secondary to overarching Harmonization and Alignment.
- b. ***Improve Relations by Strengthening the UN:***
 - i. The UN must adapt to the new aid environment of pooled funding and joint policy development;
 - ii. The UN requires new capacities and resources to be an effective partner in this environment.
- c. ***Change Donor Funding to Improve UN Effectiveness:***
 - i. Donor funding must be more predictable and un-tied, and supportive of UN Country Team coherence;
 - ii. Donor funding for UN agencies at global and country levels should be more consistent, to reduce fragmentation and competition among UN agencies.
- d. ***Strengthen UN-World Bank Post-Crisis Collaboration:***
 - i. UN-World Bank collaboration is strongest and most systematic in crisis/post-crisis situations through explicit agreements, joint instruments etc;
 - ii. There are notable gaps, particularly the transition from emergency to reconstruction ("making peace dividends visible") that must be addressed;
 - iii. Overall, this field should be given priority attention, for reasons of the complementarities and achievements already in place, but also because crisis/post-crisis situations are taking on added importance and urgency.
- e. ***Move quickly toward "One UN" in the Field:***
 - i. UN *system* must become clearer, coherent as foundation for stronger visibility, accessibility, credibility at field level;
 - ii. The Resident Coordinator's role, management tools need to be clarified, UNCT performance monitored, UN agency managers' contributions to UNCT assessed;
 - iii. UN organisational diversity is a strength, procedural differences a cost. UN system transaction costs must be systematically reduced;
 - iv. UNDP reform is key to UN system coherence;
 - v. Perceptions of UN matters, but Performance matters more: better UN *system* results reporting is central to strengthening UN role and resources.
- f. ***Exploit Opportunities for More Effective UN-World Bank Collaboration:***
 - i. At country level, opportunities for collaboration are exploited though to varying degrees. This should be driven from a partner country perspective to ensure that UN-World Bank synergies are captured by the local partners.

Background and Introduction

The UN Section of Norway's Ministry of Foreign Affairs (MFA) commissioned Scanteam to carry out a rapid assessment of the relations between the UN system and the World Bank in four countries. The purpose of the study was to identify realistic options for improvements to the relationship and cooperation between the two systems at country level, in their support of national development priorities.

The preparations for the field work began on 14 May. The field work took place between 29 May-9 June in Bangladesh, Bosnia-Herzegovina, Indonesia and Uganda. During the field work, interviews were carried out with staff members of the UN system, the World Bank, host governments, donor agencies, and other UN member states represented in these countries.

This Summary Report contains key findings from this field work, but also includes insights from other work undertaken by Scanteam for the MFA, Norad, the UN and the World Bank in recent years:

- Review of the UN System and New Aid Modalities (MFA, 2005);
- Review of UN Joint Programming in the Field (MFA 2005);
- Review of Post-Crisis Multi-donor Trust Funds (Norad, MFA and World Bank – on-going);
- Evaluation of World Bank Support to Capacity Building in Africa (Operations Evaluation Department, World Bank, 2005);
- Review of Norway's Financial Support to UNDP in Angola (both Mid-term Review and End-Review, Norad 2004 and 2005);
- Several reviews of UN agency and World Bank activities in Angola, Bosnia-Herzegovina, Eritrea, Kenya, Kyrgyzstan, Moldova, Mozambique, Myanmar, Tanzania, Timor-Leste, and Vietnam.

In addition to the interviews carried out in the field, the team has had two workshops with MFA and Norad staff in Oslo, and has had conversations with staff at UN Head Offices in New York and the World Bank in Washington.

The Review Team is grateful to the MFA and the Embassies for their support to a time-intensive and demanding task that had to be carried out under very tight deadlines, and to all informants who generously gave of their time.

Strengthen UN and World Bank Relations

Align the UNDAF and CAS to strengthen bilateral collaboration

- 1. The study found limited bilateral collaboration between the UN system and the World Bank.** Where occurring, collaboration tended to be *ad hoc* and based on particular circumstances rather than the result of systematic planning between the organisations. The rationale for collaboration was often poorly expressed, lacking a clear strategy on how value would be added to national development objectives. There were cases of World Bank participation in the UN Development Assistance Framework (UNDAF) and UN involvement in the World Bank's Country Assistance Framework (CAS). However, results were limited in terms of actual operational relations.
- 2. Bilateral collaboration can be strengthened by aligning UN and World Bank country strategies.** Where national planning instruments are good (budgets, medium-term fiscal frameworks, PRSs), both organisations should align their country plans with the national development strategy through simple business plans. Where national instruments are insufficient and the organizations need to develop their own strategies, the UN and World Bank should harmonize their planning cycles and work towards *one* joint country strategy (CAS-UNDAF). This will ensure that possibilities for future collaboration are identified during the planning stage.

Multilateral coordination and cooperation must look outward, and be driven by Paris Declaration principles

- 3. There is improving cooperation between the UN system and World Bank within multi-donor frameworks.** Donors are shifting resources into new aid processes and modalities, consistent with the Paris Declaration principles of Harmonisation and Alignment: Direct Budget Support, Poverty Reduction Strategies (PRS), pooled funding modalities such as Sector Wide Approach programmes (SWAPs) and Multi-Donor Trust Funds (MDTFs). The UN and World Bank are increasingly and more systematically engaged in these modalities. Factors *external* to the multilateral system, therefore, are the most significant force driving an increase in cooperation between them.
- 4. Multilateral coordination should be based on the principles of the Paris Declaration.** The trend to cooperation inside new aid modalities is positive, and should be reinforced. The World Bank and the UN should look outward to the requirements of these modalities. Their bilateral relationship should only be privileged when demonstrated that it adds value to national development objectives that can not be achieved by multi-donor forums. Joint UN and World Bank action within these modalities must also be included in the CAS/UNDAF framework.

Strengthen UN Capacity to Collaborate

The UN must adapt to the new aid environment

- 5. Relations between the World Bank and UN are shaped by asymmetries.**
 - The differences in size of resources, depth of technical skills and perceived differences in performance are systematically noted by informants.
 - The World Bank is perceived as a cohesive organisation in contrast to a fragmented UN system, which undermines the UN's voice.

- 6. Relations between the World Bank and UN are also shaped by complementarities:** The country visits identified opportunities in areas of global issue management, programming on governance, health and education, analytical work in the fields related to MDG monitoring and rights-based development. These fields are important within the new aid environment. However, complementarities are under-exploited and must be developed in a more systematic manner.

- 7. The World Bank is adapting quickly to the new aid environment:**
 - The Bank often leads joint analytical and programming work like PRS processes on the donor side.
 - The Bank has the mandate and financial resources to participate in Budget Support modalities and pooled funding mechanisms.
 - It plays a dominant role in donor coordination and is increasingly the administrator for MDTFs and other pooled funding mechanisms.
 - The Bank also has more flexible funding options, being able to provide stand-alone analytical work, grants, IDA credits, and IBRD loans. Therefore, it has the capacity to offer a mix of support adjusted to circumstances.

- 8. UN agencies often lack the capacities and resources to be effective in the new aid environment.:**
 - The UN remains heavily involved in “old” aid modalities (project implementation and technical assistance), although moving towards more open and collaborative arrangements within and outside the UN family.
 - Agencies lack a corporate policy framework to participate in some of the new aid modalities (such as General Budget Support).
 - If a decision is made to contribute financially to budget support and pooled funding modalities, agencies will need additional resources.
 - Their capacity for research, policy dialogue and normative roles needs to be strengthened for pro-active voice in their areas of particular concern.
 - The UN typically only plays a central role in donor coordination in crisis situations.

These concerns affect the role and performance of the UN system in most country situations, and thus needs to be addressed at a system-wide level.

- 9. Strengthening the UN system will improve collaboration with the World Bank, in their bilateral relationship and multi-donor forums.** UN Reforms should provide agencies with the capacities and resources they need to work effectively with new aid modalities.

Change Donor Funding to Improve UN Effectiveness

10. Donors must consider new funding models that are predictable and untied.

UN agencies have core funding (predictable and un-tied), implementation arrangements for global funds/programs and MDTFs (reasonable predictability, shared objectives), contributions from host countries (variable predictability), and bilateral project funding (variable to low predictability and tied):

- **Funding for the UN is less predictable than for the World Bank.** This weakens the UN's ability to be a predictable partner for the World Bank in joint programming exercises.
- **Variability in funding creates problems for human resources management.** Revenue from project overhead pays for technical staff. Hiring, training, retaining and developing critical skills become more difficult for the UN than the Bank due to its sensitivity to donor funding fluctuations.
- **Bilateral project funding is equivalent to conditionality.** Donors use the UN system as implementation capacity for their bilateral objectives. Project objectives are defined by donors, acting as conditionality and tying (earmarking) the funds. This fragments programming according to donor agendas rather than UN priorities.

11. The UN is constrained by inconsistent donor funding and behaviour. Much of UN agency revenues are generated by implementing donor-supported projects. Donors fund projects from their head offices and from the field; from different budget lines within their own budgets (emergency versus regional versus UN agency allocations); and a range of other modalities. There is often insufficient coordination on the donor side, so this funding behaviour creates an environment of uncertainty, high information and coordination costs, and incentive for competition rather than collaboration within the UN. It also reinforces a project orientation, making it difficult for UN agencies to build the stable financial base or research and policy capacities they need to improve effectiveness.

12. Donor funding models should reinforce UN performance and coherence within the UN Country Teams (UNCT).

- **Globally,** donors should consider increasing core funding allocations and the use of other joined-up medium-term and transparent vehicles (global funds and programs, etc).
- **At country level,** UN Common Country Fund models can be developed. Such funds should preferably be under the authority of the UN Resident Coordinator. They could be linked to PRS/UNDAF performance matrix and/or other mechanisms that would promote UN coherence and consistency, links to larger donor-UN cooperation mechanisms, and thus strengthen transparency, mutual accountability, predictability, and UN alignment. Donors should review their own UN funding practices globally, identifying how funding models can improve UN system performance and relevance.

Strengthen UN-World Bank Post-Crisis Collaboration

13. The UN and World Bank are forging stronger collaboration in post-crisis situations. The multilateral agencies are the preferred actors in high-risk situations. They are mandated to engage under such circumstances and have the capacity, experience and resources to handle the uncertainty and risks implicit in crisis situations. Collaboration among the multilateral agencies may be strongest in these post-crisis situations, but can be developed further:

- In immediate **crisis** situations – conflicts, natural disasters – the UN system has a clear mandate and strong organisational systems for addressing emergency and humanitarian assistance needs. The World Bank seldom enters except with funding.
- In the **reconstruction** phase, the World Bank has become more active in countries that are not eligible for Bank credits and loans, including as the administrator of MDTFs. The Bank and the UN System have engaged in systematic work to strengthen their collaboration in these situations. A "best practice" example is the recent Financial Framework Agreement that makes it easier for UN agencies to become Partner Agencies within Bank-administered MDTFs.
- In the **transition from emergency to reconstruction** – often a critical "window of opportunity" for addressing issues such as "making the peace dividends visible" – there are still unanswered questions on how to become more effective through enhanced UN-World Bank collaboration.

14. Systematise and disseminate "lessons learned" from post-crisis collaboration much more widely. Globally, crisis situations may be increasing, in terms of their consequences and the resources needed to address them. The World Bank and UN system need to systematise and institutionalise their analytical and dissemination work on post-crisis handling. This should look at:

- The roles and resources that can be brought to bear;
- The mechanisms that can be used (such as MDTFs) and how they can be improved;
- How different phases of the crisis-to-stability process can be handled better, and based on this develop new or improved instruments that enhance overall efficiency and effectiveness.

Institutional memory regarding "lessons learned" must be strengthened, and made more easily accessible to each other and all interested external stakeholders, perhaps through a "one-stop" resources gateway.

15. Post-crisis collaboration is a field where complementarities between the UN and the World Bank can be strengthened immediately. Partly for this reason, but also because of the increasing importance and urgency of addressing crisis/post-crisis situations, this area should be given priority in UN-World Bank efforts at closer cooperation and collaboration.

Move quickly towards “One UN” in the Field

Promote UN Coherence and Visibility in the Field

16. The UN system is characterised by agency focus. While the World Bank is a single organisation, the UN system is fragmented by agency, each with its own mandate, governance structure, resources, career paths and procedures. There are few incentives within agencies that promote horizontal coherence and collaboration within the UN Country Team (UNCT).

17. The UN needs to be one system in the field. The lack of a coherent UN *system* is a barrier to access and performance:

- Overall leadership is unclear and usually comes across as weak. The UN Resident Coordinator (UNRC) has few resources, little authority, and is dependent on individual agency heads for generating consensus and action;
- Spatial fragmentation (different office locations) makes the UN come across as wasteful, uncoordinated and without commitment to the overall ideal of a unified UN;
- The UNDAF is often perceived as not being the "driver" behind UN programming and funding. Rather, agencies continue with individual programmes.

However:

- The UNCTs are seen as improving their performance with information sharing and as a decision-making forum;
- Joint programming is taking place across a wider variety of areas, in more countries;
- The awareness of the costs to the UN of the perceived fragmentation is being taken seriously by UN managers in the field.

But there is a long way to go. While UN reform is taking place, it is seen as slow, ponderous, and held back by agency "chauvinism". Reforms tend to be inward looking (addressing UN needs), lacking the outward focus demanded by the Paris agenda.

18. "One UN" physically and politically improves UN system visibility, accessibility and credibility. The need for a stronger and more credible UN is important in a world where the normative roles and impartial voice in defence of global standards is seen to increase in importance. Physical proximity is also a powerful tool for joint programming, system-wide coherence, and easier overall access by external stakeholders even to individual agencies.

19. The Resident Coordinator's management tools need to be defined. The RC must be able to speak politically on behalf of the UN. The RC needs a credible say in resource mobilization, allocation and performance accountability. The RC must also have authority to adjudicate areas of overlap and contention between agencies. A voice in career opportunities and promotions of agency management staff should also be considered to strengthen the RC system.

20. UNCT performance should be monitored. UNCT performance criteria should be developed and agreed to by UN agencies (participation in joint activities; joint policy positions developed across agencies; etc). Agency heads should be assessed

on their contribution to CT performance, and this should be used by agencies as part of their internal management assessments.

Reduce UN System Transaction Costs

- 21. UN Agency administrative and procedural differences create high transaction costs.** It is rational for agencies to tailor business practices and procedures to their own needs. However, these differences get passed on to partners as harmonization and other transaction costs. One result is that it is often costly for UN agencies to collaborate among themselves. The UN is perceived by external actors as expensive and difficult to work with.
- 22. Organisational diversity is a strength, procedural differences are a cost.** The diversity within the UN family is a resource when agencies have different recognisable skills and knowledge that offers host countries "best practice" access and knowledge. However, transaction costs must be reduced so that partners can access UN capacities. In line with the Paris Declaration, the UN system should move quickly towards establishing common standards and procedures that are used by all agencies. These standards should be outward looking and interoperable with the World Bank and other partners to the extent possible.

UNDP Reform is key to UN System Coherence

- 23. The UNDP needs clearer focus.** UNDP is seen by many as the UN agency with the least clear profile. This is in part driven by its increased need to generate project overheads for funding country offices (in Bosnia core funding is only four percent of the portfolio):
- ***UNDP needs to clarify its professional profile:*** The UNDP should narrow down its business areas and have a clearer "core business" profile.
 - ***UNDP needs to improve its performance in core fields of Capacity Development and Good Governance.*** The field of Capacity Development – from human resources development through organisational change to institutional/societal framework transformation – requires long-term focus and high-level skills. UNDP was seen as not being strong enough in these fields, and thus not always "the partner of choice" by others, including the Bank.
 - ***UNDP should define a more differentiated role by country circumstance:*** The principle of universal presence is diluting UNDP resources, forcing a presence in situations where its value-added is marginal while the same resources in other countries could be of greater use. UNDP should re-think its business model in terms of presence, minimal activity (only normative role/monitoring), and exit.
- 24. The UNDP-UN Resident Coordinator relation needs addressing.** UNDP is seen by some UN agencies as competing with them for funds, creating competition and tensions within CTs. At the same time, the UNDP Resident Representative is in most cases also the UN Resident Coordinator, creating a possible role conflict that has organisational and resource implications. This needs to be addressed as part of UNDP reform:
- ***If UNDP continues competing for funds, the UNDP ResRep is not a consensus person as RC:*** The UNDP is the most logical "home" of the RC

office, but the moment UNDP is seen as a competitor and not a partner with an overarching concern for the UN family as a whole, it creates problems for the RC role.

- ***If UNDP does not host the RC, the UN system is creating a new bureaucracy and undermining the RC role:*** If a separate RC office is established, it creates a new bureaucracy, new issues of roles and competition for influence and resources, and in the long run a question of the actual value-added of the ResCoord vis-à-vis partner authorities.

25. Perceptions matter: The UN needs to address concerns and views by partner governments and donors since these impact decisions on resource flows and role attributions.

26. Performance matters more: The UN operational agencies as a system are today difficult to monitor and assess in terms of performance. The UN reform process should aggressively address this, since UN agencies, their staff, and their partners in-country and abroad deserve to see the results produced and the successes attained. This, ultimately, is also what will give them the voice and resources required to play the role all actors agree the UN needs to play on the ground.

Options for More Effective Collaboration UN-World Bank

During the country visits, a number of cases of successful collaboration were seen. These examples show the potential for such UN-World Bank cooperation. Some are noted below. However, the overarching criterion of success is not if the joint tasks strengthen UN-World Bank relations, but if they provide a better avenue for supporting the country's own development efforts:

- 27. UN system and World Bank joint monitoring of MDG performance.** In some instances both the UN system and the World Bank issue national MDG reports. While approaches and relationships with the host Governments may differ, the two organisations can build common research, monitoring and reporting capacities. The process should advocate alignment of national development goals with the MDGs, and contribute to debate in the broader development community (donors, civil society and private sector). Collaboration would strengthen empirical information available for programme development. National reporting should support a joint global monitoring initiative.
- 28. Global issue management.** There is a strong complementarity between the UN system and the World Bank on global issues management. There are examples, such as bird flu and HIV/Aids, in which collaboration is proving effective. However, much more can be done to systematically develop joint monitoring, research and advocacy capacities, nationally and globally. Outputs would be an important contribution to Government-led multi-donor forums, as these tend to have limited research capacities. Ideological differences and asymmetries in capacity are the obstacles to be overcome.
- 29. UN pilots new initiatives with the host Government, and the World Bank supports scaling up.** The UN system has the field presence and implementation capacity to pilot innovative ideas or "good practices" from its global networks. If adopted by host Governments, services developed through piloting can be scaled up with World Bank support. This now occurs on an *ad hoc* basis, with the World Bank step in after the piloting phase to fund successful initiatives. However, joint planning between the UN, World Bank and Government from inception would lead to a greater sharing of risk, knowledge and ensure better transition between the piloting and scale up phases.

End Note: The UN is not a Donor Organisation

- 30. The role of the United Nations is larger than aid efficiency.** The United Nations is a global inter-governmental organisation with 191 member states. It has a global mandate, granted by its members, to manage issues related to international peace, security and development. Among these are the protection and promotion of international norms and translating the MDGs into real development achievements. The role of the UN system at the country level, therefore, can not be reduced that of a development agency among many others. Accordingly, the UN's collaboration with the World Bank should not focus simply on the delivery of assistance, nor should UN's inability to contribute financially constrain its participation in new aid modalities.
- 31. The dependence of UN agencies on donor project funding is perceived to compromise its neutrality.** There is a global trend for donor influence to decline as emerging powers such as China and India play a more assertive role. The UN has a broader role in facilitating dialogue between actors that influence national development outcomes. In this, the UN must balance its mandate with dependence on donor funds, the relationship with host Governments and the interest of non-donor UN members. The organisation has difficulty finding its own strategic position between these interests. However, all development actors have an interest in promoting the UN as a strong and independent organisation.