Purpose and rationale

1. The objective of the Country Office financial sustainability and effectiveness exercise is to ensure that Country Offices are: a) well equipped to operate effectively and efficiently within the available budget envelope, and b) “fit for purpose” in terms of capacity.

2. The financial sustainability and effectiveness exercise will follow and build on an initial set of immediate measures (e.g., freeze on recruitments against core funding, etc.) taken during the first three months of 2013 to address the 2013 core institutional budget reduction and captured in the action plans to reduce core institutional budget expenditure. They will also take into account the findings of the capacity analysis and can result in capacity increases, outsourcing of functions, or reductions, depending on sustainability and business outlook.

3. Country Office financial sustainability and effectiveness exercise is complemented by a separate structural review process covering HQs Bureaus and offices.

Implementation

4. To support the implementation of the financial sustainability and effectiveness exercise, the Policy on Change Management Clearance and the Policy Governing Human Resources Alignment in the Context of Change Management have been suspended, and this document constitutes a set of Interim Change Management Measures. The main objective of these measures is to provide COs with necessary flexibility within a transparent, fair and accountable process, and to empower management to drive timely implementation of required changes with minimal disruption to staff and to ongoing work.

5. The Interim Measures that enable COs to make immediate progress while minimizing risks and potential liabilities, and to respond to eventual future contingencies, will be replaced by a new policy on the subject in 2014.

6. In accordance with the Interim Measures, as the first step in the implementation of changes to ensure financial sustainability and effectiveness, an organization-wide rationale for change is declared through the message dated 21 June 2013 from the Assistant Administrator and Director of BoM. With this no additional clearance is needed for Country Offices to proceed with the planning of their change efforts (currently this step is to be approved by respective Regional Bureaux).

7. All Country Offices are then requested to analyze their capacity requirements and financial outlook for the planning period of 2014-2015, and to plan and implement – in close consultation with the Regional Bureaux – changes required to ensure that they operate within current and projected budgets.
8. Based on the above, the financial sustainability and effectiveness plans will have to be developed and approved by the RBs by the end of September. The Regional Bureaus will then consolidate Country Office plans and submit consolidated regional plans in time for the review of UNDP’s overall financial outlook during the first week of October.

9. In implementing the financial sustainability and effectiveness exercise, the change management process presented below is recommended:

**Interim Measures Governing Human Resources Alignment in the Context of Change Management**

10. The financial sustainability and effectiveness exercise envisages a capacity analysis. It aims to recommend capacity development responses to transform each CO into a sustainable, highly efficient and effective system. The analysis should define the desired capacity – as captured in a functional structure and organigramme – and suggest capacity development measures to bridge identified capacity gaps. The new/revised functional structure and organigramme should be reflective of both the ‘demand’ side of UNDP’s presence and activities while also responding to the internal need for substantive focus and financial sustainability.

11. The capacity analysis is expected to result in the following outputs:

   a. Definition of a baseline (i.e., current functions and capacities) and desired functions and capacities required to achieve the office’s mission and deliver its priority service lines and results;

   b. Identification of functions (e.g., in the areas of finance, procurement, or HR) that are best serviced from an outsourced location, including an analysis of the implications that such shifts/changes will have in terms of functional and capacity requirements. See Annex 1 for details;

   c. Review of the programme portfolio, with a focus on project pipeline, and of the financial outlook with a view to ascertaining the financial envelope required to maintain the staffing structure and deliver on the commitments made in the country programme;
d. Preparation of a new or revised functional structure and organigramme and analysis of capacity and/or funding gaps; and

e. Preparation of a financial sustainability and effectiveness plan. This may entail either: (1) a **limited re-alignment of unit or section of an office** (in situations where the total number of positions/functions and the total number of staff/contingent personnel need to be reduced in a **single unit or section of the office**, a review of skills required and gaps should be conducted through which the most suitable skills required for the remaining positions are retained and displaced staff are off-boarded, as appropriate), or (2) a **full re-alignment of an office or major section of an office** (in situations where the total number of positions/functions and the total number of staff/contingent personnel need to be reduced in the **entire or major part of an office**, a review of skills required and gaps should be conducted through which the most suitable skills required for the remaining positions are retained and displaced staff are off-boarded, as appropriate).

12. While implementing re-alignment, the following measures could be considered:

a. Matching existing staff to positions in the new structure through position matching/incumbent matching;

b. Filling vacant positions through lateral moves; and

c. Competitive recruitment or selection for positions with material change in functions or new positions.

13. Interested long-serving staff members (at least 5 years of uninterrupted service on permanent appointments & fixed-term appointments) governed by the Staff Regulations and Rules (SRR) can apply for a voluntary early retirement or voluntary separation even if their positions are not being abolished or functionally reclassified. In these cases they can qualify for Agreed Separation Type II (up to 12 months).

14. Long-serving staff members whose positions are abolished will no longer be required to apply to other positions in order to justify eligibility to Agreed Separation Type I (up to 18 months).

15. Long-serving staff members whose positions are reclassified, requiring a different profile and set of competencies and who will become displaced following a capacity analysis could also qualify for Agreed Separation Type I (up to 18 months). These staff will no longer be required to apply for other positions in order to justify eligibility for Agreed Separation Type I. See Agreed Separation Arrangements.

16. Long-serving international professional staff members whose positions have been abolished or repurposed but who wish to continue being employed by UNDP are considered to be ‘between assignments’ and will become part of the Business Solutions Exchange (BSE) talent pool. The BSE mechanism allows such staff to get productively engaged and continue contributing to UNDP results in situations where there is demand for their services.

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1 For further details and guidance on implementing a partial or full re-alignment, please see Annex 3.

2 The agreed separation package is being revised to ensure appropriateness and suitability for diverse needs of staff.
17. The process for applying for an Agreed Separation Package remains the same, i.e., through the HR Business Advisors with the support of the Career Transitions Unit (CTU) in OHR/BoM.

18. With regard to non-long-serving staff members or contingent personnel, for positions and/or functions that will no longer be needed and/or will need to be reclassified or adjusted, decisions can be made following a capacity analysis to allow such contracts to lapse upon expiration or to foreshorten contracts and pay out the applicable termination indemnities. See Annex 2. *Termination Indemnities for Non-Long-Serving Staff and Non-Staff*.

19. Going forward, the capacity analysis is recommended as a permanent feature of talent management anchored in the People Capability Strategy under the Agenda for Organizational Change. Additional details will be provided by OHR/BoM.

**Support**

20. A variety of tools to assist managers with the preparation and implementation of financial sustainability and effectiveness exercise will be made available shortly on a dedicated Intranet workspace, the details of which will be shared shortly. Requests for advice and support should be directed to the Regional Bureau or Bureau of Management (BoM) through the Regional Bureau.
Annex 1.

Clustering of Operational Services

What: As per discussion in the OPG on 9 January 2013 and at the EG Retreat on 16 January, a decision was taken to prepare an implementation plan for key elements of the CO Business Model, including the proposed efforts to cluster select services related to finance, procurement and human resources.

Why: The rationale for clustering is articulated in the pilot report prepared based on collaboration with UNDP Papua New Guinea: “The majority of back-office functions related to finance and procurement, as well as some functions related to human resources and administration, can be clustered and provided to offices from elsewhere, to increase efficiency and quality of services, whilst reducing the burden on field activities. Some functions would still remain to support operations on the ground, the extent of which would vary from location to location depending on the country context and development activities.”

While the business case for clustering functions will vary from office to office, and depend upon their cost structure, salary scales and levels of operational effectiveness, the benefits of improved quality of operational services, effectiveness and efficiency should make a compelling case for clustering services in all but the most efficient offices. Savings and efficiency gains will contribute towards enabling UNDP to retain its universal presence, where possible, while concentrating resources on development activities.

In practical terms this means that if an office as a consequence of its overall financial situation and/or outlook cannot afford to have the in situ finance, procurement and human resources capacities (right levels and number of positions) required to deliver successfully, clustering of these functions is required. Similarly, if an office cannot attract and retain the right capacities to perform these functions, due to local conditions, clustering of these functions is also required. Capacities to continue providing local common services will remain in situ, with a focus on seeking opportunities for efficiencies within the UN country team.

How: Locations of the hubs are under consideration, and subject to cost/benefit analysis. Questions with regards to pursuing clustering should be discussed with respective regional bureaux. A detailed clustered operating model for all three functional areas is under development.

When: Implementation models and plans for the regional hubs as well as the global finance hub are under preparation. It is expected that initial service provision will start during Q4 2013 for the early adopters.
Annex 2.

Matrix of Termination Indemnities or Termination Compensation Policies Currently applicable to Non-Long Serving Staff and Contingent Personnel

<table>
<thead>
<tr>
<th>Appointment or Contract Type</th>
<th>Years of Uninterrupted Service</th>
<th>Termination Indemnity or Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-Term Appointment</td>
<td>Less than 5 years</td>
<td>None if appointment expires automatically on the expiration date (SR 9.4).</td>
</tr>
<tr>
<td>Fixed-Term Appointment</td>
<td>Less than 5 years</td>
<td>In cases where the “necessities of service require abolition of the post or reduction of the staff” (SR 9.6 (c) (i)), termination indemnity is paid according to Annex III of the Staff Rules (SR 9.8). Notice of termination will be issued (SR 9.7[b]).</td>
</tr>
<tr>
<td>Temporary Appointment</td>
<td>364 days or less</td>
<td>None if appointment expires automatically on expiration date (SR 9.4).</td>
</tr>
<tr>
<td>Temporary Appointment</td>
<td>364 days or less</td>
<td>In cases where the “necessities of service require abolition of the post or reduction of the staff” (SR 9.6 (c) (i)), termination indemnity is paid according to Annex III of the Staff Rules below (SR 9.8). Notice of termination will be issued (SR 9.7[c]).</td>
</tr>
<tr>
<td>Service Contract</td>
<td>Not Applicable</td>
<td>None if formal notice sent at least one month before contract expiration.</td>
</tr>
<tr>
<td>Service Contract</td>
<td>Not Applicable</td>
<td>In cases where the organization has to foreshorten the contract, a minimum period of notice shall be 14 calendar days. If circumstances do not allow for the minimum period of notice, the SC holder will be entitled to compensation equivalent to one-week gross remuneration for each month of uncompleted service.</td>
</tr>
<tr>
<td>Individual Contract</td>
<td>Not Applicable</td>
<td>None if formal notice sent 5 days before the expiry date in the case of contracts of less than two months and 14 days in the case of contracts for a longer period.</td>
</tr>
<tr>
<td>UN Volunteers</td>
<td>Not Applicable</td>
<td>UNV Programme HQ may terminate the assignment of a volunteer before the expiry date in case of a premature termination of a project and may decide whether paragraph 15.1.1 of the Conditions of Service applies.</td>
</tr>
</tbody>
</table>
Annex III of the Staff Rules. Termination indemnity

Staff members whose appointments are terminated shall be paid an indemnity in accordance with the following provisions:

(a) Except as provided in paragraphs (b), (c), (d) and (e) below and in regulation 9.3, the termination indemnity shall be paid in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Completed years of service</th>
<th>Months of gross salary, less staff assessment, where applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Temporary appointments exceeding six months Fixed-term appointments Continuing appointment</td>
</tr>
<tr>
<td>Less than 1 . . . . . . . .</td>
<td>One week for each month of uncompleted service subject to a minimum of six weeks’ and a maximum of three months’ indemnity pay</td>
</tr>
<tr>
<td>1 . . . . . . . . . . . . . . .</td>
<td>3 months’ indemnity pay</td>
</tr>
<tr>
<td>2 . . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
</tr>
<tr>
<td>3 . . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
</tr>
<tr>
<td>4 . . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
</tr>
<tr>
<td>5 . . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
</tr>
<tr>
<td>6 . . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
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<tr>
<td>7 . . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
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<tr>
<td>8 . . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
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<tr>
<td>9 . . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
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<td>10 . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
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<td>11 . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
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<td>12 . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
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<tr>
<td>13 . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
</tr>
<tr>
<td>14 . . . . . . . . . . . . . .</td>
<td>Not applicable</td>
</tr>
<tr>
<td>15 or more . . . . . . . . .</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

Note that the provisions regarding Continuing Appointments in the above Table also apply to Permanent Appointments and long-serving staff on FTAs, as defined in the Agreed Separation Arrangements. Eligibility for the UNDP Agreed Separation arrangements is dependent on the fulfillment of the eligibility requirements, i.e. staff members with a “permanent appointment and staff members with a fixed-term appointment who, prior to his/her conversion to FTA on 1 July 2009 held a 100 series appointment and has completed at least 5 years of continuous service either on a 100 series appointment prior to 1 July 2009 or on a 100 series appointment converted to an FTA. Service accrued on a 200 and 300 series appointment and on non-staff contracts does not count for the purposes of continuous service towards eligibility for agreed separation.”
Annex 3.

Additional Guidance on Implementation of Partial and Full Realignment of a Unit or Office

UNDP’s procedures for implementing the human resources aspects of partial and full realignment processes are designed to ensure transparency, fairness, objectivity, and expediency in reconciling changes in positions in an office/unit’s organigramme and the existing staff members affected by these changes. These procedures vary depending upon the degree of change envisioned, and as such all procedures are initiated through a job design and evaluation/classification process to determine degrees of change. These procedures include lateral moves, position matching, and competitive recruitment or selection processes:

Lateral moves

Management may decide, in the interest of the Organization, to assign a UNDP staff member to another post in the same field of work with similar functions at the same grade without competitive process. While a staff member may express his/her interest in moving laterally to another position in the same business unit (Country Office, Regional Service Center, Liaison Office, or HQ Bureau/Unit), the final decision for a lateral move of that staff member is at the discretion of management.

Lateral moves without a competitive process may only apply to similar posts in the same field of work with similar functions as documented in the job descriptions of both posts (the post encumbered by the staff member and the post considered for lateral move), at the same grade requiring the same or a similar set of competencies and in the same business unit.

While management has the authority to reassign staff members to similar posts with similar functions at the same grade, the decision for a lateral move must be made in consultation with the staff member and, as far as possible, mutual consent should be secured.

A lateral move for the General Service (GS) or National Officer (NO) category may involve a change of duty station in the same country. Such lateral moves must be in the interest of the Organization and with the consent of the staff members concerned. However, since GS and NO staff are not subject to international reassignment, a lateral move for these categories must not entail a change of country.

The process leading to lateral moves must be fully documented, including the relevant job descriptions, evidence of staff consultation and consent, and be subject to signed approval with the relevant documentation and clearance must be provided for implementation of the necessary action (to OHR/BoM for international professionals at the P and D levels, as well as HQ GS staff members; Or to the HR focal point in the relevant business unit for other GS and NO staff members).

The lateral move option does not apply to staff on Temporary Appointment, Individual Consultants, UNV Volunteers and Service Contract holders.

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3 While job design is delegated to the business unit in accordance with guidance provided through a job description template and competency requirements derived from UNDP’s Competency Framework, the job evaluation/classification review does not fall under the authority delegated to Country Offices / Units, and is conducted through the relevant BAS HR Advisor and Organization Design Unit of OHR. These offices may be consulted for additional procedural guidance.
Position matching

Position matching provides the basis for staff members whose positions have not materially changed to potentially be offered reclassified positions without having to undergo a competitive process for that position, but instead be matched through an objective review process.

Position matching exercises commence with the establishment of a Review Committee, which compares newly established job descriptions against existing job descriptions to determine if the job description / position has or has not materially changed. These determinations are captured in a report and submitted for approval to the Head of Office.

Positions are matched - A job description or position is not considered to have materially changed and the positions are matched if all of the following conditions are met: (1) The position does not change categories or contractual modality; (2) The position remains at the same grade level; (3) A change in 2 or less functions in the new job description has taken place vis-à-vis the old job description; and (4) There are no new functions from another technical area added to the position.

Positions are not matched - A job description or position is considered to have materially changed and the positions are not matched if: (1) The position changes categories or contractual modality (e.g. from G to P, G to NO, P to NO categories or from TA to FTA, SC to FTA, etc.); (2) The position is re-classified upwards or downwards; (3) A significant change in more than 2 functions in the new job description has taken place vis-à-vis the old job description even though the grade level remains the same. *Significant changes must occur in the main functions and levels of accountability and responsibility of the position and not in the specific results expected or specific duties/tasks*; (4) New functions from another technical area have been added or functions from another technical area have completely replaced the original functions of the position even though the grade level remains the same. Based on this there are revisions of the job competencies and/or qualifications; and (5) There are fewer positions with identical functions and grades in an occupational group.

Positions matched during the position matching exercise must not be advertised. The current incumbent is matched against the new position and job description (incumbent to position matching).

After the position matching exercise the following positions must be advertised for competitive selection: (1) All positions that have materially changed and are not position matched; (2) All newly established positions for which there are no prior equivalents; and (3) Positions facing a reduction in force.

Additional, detailed procedural guidance for position matching exercises is available through OHR BAS Advisors.

Competitive recruitment or selection processes

Competitive recruitment or selection processes are transparent, competency-based assessment of

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4 Detailed guidance on the constitution of Review Committees and required documentation for the position matching exercise can be provided through OHR BAS Advisors and the Organizational Design Unit.
candidates where priority is given to the affected staff of the respective entity, following the order of retention. These competitive recruitment or selection processes represent the last stage of the HR alignment process, which serves to provide objectivity and transparency in the effort to recruit individuals to fill positions under the following circumstances: (1) All positions that have materially changed and have not been matched during the position matching exercise; (2) All newly established positions for which there are no prior equivalents; and (3) Positions facing a reduction in force (i.e. fewer positions with identical functions and grades in an occupational group).

**Competitive Recruitment or Selection Processes are appropriate where there are structural/staffing changes, e.g. functional, contractual, classification. These processes are implemented where the structural/staffing changes affect all main office units/teams or where they affect only a limited number of posts/units within the office.**

In all cases, irrespective of the type of competitive recruitment or selection process, to be consistent with UNDP’s HR policies and to minimize the likelihood of displaced staff and disruption to business continuity, managers should only organize competitive recruitment or selection processes for the positions that are new, have materially changed, have not been matched, and belong to groups of positions (with identical functions) with reduction in force. The relevant BAS HR Advisor, BAS/OHR/BoM provides advisory services to the Country Office throughout this process.

All mechanisms outlined above (lateral moves, position matching, and competitive recruitment processes) shall not be used to address staff under performance, which is managed through the RCA mechanism.