

**Governing Board document: 10/2018**

23 March 2018

**SELECTION OF LONGER-TERM HOSTING AGENCY**

**Recommended Board Decision:**

***Draft decision 12.*** *Having reviewed the requirements and potential options for longer-term hosting, the Governing Board decides to invite the United Nations Office for Project Services (UNOPS) to host The Defeat-NCD Partnership and requests the chief executive to agree the necessary hosting terms with UNOPS and proceed to initiating the hosting arrangement as soon as possible.*

Note: Subject to any modifications proposed, and a quorum of 7 responses having been received electronically, this draft decision or an amended decision will be deemed to have been taken **on 5 April 2018 or earlier** if so approved by the majority of them.

**Background and methodology**

1. In its *Decision 10* dated 31 January 2018, the Governing Board requested the chief executive to examine the best arrangements for the longer-term hosting of the Defeat-NCD Partnership, and to make recommendations to the Board accordingly.
2. A review of hosting options was conducted by Mr Dinuke Ranasinghe, Board member and Treasurer, during a visit to Geneva where he met with UNITAR and UNOPS, as well as several hosted entities especially StopTB, Rollback Malaria, Scale-up Nutrition, and UNOSAT. Available documents and other studies on hosting arrangements done by other agencies were also consulted.

**What is “hosting”?**

3. “Hosting” means the provision of administrative services by one organisation to another. Hosting arrangements are common in the international system. The commonly shared features of all hosting arrangements are:
  - The hosted entity derives its legal status from the host and operates within the host’s regulatory framework.
  - The hosted entity’s personnel are considered to be employees or contractors of the hosting agency.
  - The hosting agency provides a range of facilities and services such as office space, IT, security, and administrative services such as legal, financial, audit, procurement, and human resources management. A mechanism for the hosting agency to recover its costs for providing these services is agreed.
4. A common understanding between the hosted entity and the hosting agency is negotiated to constitute mutually agreed “hosting terms” which then form the basis of a contract between them.

## Criteria for selection of hosting agency

5. In its *Decision 10* of 31 January 2018, the Board indicated that in making its selection, it would place particular emphasis on the potential hosting organisation's demonstrated capacities to (i) host the Defeat-NCD Partnership's secretariat in Geneva where it will remain headquartered and (ii) provide country programming support through the full range of services necessary for rolling out the four tracks of the Partnership in a cost effective and efficient manner. These broad orientations were expanded into the following detailed criteria:

Criteria		Description
1.	Talent	<ul style="list-style-type: none"> <li>• Authorised to create new "posts" at up to D2 and ASG level without requiring external higher authority approval</li> <li>• Able to attract strong talent where it is located and recruit from a broad, multi-sectoral talent pool for the top team</li> <li>• Able to manage talent efficiently (expedited hirings / terminations)</li> </ul>
2.	Flexibility	<ul style="list-style-type: none"> <li>• Has efficient, non-bureaucratic administrative policies (e.g., procurement, contracting)</li> <li>• Able to operate as a networked organization (i.e., flexibility to locate staff in different places)</li> <li>• Possesses a breadth and depth of resources for the secretariat to draw upon as needed (procurement, HR etc.)</li> <li>• Allows the secretariat to assume some risk in pursuing its goals</li> </ul>
3.	Cost	<ul style="list-style-type: none"> <li>• Charges reasonable and transparent costs for hosting and additional services</li> <li>• Negotiation possible based on discounts for volumes</li> </ul>
4.	Institutional Benefits	<ul style="list-style-type: none"> <li>• Affiliation provides reputational and brand recognition benefits</li> <li>• Connects the secretariat to affiliates and partners in its network</li> <li>• Allows for the secretariat to engage partners across sectors</li> <li>• May present opportunities to work with other hosted secretariats</li> </ul>
5.	Accessibility	<ul style="list-style-type: none"> <li>• Facilitates access to visas / work permits</li> <li>• Provides legal and security protection for employees working in-country</li> <li>• Allows for close proximity to partners</li> </ul>
6.	Neutral/ no conflict of interest	<ul style="list-style-type: none"> <li>• No technical or programming agenda of its own and therefore offers a neutral operating platform</li> <li>• No conflict of interest/ does not compete with Defeat-NCD in policy or programming terms</li> </ul>
7.	Own branding and direction	<ul style="list-style-type: none"> <li>• Allows/encourages Defeat-NCD to maintain its own brand identity</li> <li>• Allows/encourages the Defeat-NCD Board to set its own strategy and policies and, in substantive terms, direct its own work</li> </ul>

6. To remind Board members of three prior considerations/decision made already:
- Why do we need a hosting agency? To function effectively, we need a whole range of back office services (such as HR, finance, legal etc.) but not necessarily on a fulltime or standing basis. Asking another mature agency to host us allows us to draw down on such services when we so require, and without having to create and administer our own infrastructure. It is better value for money to do so and allows us to be operational more quickly, and to focus on delivering our core business based on our vision and strategy.
  - Why should we be based in Geneva? We have already decided to remain headquartered in Geneva (for the time being – this may change later) because at this early stage of our existence, we need to be close to the major global health, development, and humanitarian agencies that are clustered here as well as to benefit from the easy access to the permanent missions/embassies of all countries in the world. Geneva is, however, an expensive location, and this does not mean that all our headquarters work needs to be physically based here. As we grow, outsourcing of support functions to other locations would be quite possible.
  - Why is a UN system hosting agency preferable? This is the strong preference of some of our stakeholders (both government and other funders). An UN-linked status allows us certain privileges, immunities and fiscal advantages, as well as access to senior policy makers worldwide and facilitates entry into a large global network. Equally importantly, it means that we follow norms, standards, rules of procedure, and codes of conduct agreed with all countries – and that we then don't have to make up for ourselves and obtain consent from all our many different stakeholders. A neutral UN status also gives us useful protection when faced with conflicting stakeholder pressures or ethical dilemmas, as we are always obliged to operate to the highest UN standards.

### **Hosting Agency**

7. After looking at several options, UNOPS appears to be best suited to act as the longer-term hosting agency for the secretariat. UNOPS has some 25 years of experience and manages some 1000 projects annually in many development areas with a turnover of around US\$1.4 billion. It has a presence in across 80 countries and over 9000 personnel. Its self-funded mission is '*to help people build better lives and countries achieve sustainable development*'. For more information visit <https://www.unops.org> and the attached fact sheet on UNOPS hosting services.

8. The following summarises some of the advantages of being hosted by UNOPS.
- It already administers grants and provides a full suite of fund management services, undertakes procurement, distribution, project management, for several global health hosted partners – notably the Stop TB Partnership and its Global Drug Facility.
  - It serves as the Principal Recipient and Local Fund Agent for the Global Fund to Fight AIDS, Tuberculosis and Malaria in several countries (including a large portfolio in Myanmar on health-related procurement) and has stringent quality assurance and risk management systems and procedures in place to support its projects.
  - As a non-sectoral agency, it is 'neutral' with no technical stake of its own that could confound its trusted good offices function.
  - It has a well-practiced specialised modality as hosting agency for several secretariats. Examples include the Global Humanitarian Lab, Scaling Up Nutrition Movement, Water Supply and Sanitation Collaborative Council, Stop TB Partnership, Roll-back Malaria,

Coordination Unit of the Platform for Disaster Displacement started by the Nansen initiative, Cities Alliance, UN Water.

- Personnel engaged through it would have the appropriate privileges and immunities extended to the UN.
- Access everywhere – through a worldwide network of its own offices and beyond that, access to all other UN offices in all developing countries – vital for facilitating global interactions and in-country operations.
- Particular capacities to operate in fragile contexts – key to our track 4 on humanitarian situations.
- A framework agreement in place with all the key government donors and multilateral agencies such as the World Bank – useful for accessing the funds sought from the World Bank Group, including the International Finance Corporation with which UNOPS is engaged in collaborating with its own Social Impact Investing Initiative.
- Ability to start up very quickly – immediate office space and accelerated contracting modalities available.

### **Cost effectiveness**

9. UNOPS has established a clear and transparent cost recovery pricing structure as per its Financial Rules and Regulations agreed by its governing board of UN member states. Unlike many other UN agencies, UNOPS hosting charges offer greater flexibility and are negotiable based on volume and size of transactions we wish to channel through UNOPS. The advantage of this is that if there are certain (allowable) services that we are able to do for ourselves, we can do so and save service costs. Other UN agencies do not generally allow that because everything has to be channelled through them.

10. In overview, UNOPS charges indirect management costs of 7% on all funds actually expended (and not the less competitive 7% on all funds received that is charged by some other agencies). This % is negotiable based on the size of the hosted entity. In addition, there are direct support costs based on the service we ask UNOPS to provide and this can also be negotiated. For example, it charges 0.7% for pass-through funds (useful for some of the grant work we will do) and 3% for procurement. The fees for other services depends on volume eg the number of personnel we ask them to contract.

### **Note on current arrangement**

11. We are currently based at the United Nations Institute for Training and Research (UNITAR) since our inception in January 2018. Our status with UNITAR is as a “project” while we are positioning ourselves as a multi-agency partnership with our own governing board and policies. Accordingly, our initial understanding with them was that they would act as our “incubator” and then, at the appropriate time, we could move on to a bigger agency that can offer the broader range of services we need at a competitive cost.

12. UNITAR, and especially its Executive Director Nikhil Seth who is on our Board, have been very helpful and responsive to our needs. This has greatly facilitated our start-up. Whenever we move on to the longer-term hosting arrangement with UNOPS, we hope to continue our co-operation with UNITAR in mutually agreed areas of work that fit with our respective mandates. UNITAR is essentially a “knowledge support” organisation and recognising its expertise in facilitating learning and training, we are discussing a longer-term partnership in the area of an NCD Learning Platform.