



SUMMARY:

EVALUATION

OF UNDP DEVELOPMENT
COOPERATION IN
MIDDLE-INCOME COUNTRIES





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FOREWORD



It is my pleasure to present the evaluation report of UNDP development cooperation in middle-income countries (MICs). The evaluation assessed UNDP contributions to national development results in MICs through the objectives of its Strategic Plan, 2018-2021 in selected practice areas and signature solutions. These are poverty eradication, strengthened inclusive and accountable institutions, environment and nature-based solutions for development, closing the energy gap and gender equality and women's empowerment.



MICs played a pivotal role in the global progress towards achieving the Millennium Development Goals. Looking forward, development cooperation with MICs plays a crucial role in the implementation of the 2030 Agenda for Sustainable Development. The pledge to “leave no one behind” requires addressing the needs of the poor and the most vulnerable, the overwhelming majority of whom now live in MICs. MICs represent the largest group of developing countries and an increasing number of UNDP programme countries are classified as middle-income.

Despite wide heterogeneity among MICs in terms of gross national income levels, population size, resource endowments and economic performance, they continue to face common development challenges. MICs need more specialized support in areas ranging from economic diversification and resilience to exogenous economic shocks, competitive financial markets for trade, debt and private investment, fiscal management, inclusive and accountable institutions, gender-responsive and green economies, sustainable management of natural resources and climate change. The coronavirus disease (COVID-19) pandemic is a strong illustration of exogenous shocks which have disproportionate adverse impacts on developing countries, and if not properly mitigated can roll back the social and economic gains of the last decades.

UNDP made significant contributions to development results in MICs through its individual country programmes. UNDP programmes in MICs demonstrated adaptability in engaging in new thematic areas and approaches to remain relevant. These included mainstreaming and localizing the Sustainable Development Goals, natural resource management, climate change and energy, financing for development and private sector engagement, to name a few. Given last-mile service delivery challenges in many MICs, UNDP increasingly engaged in subnational institutional capacity development, demonstrating programming models with potential for scale-up and replication.

The evaluation calls on UNDP to revisit the MIC classification methodology, which is used to inform resource allocations, with due regard for the vast heterogeneity among the MICs. UNDP should consider incorporating the Human Development Index and other vulnerability criteria to create a more differentiated programmatic approach and financial strategies to assist MICs.

The evaluation generated a number of recommendations for further strengthening UNDP support to MICs and UNDP has provided its management response.

I hope this evaluation will serve to inform the organization as it further enhances its contribution to sustainable development results for the people we serve and the planet we depend on.



Oscar A. Garcia
Director
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BACKGROUND

Middle-income countries (MICs) are home to 75 percent of the world's population and account for one third of global gross domestic product (GDP).¹ At the same time, 62 percent of the world's poor live in MICs.² MICs played a pivotal role in the global progress towards achieving the Millennium Development Goals, contributing more than 95 percent of the global reduction in poverty from 1.9 billion in 1990 to 836 million in 2015. Looking forward, MICs remain crucial for the global efforts to implement the 2030 Agenda for Sustainable Development.

MICs are an important group of countries for several reasons. Development cooperation with MICs plays a crucial role in the implementation of the 2030 Agenda for Sustainable Development. The pledge to leave no one behind requires addressing the needs of the poor and the most vulnerable, the overwhelming majority of whom now live in MICs.³

Development cooperation with MICs should create positive synergies for other developing countries, through trade and investment channels and the sharing of good practices within the context of South-South and triangular cooperation.

MICs represent the largest group of developing countries and an increasing number of UNDP programme countries are classified as middle-income. Except for the Africa region, where 26 percent of programme countries are MICs, the other four

regions are comprised predominantly of MICs; 89 percent of the programme countries in the Europe and the Commonwealth of Independent States (CIS) region; 70 percent in the Latin America and Caribbean region; 58 percent in the Asia-Pacific region; and 50 percent in the Arab States region. The UNDP global strategic presence is predicated on the recognition that notwithstanding major development challenges in least-developed countries (LDCs) and crisis-affected countries, middle- and high-income countries also have unfinished development agendas, including pockets of poverty and high levels of spatial, income and gender inequality.

Development cooperation with
MICs **PLAYS A**
CRUCIAL ROLE in
the implementation of the
2030 Agenda for
Sustainable Development.

The Independent Evaluation Office (IEO) of UNDP carried out an evaluation of UNDP development cooperation in MICs. The evaluation adopts the UNDP country classification system and excludes those







¹ World Bank, The World Bank in Middle-Income Countries: Overview <https://www.worldbank.org/en/country/mic/overview>

² Ibid.

³ United Nations, Development cooperation with middle-income countries: Report of the Secretary-General, A/74/269, 5 August 2019.

MICs that are also considered LDCs by the United Nations. Currently, there are 84 countries under the UNDP MIC category.⁴

This is in contrast to the World Bank's income classification which brings a cohort of 107 countries.⁵

UNDP regions		Total countries & territories	Middle-income countries & territories	%
Africa		46	12	26
Europe and the CIS		18	16	89
Asia-Pacific		36	21	58
Latin America and the Caribbean		37	26	70
Arab States		18	9	50
Total		155	84	54

84 countries & territories out of 155 are middle-income countries



⁴ See Annex A to the UNDP integrated resources plan and integrated budget estimates for 2018-2021 (DP/2017/39), October 2017.

⁵ The World Bank currently defines MICs as those countries having per capita gross national income (GNI) ranging from \$1,026 to \$12,375. <https://datahelpdesk.worldbank.org/knowledgebase/articles/378834-how-does-the-world-bank-classify-countries>



WHAT WE EVALUATED

The evaluation assesses UNDP contributions to national development results in MICs through the objectives of its Strategic Plan, 2018-2021 in four practice areas/signature solutions. These are: signature solution 1 on poverty eradication; signature solution 2 on inclusive and accountable institutions; signature solution 4 on environment and nature-based solutions for development; and signature solution 5 on clean, affordable energy. Contributions to signature solution 6 on gender equality are covered within the assessment of these areas, focusing on the extent of gender mainstreaming achieved by country programmes.⁶

The evaluation assesses the extent to which UNDP programmes in MICs are distinct from those of LDCs and net contributor countries, and the relevance of MIC-specific differentiation in programme and operational strategies. The evaluation considers the extent to which regular resources financing and government financing affect UNDP programming.

The evaluation focuses on interventions implemented at country level during the years 2014 to 2019, covering the first two years of the current UNDP Strategic Plan, 2018-2021 and the four years of the previous Strategic Plan, 2014-2017.

The objectives of the evaluation are to:



Assess the performance of UNDP support to MICs, taking into account their wide diversity of development conditions and needs.



Assess the UNDP contribution to MICs through selected UNDP practice areas.



Identify the factors affecting the positioning and engagement of UNDP in MICs, and generate lessons learned.



⁶ The evaluation did not cover signature solution 3 on enhancing national prevention and recovery capacities as the Independent Evaluation Office is conducting a separate thematic evaluation of the UNDP contribution to resilience-building and disaster risk reduction.

METHODS USED

Drawing on the approaches and work-streams presented in the UNDP Strategic Plan, the evaluation developed an overall intervention logic for UNDP programming in MICs, outlining the assumed contributory pathways of relevant UNDP programmes in MICs. UNDP support revolves primarily around the provision of capacity development support in policy analysis and advisory services, and programme implementation support. Through

country programmes, UNDP also convenes multi-stakeholder dialogue, brokers knowledge and facilitates public-private partnerships for improved institutional performance (intermediate outcomes). Intermediate and long-term outcomes are the result of the collective efforts, led by national Governments and supported by development partners, precluding attribution of specific outcomes to any one entity.

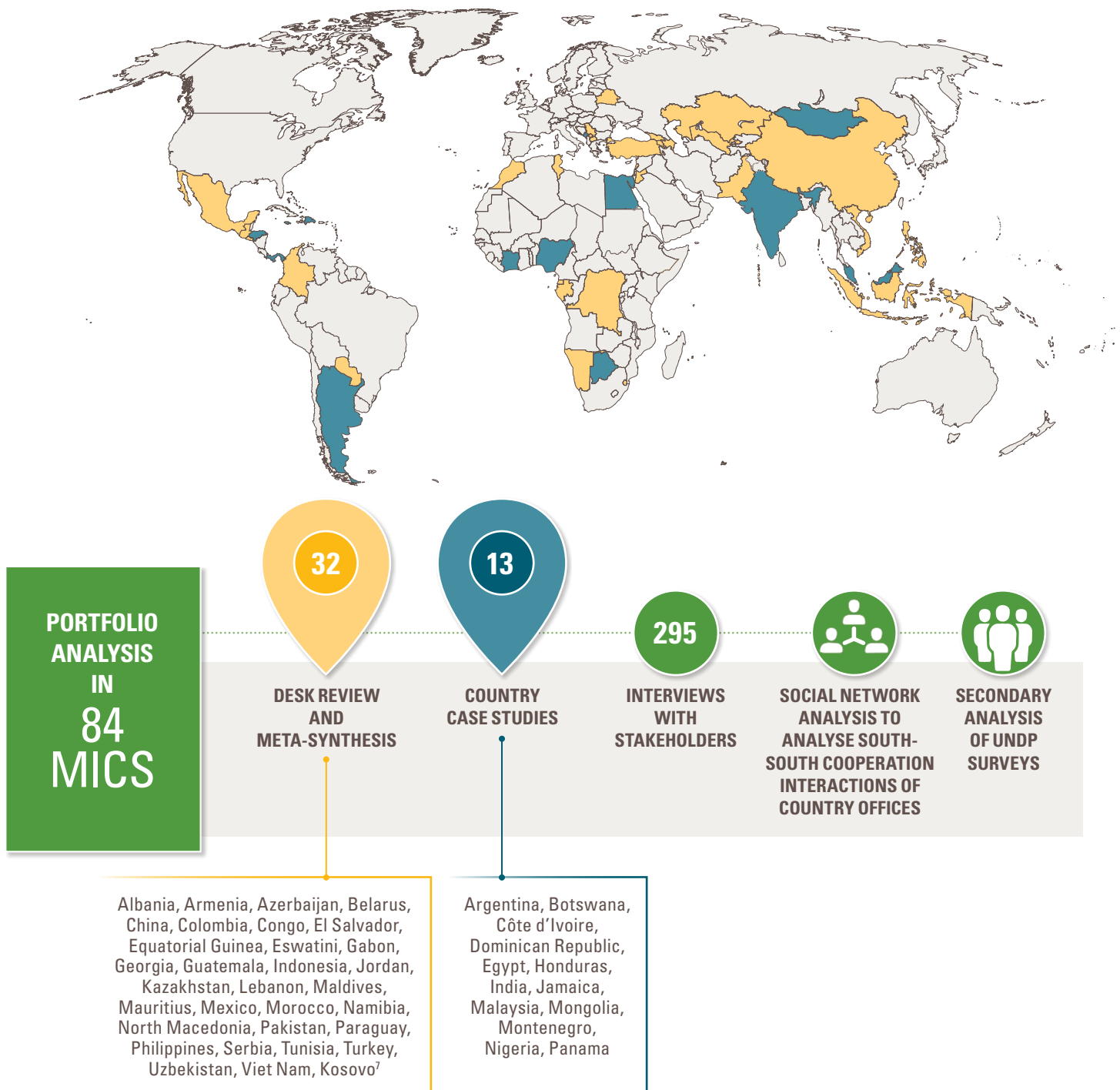
Intervention logic: UNDP programming in MICs

ISSUES	INTERVENTIONS	OUTPUTS	INTERMEDIATE OUTCOMES	LONG-TERM OUTCOMES	IMPACT
Economic:  <ul style="list-style-type: none"> • Stagnation or decline in labour productivity growth • Lower investment and adoption of innovative technology • Drop in official development assistance (ODA) grants, development financing • Exposure to shocks 	Six signature solutions (poverty reduction, inclusive and accountable governance, resilience-building, nature-based solutions, energy access and efficiency, and gender equality) <ul style="list-style-type: none"> • Capacity development (policy analysis and advocacy; implementation support; piloting new models and innovation; data collection and analysis) • Normative support • Optimizing financing • Convening/ partnerships/ knowledge-sharing • Support function • Thought leadership • United Nations agency integration 	Strengthened policy frameworks (new/updated policy, legal, normative frameworks) Strengthened individual and institutional capacities (new/updated instruments, tools, methodologies, schemes, partnerships, etc.) Consensus on human-centred development and policies	Improved institutional performance in the development, implementation, monitoring and evaluation of national development programmes Strengthened community and individual capacities	Poverty eradication is advanced Structural transformation is accelerated Resilient communities	<div>  SUSTAINABLE HUMAN DEVELOPMENT </div>



DATA COLLECTION METHODS AND SOURCES

The evaluation approach utilized multiple data-collection methods and sources to collect evaluative evidence for the assessment of the UNDP performance and contributions to national development results in MICs:



⁷ All references in this report to Kosovo shall be understood to be in the context of Security Council resolution 1244 (1999).

WHAT WE FOUND

The UNDP business model

1. UNDP does not distinguish between different types of MICs and non-MICs when establishing programmatic approaches and business models.
2. The use of income classifications to inform cooperation and resource allocations limits the ability of UNDP to respond to the complex challenges faced by MICs.
3. The increased government cost sharing to fund programmes in MICs reflects strong national ownership, even as it can limit UNDP programme coherence and flexibility.

UNDP positioning

4. UNDP has built strong partnerships with the Governments of MICs for implementation of the Sustainable Development Goals (SDGs), bolstered by its comparative advantages of intellectual leadership on human development paradigms; a history of universal presence; and strong institutional networks, enabled by its broad mandate.
5. UNDP has established a strong position at the subnational and local levels in MICs, and in some instances uses this to scale up solutions across regions and cities, especially with the localization of the 2030 Agenda and SDGs.

Partnerships

6. While there is evidence of joint United Nations programming in MICs, the limited resources of United Nations agencies and an increasingly competitive environment for resource mobilization have led to more ad hoc than systematic collaboration.
7. The most successful UNDP work in South-South and triangular cooperation in MICs was linked to the strategic priorities of host countries that considered it a pillar of development cooperation.
8. Despite being integrated in the UNDP strategic framework, South-South cooperation initiatives come across as project-based rather than a well-defined delivery mechanism based on analysis and mapping.
9. In MICs, the need to raise revenue has become an important determinant of UNDP programme strategies with the private sector. At the same time, UNDP needs to strengthen its role as an enabler of private sector partnerships, particularly for the SDGs.



UNDP contributions to development results in MICs

Signature solution 1. Keeping people out of poverty

- 10.** MICs need support in economic specialization and building resilience to exogenous economic shocks while building competitive financial markets to sustain national development. UNDP has several relevant offerings, but their presence in country programmes has been sporadic.
- 11.** Evidence-based policy support, particularly for inclusive growth and poverty reduction policies and strategies, has been a constant feature in UNDP country-level support in most MICs.
- 12.** Comprehensive support to mainstreaming, implementation, monitoring and reporting on the SDGs has emerged as a flagship and distinct UNDP offering and has attracted demand from several MICs.
- 13.** UNDP has made noticeable contributions to the issue of development financing for the SDGs, including support to development finance assessments and engaging with private sector enterprises to expand capital flows to meet the Goals.
- 14.** UNDP has designed and implemented a sizeable number of community-based livelihood interventions in MICs, addressing the challenges of vulnerable and marginalized groups.
- 15.** UNDP efforts in MICs to improve livelihoods through vocational education and training are mostly stand-alone and often not embedded in a larger strategy rooted in competitive diversification of the economy. Interventions are often focused on the supply side rather than on exploring and advocating for long-term human capital investments.

Signature solution 2.

Governance for peaceful, just and inclusive societies

- 16.** UNDP support to electoral processes has yielded significant results contributing to transparent, sound and credible electoral processes and leading to some transformative legislative and policy changes.
- 17.** UNDP has contributed to strengthening institutional capacities at central and local levels, supporting the development of normative and legislative frameworks, and strategic planning for improved citizen security, access to justice and rule of law.
- 18.** UNDP has contributed to strengthened institutional structures and policy frameworks for improved transparency, accountability and governance.
- 19.** UNDP work in human rights in MICs has led to significant achievements in strengthening institutional frameworks for protecting the rights of minorities and vulnerable groups including LGBTQ persons, indigenous communities, migrants and trafficked persons, often in partnership with other United Nations agencies.

20. Notwithstanding the positive contributions, the UNDP inclusive and accountable institutions portfolio in MICs is informed more by government demand than by theories of change. Potential political sensitivities and dependence on government financing cause underrepresentation of areas important for achievement of the SDGs.

Signature solution 4. Environment, nature-based solutions for development

21. UNDP work related to natural resource management has resulted in significant policy and regulatory changes in most regions. These initiatives have engaged frequently with local communities and observable improvements in habitat quality and protected area coverage have been noted in most regions.

22. While there have been some successes with the development and implementation of sustainable financing mechanisms, sustainable financing continues to be a challenge, as it requires significant policy changes related to taxation, revenue collection capacities and monetization of environmental resources.

23. UNDP work related to environmental management has supported institutional development for more effective planning and improved environmental quality, and contributed to meeting international obligations, with clear examples of collection and proper disposal of hazardous chemicals and waste, and elimination of attendant health issues.

Signature solution 5. Clean, affordable energy

24. UNDP has increased support for climate change and energy-related initiatives in the last six years, with significant assistance to the development of climate change mitigation and adaptation strategies and associated actions on energy efficiency and development of renewable energy options.

25. The UNDP environment and energy programme has been mostly effective, especially in developing strategies, policies and associated regulations, and in experimenting with and therefore better understanding new partnerships and sustainable financing mechanisms MICs.

26. There is a strong link between the effectiveness of programme results under the environment and energy theme and the relevance of programmatic actions. Technical/technological innovations which can be applied and tested in demonstrations and pilot projects could play a key role in delivering results.

27. The effective delivery of the UNDP environment and energy programmes has been frequently constrained by complex institutional contexts of national partners in MICs.

Signature solution 6. Gender equality and women's empowerment

28. The inclusive growth and inclusive and accountable institutions programmes have demonstrated greater gender mainstreaming efforts, but overall, gender equality programming continues to experience challenges in priority setting and identifying transformative opportunities.

SNAPSHOT

of OUR CONCLUSIONS



1 Despite recognition of the diversity among MICs, **UNDP HAS NOT ESTABLISHED DIFFERENTIATED APPROACHES** to programming strategies for MICs.

2



The **INCOME-BASED APPROACH** to the allocation of regular resources has been a significant constraint for UNDP programming in MICs, with the results acutely experienced in countries transitioning to middle-income status.

3

The **UNDP CONTRIBUTIONS IN MICS** show support to integrated economic, social and environmental approaches increasingly linked to the **2030 AGENDA**; and emphasize inequality, vulnerability and exclusion as key priorities.



4



UNDP has demonstrated its **ADAPTIVE ABILITY IN ENGAGING** in new thematic areas in MICS including the 2030 Agenda, natural resource management, climate change and energy, financing for development and private sector engagement.



5

The UNDP **ENGAGEMENT** with the **PRIVATE SECTOR** has helped to attract private capital for development programmes. However, private sector partnerships can pose reputational risks that have not been adequately analysed.



Conclusion 1.

Despite recognition of the heterogeneity among MICs, UNDP has not established segmented approaches to programming strategies for MICs. UNDP programmatic responses are undifferentiated, with country programmes exhibiting similar features across subgroups of MICs.

There is no particular distinction between programmatic approaches in middle-income and other countries. At the same time, there is no articulation of the UNDP engagement strategy within the MIC group which takes into account the huge diversity within the subgroups of MICs (small and large natural resource extraction-based economies, large emerging economies, long-term MICs, recently-transitioned MICs, etc.). Over time, UNDP has gradually moved away from viewing MICs as having a distinct development profile. The current UNDP approach to country typologies is essentially limited to the Strategic Plan's differentiation of three development settings and offer of six integrated signature solutions which should be tailored based on each development setting.



Conclusion 2.

The income-based approach to the allocation of regular resources has been a significant constraint for UNDP programming in MICs, with the results acutely experienced in countries transitioning to middle-income status.

The transition to middle-income status has led to lower allocations of regular resources for UNDP country offices in MICs. As countries attain middle-income status, ODA and concessional financing also decline, creating pressures of funding development from domestic resource mobilization. At the same time, not much has changed for these countries in terms of challenges, and integration into the global economy even introduces new risks. In these conditions, applying income classification as the prime criterion for cooperation and resource allocations for MICs can be disadvantageous, given the existence or even amplification of the same challenges that least developed and low-income countries encounter.





Conclusion 3.

The UNDP contributions to development results in MICs show two distinctive features: policy and institutional support to integrated economic, social and environmental approaches increasingly linked to the 2030 Agenda for Sustainable Development; and an emphasis on inequality, vulnerability and exclusion as the key priorities in these efforts.

UNDP has helped to facilitate and support Governments of MICs in formulating policies and action plans addressing structural impediments and access gaps for poor, marginalized and vulnerable groups, and advocated for attention to the root causes of poverty, inequality and exclusion when developing country programmes.

The UNDP flagship products, the Human Development Index (HDI) and Multi-dimensional Poverty Index (MPI), have been strong entry points for poverty reduction policies and strategies in MICs. These have been reinforced through comprehensive support for mainstreaming, implementing, monitoring and reporting on the SDGs, which has emerged as a flagship UNDP offering.



Conclusion 4.

UNDP has demonstrated its adaptive ability in engaging in new thematic areas to stay relevant. Programming approaches around the 2030 Agenda, natural resource management, climate change and energy, financing for development and private sector engagement are the most evident examples of adaptation in MICs, as well as a progressive positioning at subnational and local levels to support last-mile challenges.

Building on the development of a new package of support services around the SDGs, UNDP is supporting MICs in mainstreaming, localizing, monitoring and reporting on the Goals. UNDP has also evolved a suite of development financing products and services specifically relevant to MICs, including integrated national financing frameworks, development finance assessments, climate and biodiversity expenditure reviews, Tax Inspectors Without Borders, participation in the United Nations Secretary-General's Joint SDG Fund, etc. Another illustration of proactive adaptation by UNDP in MICs has been the progressive shift to subnational institutional capacity development. This approach found resonance with Governments given the larger capacity gaps in regions lagging on development indicators.



Conclusion 5.

The UNDP environment and energy programme continues to evolve, placing greater emphasis on green economies, value chains, innovation, access and affordability. The fact that Governments of MICs continue to utilize UNDP despite having options for direct access to Global Environment Facility (GEF) funds is a recognition in itself of the value proposition that UNDP offers to them as an implementing partner for the GEF. Its reliance on vertical funding for its environment and energy programming poses a challenge for UNDP that will be amplified in MICs where increasingly non-grant financing requires different financing instruments to deliver on the types of environment and energy initiatives required by countries and other donors.

UNDP has earned consistent appreciation for being an agile and responsive agency ready to undertake a diversity of requests and present alternative options using its international expert networks and global suite of knowledge products. Equally appreciated has been its flexibility to use regular resources as catalytic seed funding for initiatives with potential for scalability.

The UNDP engagement with the private sector has helped to attract private capital for development programmes. However, private sector partnerships can pose reputational risks that have not been adequately analysed.

The status of UNDP as an intergovernmental development agency is a key advantage in partnering with private sector foundations on corporate social initiatives. However, the quality of implementation of field programmes for the private sector needs to deliver on the high expectations generated by the long-standing presence and track record of UNDP. UNDP engagements on responsible corporate citizenship and business ethics require high-calibre skills on the part of programme staff, which can be in short supply when offices are increasingly staffed by short-term recruits with little institutional grounding in UNDP. The Global Policy Network is an effort to counteract this problem but is a recent initiative. In working with the private sector, UNDP is also subject to several commercial and compliance processes that may not recognize the usual exemptions applicable to an intergovernmental body and which create additional transaction costs that need to be incorporated in the business model.



WAY

Recommendation

1

UNDP should revisit its positioning in MICs, including rethinking the income-based approach. The HDI and/or other criteria should be utilized to create a more differentiated programmatic approach, which could also include new financial strategies to assist newly classified MICs.

UNDP should stimulate a broader discussion among development partners on the use of the HDI and other human development parameters for developing more differentiated programmatic approaches to support the wide diversity of MICs. Rethinking the income-based approach to programming is especially needed for recently classified MICs, whose development challenges are similar to those faced by least developed and low-income countries.

Management Response

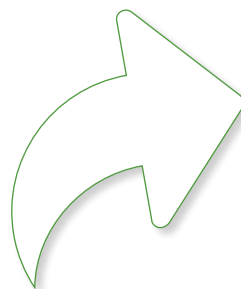


UNDP acknowledges that there is wide heterogeneity among the MICs and that the HDI and other measures beyond income might provide a more accurate categorization of countries' development challenges and therefore of appropriate programmatic approaches. For UNDP, programming and prioritization on the ground are primarily informed by country context and demand.

Rethinking the income-based approach requires a better understanding of different alternatives, examining potential thresholds, adequate development parameters to be considered, countries' categories and financial implications. UNDP also recognizes that such a decision implies a deep transformation in both programmatic approaches and financial operations. Therefore, this decision rests with Member States in general and the Executive Board in particular.

UNDP recognizes that the middle-income country concept is a bidimensional (income and population-based approach) categorization of a complex reality, with MICs home to 75 percent of the world's population and representing

FORWARD



about one third of global GDP. UNDP has pioneered several indices and options which were explored, in the context of the 2018-2022 budget, to alter the GNI-based methodology for allocation of regular resources. Those options included the proposed use of the HDI, inequality or MPI or a hybrid. These proposals resulted in extensive discussions within UNDP and with the Executive Board as part of the preparation of documentation for approval by the Board. UNDP will engage with the Executive Board for a more adequate methodology to address the diversity and needs of the huge variety of countries classified as middle-income as it prepares its 2022-2025 budget, noting the financial context in which it is operating in the light of the COVID-19 pandemic. Hence, the volume of available regular resources is not guaranteed and may be one of the main challenges as UNDP re-engages with the Executive Board in this discussion.

UNDP should seek balanced programme portfolios in MICs, with development services support generating opportunities for strategic thought leadership aimed at enhancing the effectiveness of public policies and achievement of the SDGs.

UNDP has a comparative advantage in having both operational and conceptual/analytical arms, which it needs to use to the greater benefit of national partners. UNDP strategic thought leadership should be an integral component of country programming. It should support Governments in their efforts to rethink the effectiveness of public policies and prioritize actions for achievement of the SDGs. UNDP should continue to make use of its flagship products such as the HDI and MPI as entry points and maintain equality and social inclusion as central themes for development dialogue and advocacy in MICs.

2

Recommendation



Management Response



Under the new United Nations resident coordinator system, with UNDP no longer responsible for United Nations country team coordination, UNDP has an excellent opportunity to redefine and promote its strategic advisory capabilities, including through SDG integration and impact finance, as well as other cross-cutting areas such as climate finance and energy efficiency. UNDP should leverage its internal corporate knowledge networks effectively to respond to the diverse needs of MICs, including the Global Policy Network and knowledge-sharing initiatives such as SparkBlue.

UNDP acknowledges the need for a balanced portfolio in MICs that combines thought leadership with high programmatic impact. Both UNDP conceptual/ analytical and operational interventions on the ground are always guided by national development plans and government-specific demands, supported by context analysis and theories of change and are in alignment with the Strategic Plan as articulated in country programme documents.

UNDP has realigned its policy function into a Global Policy Network to enable the mobilization of cross-practice, cross-bureau and multidisciplinary expertise globally across headquarters, regional hubs and country offices to provide more effective integrated responses to the complex development challenges countries face in achieving the SDGs and responding to crisis in an integrated and coherent manner. This integrated approach is already being put in practice in the context of COVID-19, with the rapid deployment of high-level expert advisers and training on the use of analytical tools to complement the expertise of UNDP country offices to fulfil the lead technical role on the socioeconomic pillar of the United Nations response to the pandemic.

UNDP will continue to elevate its support to national Governments in implementing policies to ensure the achievement of the SDGs, together with other United Nations system entities. UNDP will enhance its thought leadership by better harnessing its flagship products and tools and methodologies and developing specific products for evidence-based policymaking, in line with national priorities and context. Through its Finance Sector Hub, UNDP will continue to support MICs in scoping sources of fiscal space, protecting people through social assistance and insurance systems, including through the work of Tax Inspectors Without Borders (a joint Organisation for Economic Co-operation and Development-UNDP initiative) and integrated national financing frameworks.

UNDP governance work in MICs should maintain its focus on the effort to build inclusive and accountable institutions and strengthen the enabling environment for institutional reform.

As UNDP alone does not have sufficient human and financial resources and standing to address the root causes of weak institutions, it should promote long-term change processes required for systemic transformation of accountable institutions, and seek to better leverage knowledge networks and multidisciplinary partnerships that include civil society as an essential actor with a crucial role to play in improving the quality of governance and demanding transparent, free and accountable institutions.

In many middle-income country contexts, concerns with inequality, injustice and corruption have heightened tensions and highlighted the need for a new rights-based social contract. The COVID-19 crisis may serve to reinforce disparities, magnify tensions and worsen mistrust in governance systems. Weak State institutions may be unable to respond effectively to the pandemic, further reducing trust in governance systems. On the other hand, in some contexts, the crisis also provides opportunities to discuss the measures needed for transformation, including through leveraging the power of digital technologies to support accountable, effective and inclusive governance.

UNDP work on governance recognizes that resilience is manifest in the ability of countries to anticipate and prepare for shocks. This in turn depends on the technical capacities of organizations and institutions at the front lines of the development and crisis response to sustain core government functions, the overall functioning of national and subnational systems, and inclusive, trusted governance structures, based on rule of law, human rights and participation, as envisioned in SDG 16. The UNDP offer 2.0, “Beyond Recovery: Towards 2030”, which promotes a forward-looking approach to COVID-19 recovery, identifies governance and support to the social contract as one of the four UNDP priority areas in the coming period. The UNDP governance offer in MICs will maintain its focus on: (a) supporting national and local government institutions to uphold rule of law and human rights; (b) strengthening equitable public service delivery, including through strengthening subnational institutions, rights-based advocacy networks and people-centred e-government; (c) strengthening transparency, accountability and effectiveness; (d) promoting social cohesion and peaceful societies, and breaking with drivers of discrimination and bias; and (e) strengthening social

3

Recommendation



Management Response



capital – the habits, norms and systems for voice, inclusion and solidarity – and engagement with civil society, including through digital governance. These approaches will support long-term change, including creating the enabling environment required for systemic transformation.

Given the challenges of addressing root causes, as well as the lack of human and financial resources, partnerships, including with civil society, networks and the private sector at all levels will indeed be critical. Partnerships around SDG 16 will be particularly important in this regard.

Recommendation

4

UNDP should consolidate and sustain the results achieved to date under the environment, natural resources management and climate change programmes in MICs.

The themes of environment, natural resource management, climate change and energy will continue to be critically important in MICs as economic and population growth will continue to pressure the global community. There is a strong link between the effectiveness of programme results in the area of environment and energy and the relevance of the overall UNDP programme actions.

Many of the issues in the environment and energy sector have their grounding in governance. UNDP should capitalize more on its implementation role in environmental funding platforms such as the GEF to engage in high-level policy discussions with Governments of MICs and leverage domestic financing in addressing cross-sectoral institutional barriers to achieve scale and sustainability on environment and energy initiatives. UNDP should leverage its innovation agenda to come up with new business approaches to fully harness partnerships with private sector and United Nations organizations that have financing instruments which UNDP could use in MICs.



Management Response

UNDP works closely with Governments in MICs to address their nature, climate and energy priorities in full alignment with their national development strategies. In this respect, UNDP supports the recommendation to leverage domestic and other financing to achieve scale in environment and energy initiatives with seed funding from vertical funds and in partnership with the private sector and other United Nations organizations. To this end, UNDP will continue to strengthen its work in:

- Leveraging vertical funds to unlock parallel co-financing (public and private) to advance the SDGs; building capacities of State and non-State actors, at national, subnational and local levels, to integrate climate risks into policy/planning/budgeting/decision-making, including with private sector entities.
- Responding to country requests with top-notch, cutting-edge technical know-how and knowledge to design interventions that not only meet the requirements and objectives of different funds, but also to crowd in partners and other sources of private finance for greater development impacts.
- Exploring ways of using new innovative financial instruments such as innovation challenge awards and guarantees for catalysing private sector capital.
- Assisting countries in identifying innovative solutions, by leveraging the UNDP Global Policy Network and its thought leadership.
- Encouraging cross-cutting and cross-thematic programming to provide integrated solutions that will result in multiplier and dual development and environmental/climate benefits at scale, leaving no one behind.
- Aligning solutions with those of other United Nations organizations, multilateral development banks, international financial institutions, development finance institutions and public domestic resources to bring about multiplier effects of development impacts.



Recommendation

5

UNDP should establish clear corporate norms for implementing private sector initiatives in MICs, including appropriate standards for programme staff and implementation processes.

Private sector engagement is an important aspect of UNDP partnership, particularly in MICs. UNDP is placing greater emphasis on private sector funding partnerships, but there remains considerable ambiguity as to the derived benefits for all partners and insufficient consideration of reputational risks. UNDP should strike a balance between its role as convener of SDG platforms promoting impact investments and that of implementer of corporate social initiatives of large conglomerates.

Management Response



The UNDP private sector strategy seeks, in partnership with Governments, civil society and businesses, to make markets work for the SDGs, with a strong emphasis on inclusion of poor and marginalized communities. This strategy builds upon the long-standing adoption by UNDP of a market system approach,⁸ which is also the main basis for the work on private sector development and partnerships championed by a number of other international agencies.^{9, 10} It is deploying a suite of service offers, in collaboration with other United Nations and non-resident agencies in areas such as sustainable value chains and inclusive business, gender equality in markets, digital finance and closing the energy gap. These are tailored to the specific country contexts in MICs. Furthermore, several relevant initiatives that align business activities with the SDGs, in the context of COVID-19 include:

- 8 The features of a market system approach “focus on interventions that modify the incentives and behaviour of businesses and other market players – public, private, formal and informal – to ensure lasting and large-scale beneficial change to poor people. It also requires that each market is a complex ‘system’ involving many stakeholders, each with a particular set of unique characteristics, any intervention must take this complexity into account” <https://beamexchange.org/market-systems/key-features-market-systems-approach/> and characterizes the market system “in terms of three distinct elements: core market transactions, institutions (including the business environment) and services and infrastructure.” BEAM Exchange. (2014). [Market systems approaches: A literature review](#).
- 9 It builds on the UNDP “inclusive markets development” approach adopted in 2007 and a number of other approaches championed by various international agencies including value chains (particularly by GIZ and the United States Agency for International Development), and “Making Markets Work for the Poor” (known as M4P) supported by the Swedish International Development Cooperation Agency, the Swiss Agency for Development and Cooperation and the United Kingdom Department for International Development, the Donor Committee on Enterprise Development, and the Consultative Group to Assist the Poor. It also provides the conceptual underpinnings for the current United Nations Capital Development Fund policy on “inclusive finance” and for various UNDP programme initiatives. The Donor Committee for Enterprise Development is the forum consisting of 22 funding and inter-governmental agencies that support the growth of the private sector in developing countries and the Consultative Group to Assist the Poor is a global partnership of 34 development organizations that seek to advance financial inclusion.

- 10 See <http://www.uncdf.org/financial-inclusion>

- The recent UNDP focus in developing innovative global partnerships that do not necessarily provide direct financial contributions to UNDP (e.g., Microsoft, GSMA, Samsung, WhatsApp, etc.);
- UNDP programme engagement with the private sector in MICs (e.g., the Philippines, Turkey) focuses on multi-stakeholder platforms like the Business Call to Action to promote inclusive business impact and reporting; and the UNDP-Office for the Coordination of Humanitarian Affairs Connecting Business Initiative on disaster response;
- “SDG Impact” activities in MICs such as the investor maps, in-depth country-level reports on investment opportunities to enable the Goals in targeted markets and sectors (e.g., Brazil);
- The Gender Equality Seal for Public and Private Organizations has aimed to promote gender equality and women’s empowerment in the business world. Since 2009, it has led to the creation of 16 national certification programmes, with more than 600 diverse companies in the fields of energy, telecommunications, service, logistics and tourism in Latin America.

UNDP is committed to risk-informed decision-making for private sector partnerships and has a dedicated, rigorous policy for due diligence with regard to such partnerships in its programme and operations policies and procedures. All private sector partnerships are informed by a risk assessment of the proposed partner and expected outcomes, which guides senior management in its decision-making, and are also supported as relevant by risk management and communication plans.





About the Independent Evaluation Office

At UNDP, evaluation is critical in helping countries achieve the simultaneous eradication of poverty and significant reduction of inequalities and exclusion. By generating objective evidence, evaluation helps UNDP achieve greater accountability and facilitates improved learning from past experience. The Independent Evaluation Office (IEO) promotes accountability and learning by conducting independent evaluations at the country, regional, and global levels, as well as on thematic topics of particular importance to the organization. It also promotes development of evaluation capacity at the national level, and provides critical support to the work of the United Nations Evaluation Group (UNEG).



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