



UNDP Response to the DFID Multilateral Aid Review Update 2013

Introduction

UNDP welcomes the DFID Multilateral Aid Review (MAR) Update and the recognition that, as well as continuing to demonstrate good value for money for UK taxpayers, UNDP has made progress in the three areas identified in the MAR as needing improvement.

UNDP welcomes the assessment that the organization has made progress in improving its strategic direction, corporate planning, and leadership of the UN development system. This has been the result of comprehensive organizational reforms underway since 2011 to ensure that UNDP lifts its performance.

UNDP agrees that stronger evidence of country level performance and results achieved is needed. As recognized in the Update, these will be more evident with the roll out of the UNDP's Strategic Plan and Integrated Results and Resources Framework for 2014-17. Implementation of the Structural Review will also be a vital contribution.

UNDP is committed to continuing to improve its administrative efficiency, cost control, and effectiveness. In line with the overall institutional transformation outlined in the Strategic Plan 2014-17, UNDP undertook a structural review of its organization at the global and regional service hubs levels to ensure that it is staffed and positioned to deliver effectively. The emphasis of the review has been to improve the way in which UNDP provides support and oversight services to its country offices from headquarters and regional service centres, so that we can more efficiently support the all-important delivery of results at country level.

The structural review showed that over recent years UNDP's change agenda has led to significant improvements in the organization's ability to plan in a co-ordinated way, and to manage its resource envelope, in line with the MAR findings. The review also pointed to areas where we should improve accountability for better performance.

As a result, UNDP has set the direction and the shape of the changes to be carried out over the next two years. The thrust of changes will be to ensure that:

1. we have more of our resources focused on improving delivery at the country level;

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2. we remove remaining duplication of functions within the organisation and that functional accountabilities are clearer;
3. we take better advantage of potential economies of scale in transactional services; and
4. our staff profile is aligned fully with what we need to deliver in a cost effective and efficient way.

Contribution to Results

UNDP is pleased to see the MAR Update's recognition that there is evidence of improvements in country level delivery, particularly in leadership and programme effectiveness, including in fragile states and on governance, crisis prevention and recovery areas.

UNDP acknowledges that it has been difficult to determine the level of progress over the last two years across all 177 countries and territories in which UNDP operates, using the current Strategic Plan's results framework. The improvements being made to the Integrated Results and Resources Framework for 2014-17, based on the lessons and changes made to improve the results framework following the Mid-Term Review of the Strategic Plan 2008-13 and the Agenda for Organisational Change, are intended to address this challenge.

UNDP also notes the assessment's conclusion that in the areas of governance and crisis prevention and recovery, UNDP's technical capacity to implement electoral assistance at country level has improved including with greater use of political economy analysis to inform programme design. We also acknowledge the need to continuously assess and mitigate risk more systematically, continue to ensure a capacity building approach, and continue to achieve - with the support of our partners - value for money in electoral assistance.

In relation to UNDP's role in leading the UN system, including improvement in the quality and leadership impact of Resident Co-ordinators (RC) and overall UN efficiency and effectiveness, UNDP agrees with the assessment that there has been reasonable evidence of progress on support to RCs, the implementation of Delivering as One and improved collaboration at the corporate level. UNDP also agrees that improvements can still be made to ensure greater coherence and collaboration at country level.



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UNDP agrees that co-operation with the World Bank, particularly in conflict-affected countries, needs to improve. Collaboration with the Bank is being strengthened, in particular through the MDG Acceleration Review initiative under the UN System Chief Executives Board for Coordination. The MDG Acceleration Review is designed to improve the support provided by UN agencies and the World Bank to countries which are implementing MDG Acceleration Action Plans. As part of this exercise, UN Country Teams and World Bank field offices jointly assess their support for MDG acceleration and identify bottlenecks to be addressed in the countries with the Acceleration Action Plans. Through these reviews, UN agencies and the World Bank can align their programmes better around shared priorities and common areas for action.

UNDP is pleased that the MAR Update recognizes UNDP's leadership role on transparency and the implementation of International Aid Transparency Initiative (IATI). UNDP is proud to rank as the top multilateral organization in transparency, according to the 2013 Aid Transparency Index released in October 2013. UNDP will continue to lead on the transparency agenda through the hosting of the new IATI Secretariat with responsibility for co-ordination, communications, outreach to partner countries, and liaison with its Steering Committee.

Strategic and Performance Management

The MAR Update recognizes that UNDP's strategic focus will be enhanced with the implementation of the Strategic Plan for 2014-17 and its Integrated Results and Resources Framework. UNDP's vision, outcomes, and areas of work adopted in the Plan will enable focused support, while being relevant for all programme countries. They present a global offer from UNDP which can be tailored to each national setting. The MAR Update noted that in addition to "further focusing thematically at the corporate and strategic level, there has been progress on consolidating programmes at country level".

For the implementation of the Strategic Plan, more strategic UNDAFs, developed in conjunction with the rest of the UN Development System, and country strategies will clearly identify UNDP's substantive contribution to country-led development efforts. All country programmes designed under the Plan will be more tightly focused on no more than four time-bound outcomes; be underpinned by explicit theories of change; and will



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incorporate a robust, aligned, rigorously defined, gender-disaggregated, and measurable results framework, drawing on a standardized bank of SMART indicators.

The systematic, organization-wide investment for improved results-based management (RBM), which is already underway, will also enable better articulation of clear standards for RBM; strengthened quality assurance processes at all stages of the project cycle; a revision of the programme management cycle to improve quality, robustness, and performance; and establishment of a sustainable RBM support mechanism to support Country Offices. Country level capacity for monitoring and evaluation is being strengthened, including through the capacity assessments underway which will be followed by a set of targets for improvement.

The MAR Update also recognises that Member States have been pleased with the process and timeline for the development of the Strategic Plan 2014-17 and that UNDP has now a “much stronger corporate results framework”, although we are aware that the United Kingdom remains concerned about the value for money and organizational effectiveness indicators. In response to feedback from the UK and other Member States, UNDP has refined the organization section of the results framework, and included a number of additional indicators to measure aspects of value for money and organizational effectiveness. UNDP will continue to develop the indicators, baselines, milestones and targets with a view to their finalization by the Executive Board Annual Session in June 2014.

On the management reforms underway, the MAR Update and other independent evaluative evidence recognize that UNDP management has started an effective process to take forward the Strategic Plan and strengthen the planning and management systems which surround it. They also point to the challenge of ensuring that strategic corporate documents are owned across the organization, given the level of decentralization. UNDP is addressing this challenge through various measures, including:

1. a deliberate process of programme alignment to ensure that UNDP-supported programmes and projects work systematically towards the vision and outcomes of the Strategic Plan. Based on an assessment by Country Offices of their programmatic positioning, data collection, and office capacity, systematic support will be available to ensure that UNDP can make progress on the Strategic Plan areas of focus and issues such as inclusion, south-south and triangular co-



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- operation, and measurement and monitoring of results based on better data, as well as on regular stocktakes to gauge progress made;
2. the Integrated Results and Resources Framework (2014-17) organisational effectiveness and efficiency indicators aimed at monitoring and ensuring stronger alignment with corporate objectives and compliance with corporate standards; and
 3. the Annual Business Plan, which from 2014 will be derived from the Strategic Plan and be better informed by country level programme priorities through the linking of results and resources in the Integrated Results and Resources Framework, cascading down to regional and country programmes, to ensure focus on corporate priorities.

The MAR Update reported noticeable improvements in average recruitment times, and pointed to the challenge of recruitment for hardship locations which are affected by the Terms and Conditions set by the General Assembly. As recognized in the MAR Update, UNDP is working with other UN Funds and Programmes, the Chief Executive Boards High Level Committee on Management, and the International Civil Service Commission to help address this challenge. UNDP also recognizes the importance and need to increase performance management across the organization.

Cost and value consciousness

Building on the Agenda for Organizational Change, UNDP continues its organizational efforts to enhance programmatic effectiveness and organization-wide efficiency gains. In 2012, the ratio of expenditure related to management activities over total expenditure was 8.4 per cent, compared to the 2012-13 estimation of 8.8 per cent. For 2014-17, UNDP is projecting an overall management efficiency ratio of 8.1 per cent, including the largest reduction in its recent history of regular resource allocation to management activities in order to ensure increased efficiency. Within this framework, UNDP is undertaking a number of alignment and cost-effectiveness initiatives which when implemented may result in the reduction of costs from the Institutional Budget in the range of US\$ 40-50 million per year. This includes concerted efforts to reduce travel costs through a number of measures that are already being implemented.



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As recognized in the MAR Update, the results of UNDP's strategy to enhance the procurement function have produced savings at corporate and country level. This has been brought about by a multi-year strategy to streamline supply chain management and improve the organization's ability to obtain the best value for money. Nineteen UN Agencies are working together on opportunities to harmonize treasury practices for risk mitigation, cost savings and improved efficiency. The work is currently focusing on the completion of harmonized banking services procurement in the field, generating savings from scale and competitive sourcing. The initiatives already undertaken and those in progress have led to savings of up to \$40 million since December 2012.

The current integrated budget proposal includes \$173.5 million in real institutional budget reductions funded from regular resources in the first two years and a further reduction of \$66.4 million in the final two years.

The structural review of the organization will bring about significant changes to the way in which UNDP operates. Central to this review is an overall reduction of staffing numbers at the headquarters and regional service centre levels by approximately ten per cent, and the relocation of more services to the regional centres. This will lead to a reduction in UNDP's footprint at the headquarters level in New York of approximately thirty per cent.

The aim of the review is to enable that more of the advisory and support services are available in the regions to provide more focused and effective Country Office support. The results of the structural review will support improved institutional effectiveness including through:

1. a more deliberate focus on programme quality, results-based management, and evaluation, to strengthen UNDP's ability to manage resources to best development effect and to report better on results at all levels;
2. a less "siloesd" approach to development issues, to ensure that UNDP's policy function is more responsive to demand;
3. clearer lines of accountability for staff, without unnecessary duplication of function, so that the organization can be more clearly focused at the regional and country levels where it needs to deliver; and
4. a more efficient use of resources to ensure a greater proportion of UNDP expenditures support programme delivery at country level.



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Attention to cross-cutting issues: climate change

Although the climate change component was not scored in the MAR Update review, UNDP is pleased with DFID's recognition that there is evidence of progress in this important area. Sustainable development is an area UNDP has continued to prioritise in the Strategic Plan 2014-17.

UNDP will support programme countries to design and implement development pathways which can tackle the connected issues of poverty, inequality and exclusion, while also avoiding the irreversible depletion of social and natural capital, and lowering risks arising from shocks. The aim is to help improve the resource endowments of the poor and boost their prospects for employment and livelihoods.

Building on its current portfolio, UNDP will, in implementation of its Strategic Plan for 2014-17, support countries' planning, policy frameworks, and institutional capacities to reinforce substantially their action on climate change. Actions will include:

1. helping to integrate low-emission, climate-resilient objectives into national and sectoral development plans, and identifying priority mitigation and/or adaptation measures;
2. supporting reforms which reduce financial risk and offer improved incentives for adaptation and mitigation responses which can work over the medium to long term;
3. supporting the implementation of measures to reduce vulnerability and increase adaptive capacity across affected sectors; and
4. developing capacities to access (including through direct access) climate finance, and supporting countries through measuring, reporting, and verification activities which can deliver "triple wins" in poverty reduction and decent green jobs, while stimulating the broader economy and protecting the environment.