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THE MULTI-YEAR FUNDING FRAMEWORK, 2000-2003

Highlights from the report of the Administrator (DP/1999/30)

I. INTRODUCTION

1. The formulation of some 150 strategic results frameworks (SRFs), in which every country office as well as other UNDP operating units have participated, marks a major breakthrough and provides remarkable opportunities for the organization. It is a breakthrough because for the first time the strategic vision of the organization, seen from the bottom up as well as from the top down, has been documented. The data collected represents an extraordinary opportunity in that it provides a powerful instrument with which to identify the UNDP profile, to characterize the key roles UNDP plays, to align capacities to support those roles, and to mobilize resources.

2. The present summary provides shortened versions of the foreword by the Administrator and the overview of document DP/1999/30. In addition, it provides a brief introduction to a number of the major issues covered in the other sections of the report.

3. For logistical reasons, the report of the Administrator on the multi-year funding framework (MYFF) has been split into two separate documents: DP/1999/30 contains an introduction to the MYFF, a discussion on such issues as methodology, indicators, reporting, an analysis of the SRFs and the integrated resources framework; DP/1999/CRP.12 contains the generic SRFs covering the seven categories chosen. These generic outcomes are the product of the SRFs received from operating units.

II. FOREWORD BY THE ADMINISTRATOR (Extracts)

4. With the presentation to the Executive Board of the first multi-year funding framework (MYFF), a key building block in the application of results-based management in UNDP moves into place. The MYFF document sets the four-year frame (2000-2003) for the intended work of the organization. Based on the empirical realities of the programme choices being made at the country, regional and global levels, the MYFF is intended to become a key instrument for the strategic management of UNDP. It is against this framework of specific organizational goals and intended results, reinforced by the business plan, that the results-oriented annual reports (ROARs) will review our progress in future.

5. A strategic choice was made to shape the MYFF "field-up" by the empirical evidence on intended results as set out in the SRFs. In other words, the priorities that emerge are those of the programme countries rather than centrally imposed themes. This was felt to be essential given the nature of the organization, and it protects the close and trusted role played by UNDP at the country level - one of its enduring strengths.

6. This document is not yet a definitive statement about the future focus of UNDP. Rather, it is a starting point, a seedbed for cultivating a sharper strategic focus. It is significant that the paper shows how country experience repeatedly positions UNDP to address its critical anti-poverty mission from the angle of capacity-building, economic and social governance, in-country coordination and post-conflict transition, bringing new knowledge, new ideas and new partners into play.

7. Yet for all that is positive and valuable about the MYFF, the resources framework holding this new compact together now look perilously insecure. The momentum of a declining resource base has not yet been broken. The decline in contributions represents a devastating blow to the UNDP programme, a major threat to the essential universality of this organization and a most difficult start to the MYFF. A reconfirmation by donors of their commitment to provide predictable and adequate core funding in a true spirit of partnership is essential for the future of the organization.

III. THE OVERVIEW (Extracts)

8. Figure 1 provides the broad outlines of the emerging profile of UNDP. It identifies four types of outcome on which UNDP is concentrating its efforts. This is work in progress. It is derived from a wealth of data on the organization's aspirations as reflected in the outcomes identified. Table 1 captures the five programmatic categories of SRFs. It does not capture the two non-programmatic components - namely support to the United Nations and the management SRF. It should also be emphasized that the following tables capture the frequency of outcomes, not the volume of disbursements.

Figure 1. Typology of generic outcomes

A. Capacity-building

- A1. Policy, regulatory and legal frameworks
- A2. Increased social cohesion, inclusion and awareness in the enabling environment
- A3. Institutional capacity
- A4. Data collection and monitoring

B. Knowledge networking and the adoption of regional and multisectoral perspectives

C. Empowerment and participatory approaches

D. Targeted/pilot interventions

A. Capacity-building

9. Seventy per cent of the outcomes in figure 1 relate to capacity-building (see table 1). Prominent is work in the area of policy, regulatory and legal frameworks. In the area of governance, UNDP cooperation includes work on legal frameworks for elections, comprehensive legal reform, legislation for human rights, legal frameworks for decentralization and frameworks to strengthen an accountable and transparent public sector. In poverty, the work includes the formulation and implementation of pro-poor policies as well as the establishment of policies and legislation to ensure ownership and user rights by the poor. With respect to the environment, the ratification and implementation of international agreements is a major area in which UNDP works. Finally, with regard to gender, the promotion of policies and legislation securing gender equality and the formulation and implementation of national plans for the advancement of women represent important areas of work.

Table 1. Typology of generic outcomes: Statistical overview ^{a/}

| | Total outcomes | A Capacity-building | B Knowledge networking | C Empowerment | D Targeted/pilot Interventions |
|--|----------------|------------------------|---------------------------|------------------|-----------------------------------|
| Enabling environment for sustainable human development | 38 | 28 | 5 | 5 | - |
| Poverty | 19 | 12 | 1 | 2 | 4 |
| Environment | 20 | 10 | 4 | 4 | 2 |
| Gender | 23 | 19 | 1 | 1 | 2 |
| Special development situations | 15 | 11 | 1 | 1 | 2 |
| Total | 115 | 80 | 12 | 13 | 10 |
| Percentage of total | - | 70 | 10 | 11 | 9 |

^{a/} Indicates the number of generic outcomes relating to each category, not the volume of assistance provided.

10. Increased social cohesion, inclusion and awareness capture a number of important anticipated outcomes. For example, UNDP work in the sphere of promoting awareness on environmental and gender issues and their relationship to poverty is captured here. So is UNDP work in promoting social cohesion and preventive development, in particular in crisis situations.

11. Institutional capacity-building remains an important segment of UNDP work. A large number of outcomes relate to this. It is sometimes difficult to draw a clear line between outcomes relating to policy frameworks and institutional capacity-building. They are often two sides of the same coin.

12. Data collection and monitoring represents the fourth focus area identified within the broad category of capacity-building. This is an outcome which cuts across the four major thematic areas and clearly reflects both the commitment of UNDP to institutional capacity-building and, more specifically, concrete follow-up to the United Nations global conferences. Monitoring and measuring are the necessary counterparts of effective follow-up.

13. It is important to recognize within this broad category of capacity-building the significant shift in the UNDP focus to newer, innovative types of capacity-building interventions.

B. Knowledge networking and the adoption of regional and multisectoral perspectives

14. The second major category relates to knowledge networking and the adoption of regional and multisectoral perspectives. Particularly prominent in this regard are the adoption of multisectoral and regional approaches. The concept of a broad advocacy approach is captured above all in the global Human Development Report as well as in the numerous national human development reports. They often lie at the heart of a strengthened dialogue on policy options and choices relating to sustainable human development. The interrelationship between poverty, gender, governance and environment is a critical dimension of UNDP work in the area of policy frameworks, public dialogue, and policy implementation. One specific dimension of this relates to UNDP work in the area of regional cooperation and regional frameworks. A number of important and politically sensitive outcomes are anticipated in this area. UNDP work in the area of technical cooperation among developing countries (TCDC) and knowledge networking is also included under this category.

C. Empowerment and participatory approaches

15. This third category is integral to ensuring successful outcomes under the other categories. In each thematic area, strengthening empowerment and participatory approaches constitute important outcomes. The organization of the poor to empower them and enable them to participate in decisions affecting them is an important dimension of the work.

D. Targeted/pilot interventions

16. In some instances, direct support is the most accurate characterization of UNDP work even though such support includes important capacity-building components. Providing access to services for targeted groups of the poor is a case in point; projects dealing with global environmental issues is another. As a credible operational agency, UNDP must not lose its ability to provide direct support so long as the circumstances are such that UNDP is clearly providing value-added services.

17. Out of this analysis emerges a strong profile for UNDP. Capacity-building, the development of policy and legal frameworks, the promotion of multisectoral approaches that increase the choices available to decision-makers, empowerment and the promotion of participatory approaches; these are all mutually reinforcing outcomes. They are outcomes which address centrally the ability of Governments and peoples to cope with the reality of globalization.

18. In the 1950s and 1960s, the central challenge for technical cooperation was to support investment. The emphasis at that time was on pre-investment, often for subsequent World Bank-funded loans. Subsequently, in the 1970s and 1980s, UNDP became an organization whose principal purpose was to transfer resources to help to build the newly emerging States. Today, countries are facing a new set of challenges. They need to create an environment that enables them to seize emerging opportunities. They need to invest in the social, organizational and knowledge capital required to engage in a shrinking world. In short, the critical challenge facing technical cooperation is that of helping countries to cope with globalization. This is what is reflected in country demands for UNDP support. It is not a headquarters policy statement, it is a reflection of country-level realities. It is demand-driven and has critical implications for the role of UNDP.

19. From this analysis, UNDP emerges as principally a facilitator, catalyst, adviser and partner. The role that UNDP plays in development is an integral function of its role as the operational arm of the United Nations. Country-level presence is in many cases an important factor in the ability of UNDP to fulfil this role. This role provides tangible outcomes of high value to the development process. It is a high leverage role. It matches extraordinarily well with recent analyses and findings regarding the optimal role of technical cooperation. In Assessing Aid: What Works, What Doesn't, and Why, the key question is considered to be the extent to which agencies have used their resources to stimulate the policy reforms and institutional changes that lead to better outcomes. The report emphasizes that "policy reforms rarely succeed unless the Government is genuinely convinced that the reforms have to be implemented and considers the reform programme its own". National ownership is the key to aid effectiveness, a finding supported by the experience of UNDP itself, as documented by the Evaluation Office. The profile of UNDP outlined above, the role UNDP sees itself playing, is precisely the role identified by Assessing Aid as being appropriate.

20. It has been suggested that "social and organizational capital cannot be handed over to a country from the outside. It must be developed from within and that the hard part of capacity-building is the development of the organizational/social capital, the institutions that enable a society to function well". A key dimension to this is "the policy environment, which includes the capacity to make key decisions concerning development strategies". This requires precisely a focus on policy and legal frameworks, on multisectoral approaches to development, on empowerment and participation. UNDP, as an integral part of the United Nations, has a critical role to play in these areas. Not least, the United Nations has a key role to ensure that no one set of institutions or ideology reduces the choices available to Governments and peoples as they make their decisions.

21. The SRFs and the emerging profile of UNDP drawn from those SRFs present UNDP with an important set of new opportunities. Eight are identified below.

22. First, there is an opportunity to break down old barriers. Focusing on outcomes should take UNDP stakeholders beyond the old debates about focus versus country-driven activities, operational aspects versus normative aspects and programme versus presence. A discussion based on outcomes should go beyond these distinctions and focus on issues of impact and measurement.

23. Second, UNDP now has the capacity to identify and invest in outcomes. Further, it can work to build constituencies around clusters of outcomes.

24. Third, the SRFs provide a powerful tool for strategic management, both at country and headquarters level.

25. Fourth, the SRF methodology introduces a new capacity for monitoring and measuring.

26. Fifth, the SRFs provide a new database for evaluation work and to promote learning.

27. Sixth, the identification of similar types of intended outcomes across countries provides a new opportunity for stimulating TCDC activities. It is the creation of a new comprehensive database that provides this opportunity.

28. Seventh, and linked to this, the creation of the new database capturing all the SRF information provides the basis for a new democratization of information both within and outside UNDP.

29. Eighth, the SRFs provide the basis for a new relationship between the secretariat and the Executive Board. Indeed, the introduction of results-oriented reporting will require a new type of relationship. The Board will need to consider the implications for its own working methods of a results-oriented approach.

IV. PROCESS AND METHODOLOGY

30. The implementation of any results based management system requires complex choices regarding process and methodology. The

Administrator has rigorously applied the principles laid down by the Executive Board in making these choices. The process followed has been fully participatory and inclusive. The methodology chosen has proven to be responsive to the critical need to reconcile an organization-wide results framework with the definition of outcomes and outputs identified at the country level.

V. THE INTEGRATED RESOURCES FRAMEWORK

31. The integrated resources framework (IRF) for the first time brings together the resource allocation frameworks for programme, programme support, support to the United Nations and management and administration. The IRF covers the four-year period 2000-2003 in line with the MYFF. The UNDP biennial budget, which covers the first two years, is incorporated in the IRF.

32. Income assumptions underlying the IRF are as follows:

(a) Regular resources. It is assumed that within the framework of the MYFF, voluntary contributions will increase to \$800 million (2000), \$900 million (2001), \$1,000 million (2002) and to \$1,100 million (2003). This assumes that the \$1.1 billion target set in 1998 would be met within five years. The IRF therefore assumes a total available of regular resources of \$3.8 billion;

(b) Government cost-sharing. The projection is for \$3.9 billion. This assumes a slight decrease from the projection for 1999 if it were simply to be taken forward for the next four-year period;

(c) Trust funds/ third-party cost-sharing. The projection is for some \$2.1 billion. This largely relates to trust fund activities.

33. Overall, the resources projected for the MYFF (2000-2003) amount to \$10.1 billion. Of this, \$3.8 billion relates to regular resources, the bedrock of the organization. In making these assumptions, the Administrator is conscious that in its decision 98/23 the Executive Board stated that the objective of the MYFF is to increase core resources. Nonetheless, the Administrator is extremely concerned with regard to current trends concerning regular resources and will seek the advice of the Board at the present session, in particular with respect to the consequences of projected shortfalls.

34. The analysis of the SRFs points to the importance of presence as an integral part of UNDP capacity. What emerges from the analysis provided is that for a major donor to UNDP (defined as being in the top five for these purposes), the cost of maintaining the United Nations operational arm in non-low-income countries in each of the regions of Latin America, Arab States, and Europe and the Commonwealth of Independent States averages under \$1 million a year. This brings back into focus the fundamental cost-effectiveness of multilateral forms of cooperation. Precisely because so many countries are being forced to cut back on their development aid infrastructure, the United Nations operational arm provides a highly cost-effective alternative.

VI. INDICATORS

35. Within the SRF exercise, it was decided early on that results indicators would not be prescribed centrally, they are rather to be fundamentally derived from country realities in close dialogue with stakeholders and beneficiaries. There are, however, two areas in which the new system does include standardized indicators.

36. The first is in relation to tracking institutional performance in achieving generic outcomes. By asking operating units to report on these in a consistent manner, it will be possible to monitor and report on organizational performance in specific areas. Generic outcomes and generic indicators provide a fuller understanding of what the organization is doing. Such analysis - especially in comparing experiences between countries or regions or even between strategic approaches - becomes a powerful management tool in shaping the organization's ability to manage for results. Second, it was decided to have a limited number of common indicators of progress for the major goals and sub-goals targeted by the organization. These indicators do not directly address as such the contribution of UNDP to development outcomes. These indicators are linked to the development goals and objectives set in United Nations conferences.

37. The interplay between the field (bottom-up) and headquarters (top-down) is critical for a full understanding of how indicators can be helpful in recording and measuring progress. The basic building blocks are the country-level outcome and output indicators. These indicators specify how change is being recorded or measured in a specific country context. The generic indicators give a picture of organization-wide performance. With the help of situational indicators, UNDP has a picture of how specific development issues are moving globally and at the country level.

VII. REPORTING

38. Two principal reporting instruments are envisaged for the Executive Board. The results-oriented annual report (ROAR) would provide a report on the progress achieved in contributing to the outcomes identified in the strategic results framework. The multi-year funding framework report (MYFFR) would provide a more in-depth assessment of results achieved at the end of the four-year cycle.

39. The ROAR is envisaged as comprising three main components:

(a) Institutional performance at the level of generic outcomes. Progress will be assessed on the basis of the indicators of performance at the level of the generic outcomes. Outcomes will be reviewed on a selective basis;

(b) A comprehensive overview of expenditures at the goal and sub-goal level;

(c) Selective in-depth reporting on progress on a limited number of outcomes, with explicit reference to outputs and to country-specific indicators.

40. The Administrator believes that it is essential for agreement to be reached with the Executive Board on the limited number of outcomes to be reported on in depth each year. Selectivity requires a new role to be played by the Executive Board. Each year the Board would select three to five major outcomes for in-depth reporting by the Administrator. These subjects would provide the basis for more substantive discussions at the Board.
