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**United Nations Capital Development Fund**

## **United Nations Capital Development Fund – UNDP strategic partnership\***

### *Summary*

Rooted in the complementary nature of the two organizations, the United Nations Capital Development Fund (UNCDF) - UNDP partnership aims at greater simplicity, coherence, effectiveness and increased resource flows. Concerted efforts on the part of both organizations over the past two years have resulted in strong synergies at the strategic, programmatic and operational level. Key elements of the closer strategic relationship between UNDP and UNCDF include: (a) the integration of their strategic planning and overall results frameworks within the framework of the UNDP strategic plan (2008-2011); (b) the formulation of development outcomes and outcome indicators in the strategic plan to permit the two organizations to be more effective in achieving results, while relying upon the comparative advantages and added value of each; (c) integration of UNCDF contributions in its two practice areas (decentralization and local development, and inclusive finance) into United Nations common country programming processes and frameworks; (d) establishment of joint programmes as primary modality for cooperation between UNDP and UNCDF at country level and as basis for joint resource mobilization activities; and (e) rationalization of management and operations at headquarters, and regional and country levels. Building on a solid foundation, the partnership is now functioning very smoothly and both organizations are well positioned to achieve greater development impact in least developed countries (LDCs) and elsewhere.

\*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.



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## I. Background

1. In its decision 2008/4, the Executive Board requested UNDP and UNCDF to report at the annual session 2009 on progress made in implementing their strategic partnership. The aim of the closer partnership between the two organizations is to significantly improve the efficiency and effectiveness of both, enhance the joint development impact in LDCs and other developing countries, and achieve greater coherence, simplicity and harmonization within the United Nations system. The UNCDF-UNDP strategic partnership is built on the unique investment mandate of UNCDF as complementary and supplementary to UNDP poverty reduction, democratic governance, and crisis prevention and recovery focus areas, as well as on the ability of UNCDF to provide effective and efficient service delivery in LDCs. Key objectives of the UNCDF strategic partnership with UNDP are elaborated upon in UNCDF partnership framework with UNDP, programming and funding arrangements, and cost-recovery policy (DP/2008/12). Furthermore, a letter of agreement issued by UNDP and UNCDF dated 31 October 2007 – an annex in DP/2008/12 – highlighted major elements of the partnership, all of which are now being implemented.

## II. Progress in the implementation of UNCDF – UNDP Strategic partnership

### A. Strategic objectives

**Strategic objective 1. Achieving programmatic synergies based on the comparative advantages and value-added by each organization.**

2. The integration of UNDP and UNCDF strategic planning and results agendas within the framework of the UNDP strategic plan has helped maximize synergies between the two organizations. It also reflects the complementary nature and added value of the organizations in local development and microfinance, directly contributing to the first three goals of the strategic plan related to poverty reduction and achievement of the Millennium Development Goals, democratic governance, and crisis prevention and recovery.

3. UNDP and UNCDF have formulated joint development outcomes and outcome indicators. The development results framework, presented to the Board at its annual session 2008, detailed country level development outcomes to which UNDP and UNCDF are jointly providing support. The contribution of UNCDF to these outcomes is reported upon by relevant UNDP units in their regular end-of-year reporting, while the status of outcome indicators, as at the end of 2008, is provided in the Annual report of the Administrator, including the operationalization of the strategic plan (DP/2009/11), presented to the Executive Board at its annual session 2009. Similarly, progress is being monitored on two indicators related to UNCDF included in the results framework of the UNDP biennial support budget 2008-2009.

**Strategic objective 2. Achieving greater efficiency and effectiveness of joint programmes with UNDP and joint programming within the United Nations system.**

4. The contributions of UNCDF in its two practice areas – local development and microfinance – are being integrated more effectively into the United Nations common

country programming processes and frameworks, including the common country assessments, United Nations Development Assistance Frameworks (UNDAF), country programme documents, and country programme actions plans. While more progress is required, ongoing discussions with UNDP regional bureaux have led to more UNCDF engagement in UNDAF formulation processes. As a concrete example of this, in early 2009 UNCDF was invited to participate in the strategic review of UNDAF implementation and the United Nations business plan in Malawi. For UNCDF, integration in the United Nations joint programming process means working closely with the respective United Nations country teams (UNCTs) to promote and clarify the importance of local development and inclusive finance towards achievement of the Millennium Development Goals. It also means advocating the comparative advantages of UNCDF within the larger United Nations in order to integrate its practice areas and planned outputs and activities into UNDAFs and country programme documents. Not only will this enhance UNCDF collaboration with UNDP as well as the larger UNCT, but it should also give UNCDF better access to resource mobilization support that resident coordinators are required to provide to all United Nations programmes encompassed by UNDAFs.

5. After a period of adjustment to take into account new operational modalities, UNDP and UNCDF have started to implement programmes jointly. For the past two years, nearly 100 per cent of new programmes have been joint (primarily the ‘pass-through’ modality), with UNDP and other parts of the United Nations system as partners (for example, the United Nations Development Fund for Women, the International Labour Organization, the International Fund for Agricultural Development). Joint programmes are the primary modality for UNDP and UNCDF cooperation at country level, capitalizing on the respective expertise of each organization – UNCDF focusing on capital investments and international technical advisory support, and UNDP on national capacity-building and policy-related advisory services. This approach also creates a platform for joint resource mobilization.

6. Joint programming experience is still relatively recent, which means operational issues are still being worked out and lessons learned are being documented. There are however, concrete results that can be reported upon, such as the 14 joint programmes signed by UNDP and UNCDF as at 31 December 2008. In Timor Leste, the joint programme has generated \$2.1 million in ‘other’ (non-core) contributions: \$1 million to UNCDF and \$1.1 million to UNDP. Similarly, the Solomon Islands joint programme has generated \$13.4 million in ‘other’ contributions: \$7.5 million to UNCDF and \$5.9 million to UNDP. Active UNDP and UNCDF joint programmes have generated \$34 million in cost sharing from seven donors.

**Strategic objective 3. Sharing knowledge on good practices in microfinance and local development for the benefit of programme countries, through UNDP and the United Nations country teams (including those not in LDCs).**

7. UNCDF and UNDP have formalized their strategic partnership through regular engagements at headquarters as well as regional and county levels. At the corporate level, the frequency of interaction between UNCDF, regional bureaux and the relevant practices in the Bureau for Development Policy has increased, demonstrated by participation in technical reviews, project appraisal committees, evaluations and recruitment panels. In addition, there is a constant and deliberate effort to identify entry points for additional cooperation and joint initiatives. In early 2010, UNCDF and UNDP will co-host the Global Forum on Local Development in Addis Ababa. The forum will bring together policy makers, experts, and practitioners to share experiences and debate ideas on promoting local development through

local government. The two organizations are also working together on a joint global initiative on scaling up local level support for the Millennium Development Goals. The programme seeks to mobilize significant funding to assist local governments play their local service delivery roles. There is also a joint initiative to align and scale up the millennium villages to cover 166 communes in Mali. Regionally, UNCDF technical advisers are co-located and work closely with the staff of the UNDP regional service centres and participate in the thematic clusters of the United Nations regional teams. At country level, joint programme formulation and implementation is becoming the norm. Through joint programming and evaluations, knowledge sharing on good practices happens seamlessly; the joint programme on building inclusive finance in Africa, and the joint research initiative in Asia and the Pacific on infrastructure and service delivery, are good examples of the partnership in action.

8. UNCDF also collaborates with the UNDP Evaluation Office to ensure its contributions are included in the Assessment of Development Results reports, which measure attainment of development results at country level. In Benin, the assessment found that a joint UNDP-UNCDF project “established an example of good practice and had a significant impact on national policies.” In Lao People’s Democratic Republic, an independent mid-term evaluation of the governance, public administration reform and decentralized service delivery project, which is jointly financed by UNCDF, UNDP and the European Commission, noted that UNCDF and UNDP can partner successfully when there is a clear division of labour, since the comparative advantage of UNCDF lies in its capital assistance mandate, the adaptability of its local development programme model, and technical expertise, while the competitive advantage of UNDP is its governance and capacity-building mandate as well as its size and influence within countries.

**Strategic objective 4. Contributing to ongoing simplification and harmonization efforts among United Nations organizations as part of United Nations reform and follow-up to the Paris Declaration on Aid Effectiveness.**

9. The strategic partnership between UNCDF and UNDP aims at greater simplicity, coherence, effectiveness and increased resource flows. In this respect, the two organizations promote the application of the Paris Declaration on Aid Effectiveness through joint programmes that support national decentralization efforts and local development, and national strategies for inclusive financial sectors. In Tanzania, UNCDF is participating in the ‘One United Nations’ joint programme entitled Managing transition from humanitarian assistance to sustainable development in Northwestern Tanzania. There are several recent country-specific joint programmes supporting decentralization and local development in Somalia, the Democratic Republic of Congo, Nepal and the Solomon Islands. At the global level, UNCDF represents UNDP in the Consultative Group to Assist the Poor, and both organizations participate in the recently-established informal donor working group on decentralization and local governance, and in the respective working groups at country level.

## **B. Operational objectives**

### **Operational objective 1. Clarifying respective roles and functions to support the strategic objectives, especially at the regional and country office levels.**

10. At regional and country levels, UNCDF staff are co-located with UNDP in regional service centres and country offices. An important element of the UNCDF-UNDP strategic partnership is the clear definition of roles and functions, and their integration – consistent with responsibilities and capacities – into the management, operations and workflows of the offices where they are located. Issues related to the UNCDF regional structure and country presence was tackled in an operational scan conducted in November 2008 by an external consultant. The scan also touched upon issues of planning and overall management, headquarters structure and the financial model of UNCDF. These topics are also the scope of an ongoing audit by the UNDP Office of Audit and Investigation. Based on these, UNCDF will initiate a process of operational strengthening called 'UNCDF Project 2010', intended to rationalize and strengthen the organization's internal systems and procedures, and where possible, harmonize them further with UNDP and the wider United Nations system.

### **Operational objective 2. Assuring management, operational and financial alignment with UNDP, including maximizing UNCDF participation in all appropriate UNDP planning and management frameworks and systems, and facilitation of effective resource mobilization.**

11. The integration of UNCDF contributions into the UNDP strategic plan has allowed for the alignment of planning and management frameworks of both organizations. The joint implementation of the plan is greatly facilitated by the full membership of the Executive Secretary of UNCDF in the UNDP senior management team, as well as his reporting line to the UNDP/UNFPA Executive Board through the UNDP Administrator. Recent initiatives undertaken by UNCDF to strengthen internal systems and structures have led to greater harmonization with those of UNDP; UNCDF also relies on UNDP for services on a fully reimbursable basis. A review of the operational guidelines of the UNCDF-UNDP relationship currently taking place will ensure greater alignment with the UNDP accountability framework, allowing for differences only when needed and to reflect instances where, for business reasons, UNCDF policies, processes, and instruments cannot be aligned with UNDP.

12. Financial alignment between the two organizations is evidenced by the integration of the UNCDF administrative budget in the UNDP biennial support budget. At the programmatic level, knowledge sharing and strong synergies in the portfolios of both organizations in the areas of local development and microfinance have resulted in increased collaboration on joint programming and joint resource mobilization, especially at country level. Specifically on resource mobilization, the new strategic partnership has been instrumental in generating increased levels of contributions at the programmatic level ('other' resources) to UNCDF and UNDP. For UNCDF, contributions to other resources have increased from \$8.1 million in 2006 to \$26.4 million in 2008. At headquarters, there is a greater clarity on the role of UNDP in terms of joint resource mobilization for joint development outcomes. Recently, UNDP committed to providing \$9 million to UNCDF for a three-year period, which will bring the two organizations even closer.