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Evaluation

Management response to the evaluation of UNDP partnership with global funds and philanthropic foundations

I. Context and background

1. UNDP concurs with the assessment of the changing development cooperation landscape contained in the evaluation of UNDP partnership with global funds and philanthropic foundations. It recognizes the increasing preference of donors to make additional funding available through non-core channels and through other partners, and agrees that the relationship with non-core donors is fundamentally different from the relationship with traditional donors.
2. UNDP is cognizant of the increasing importance of global funds, vertical funds and philanthropic foundations, and of the strategic importance of its partnership with them. The present evaluation provides valuable input that will inform ongoing efforts in that regard. Some of the recommendations are being addressed, and others require urgent action.
3. The evaluation of the philanthropic foundations is much narrower in scope than that of the global funds. Resource mobilization from foundations amounts to \$10.1 million, or 1.5 per cent of non-core resources, whereas the combined contribution from global funds amounts to \$420 million, or 16.2 per cent of non-core resources.
4. The global and vertical funds provide grant funding to recipient countries to help them achieve their national development priorities, which are aligned with the global objectives and priorities of the funds. The global and vertical fund units of UNDP, in turn, align the objectives of UNDP with those of the funds and channel grant funding to the recipient countries to support the delivery of results.
5. The Global Fund to Fight AIDS, Tuberculosis and Malaria (the 'Global Fund') is an innovative public-private partnership that has played a crucial role in world efforts to respond successfully to the three diseases. In the 10 years since it was created, the Global



Fund has raised over \$22.6 billion to co-finance large-scale prevention, treatment and care programmes in over 150 countries. Those investments have generated impressive results, contributing significantly to global progress towards Millennium Development Goal 6.

6. The UNDP partnership with the Global Fund reflects the specific role of UNDP in HIV and health, which focuses on social determinants, capacity development and support to multi-sectoral coordination and governance. In working with the Global Fund, UNDP relies on the World Health Organization to set norms and standards and to provide relevant technical support in public health, as well as on United Nations partners such as the United Nations Children's Fund and UNFPA.

7. The Global Fund achieves its goals through a broad range of partnerships, including with the United Nations family. The relationship of the Global Fund with UNDP is a crucial component of that partnership, with a focus on three interlinked objectives:

(a) Supporting implementation by serving as interim principal recipient for the Global Fund in countries facing exceptional development challenges or complex emergencies (in most other countries the principal recipients for the Global Fund are national entities such as ministries of health or national non-governmental organizations);

(b) Developing the capacity of national entities to take over the management of Global Fund programmes as soon as circumstances permit, or to improve their performance if they are already serving as principal recipients; and

(c) Strengthening the policy and programme quality of Global Fund-related work at country and global levels, in line with the UNDP role as a cosponsor of the Joint United Nations Programme on HIV/AIDS (UNAIDS) and the core UNDP mandates in governance and capacity development.

8. The distinctive role of UNDP was recognized in a report issued in September 2011 by a high-level panel appointed by the Global Fund board to review UNDP fiduciary controls and oversight mechanisms.

9. UNDP is nominated as interim principal recipient in many countries because of the added value it brings to the role, including its broader capacity development work. The role is an interim arrangement that lasts until one or several national entities (government entities and/or non-governmental organizations) can take over grant implementation. As of 1 March 2012, UNDP serves as interim principal recipient in 29 countries or territories, with 65 active grants (2- to 5-year duration) totalling approximately \$1.39 billion, and manages 12 per cent of Global Fund grant volume for all active signed grants.

10. Despite the difficult circumstances in countries where UNDP serves as principal recipient, the grants it implements have achieved better performance than the overall portfolio of Global Fund grants, which includes countries where circumstances are relatively less risky. In countries where UNDP has been serving as principal recipient, 47 million people have been reached by preventive services; over 490,000 cases of tuberculosis have been detected and treated; 32 million cases of malaria have been treated; and 774,000 people have been initiated on life-saving antiretroviral therapy¹.

11. While supporting countries in implementing grants and ensuring the timely delivery of services, UNDP also helps develop the capacity of national entities to take over as principal recipient. This work focuses on programme management; financial management

¹ Data as of end 2010. Current anti-retroviral data as of end 2011.

and systems; monitoring and evaluation; and procurement and supply-chain management, with the overarching goal of promoting longer-term national ownership and sustainability. The role of UNDP extends beyond countries where it serves as interim principal recipient: in another nine countries UNDP has helped strengthen the capacity of prospective and current national principal recipients to manage and implement Global Fund-financed programmes. UNDP has handed over the role of principal recipient to national entities in 14 countries. It is in the process of doing so in another nine countries for at least one grant. Its increasing investment in enshrining capacity development and systems strengthening within Global Fund grants where it is interim principal recipient is already facilitating the longer-term sustainability of programmes by national entities.

12. To cite just one example, in December 2011, UNDP Liberia officially handed over the principal recipient function of the Global Fund to the Ministry of Health after a successful seven-year partnership during which UNDP delivered grants valued at \$71 million for the Liberian Government and the Global Fund. In 2004 UNDP was requested by the Global Fund to serve as interim principal recipient as Liberia was emerging from civil war and struggling with a large-scale humanitarian crisis. In 2007, UNDP embarked on a partnership with the Ministry of Health to build national capacity while continuing to support implementation of the grants. Following a successful assessment by the Global Fund, the Ministry of Health took over the principal recipient function for the HIV grant in January 2010, followed by the malaria and tuberculosis grants in December 2011. UNDP implemented an intensive capacity-building plan to equip the Ministry with the systems, tools, guidelines, and logistical and operational tools to facilitate the efficient management, oversight and coordination of Global Fund projects, emphasizing financial management, monitoring and evaluation systems and capacities, and procurement and supply-chain management systems and facilities. To support government efforts to rebuild the destroyed health infrastructure, the National Reference Laboratory of Liberia was fully equipped; the first drug sensitivity and testing laboratory in the country was created; five blood banks were set up and 11 drug depots serving all 15 counties were established. The capacity of national civil society organizations was also strengthened as they were key partners in reaching communities with life-saving services. Furthermore, UNDP supported the Ministry of Health in strengthening its human resources. Ministry staff were recruited and benefited from both formal and on-the-job training. In addition to strengthening expertise at the central level, UNDP supported the Ministry in training 175,222 health care providers in case management; laboratory techniques; monitoring and evaluation; data recording and reporting; community-based interventions; and information, education and behaviour change communication strategies. The Ministry of Health and its key civil society partners are now in a position to fully implement the Global Fund grants, ensuring that health results achieved with support from the Global Fund are sustained and Liberia can continue scaling up life-saving programmes in the years to come.

13. The UNDP Global Environment Facility (GEF) and Multilateral Fund units provide services to eligible countries and to the vertical funds. For example, UNDP supports countries in aligning national development priorities with the global environmental benefits sought by the GEF and with the UNDP priorities outlined in its strategic plan, 2008-2013. UNDP works with countries to formulate integrated environment and energy programming frameworks and subsequent projects (requiring highly specialized technical expertise), accessing GEF grant financing, combining it with the necessary co-financing, and providing oversight and supervision support during project implementation. GEF grant financing that is channelled through UNDP cannot be 'reprogrammed' by UNDP. Vertical funds grant financing must be combined with co-financing, which is typically secured from governments, the private sector, other vertical funds, and other organizations, including core resources from UNDP. In the case of GEF, the ratio of grant financing to co-financing

is typically 1:4. The total grant funding available for countries to access over a four-year GEF phase is decided by the GEF Council at the beginning of each phase, and is publicly available information. For the Multilateral Fund, funding is allocated on the basis of the level of production and consumption of ozone-depleting substances in a country, and is strictly linked to the implementation of activities furthering compliance with the Montreal Protocol. As with GEF, grant allocation to countries is decided by the Multilateral Fund Executive Committee.

14. UNDP is pleased that the evaluation recognizes GEF and the Multilateral Fund as ‘vertical funds’ designed to channel grant funding through UNDP and other United Nations organizations, as well as the World Bank. The vertical funds are structured so that recipient governments can choose to work with UNDP or another organization to access grant financing. In the case of the GEF, UNDP or one of nine other implementing agencies may be selected by countries to assist them in accessing grant funds. In the case of the Multilateral Fund, countries may select among four implementing agencies, including UNDP, to support their activities. This provides countries with considerable leveraging power to pick and choose among agencies depending on the comparative advantages of each. This requires the UNDP GEF and Multilateral Fund units to be innovative, adaptable and highly technically skilled so as to remain relevant to countries.

15. The evaluation recognizes that many global and vertical fund programmes and projects are implemented in difficult contexts – for example, in situations of political instability, insecurity and conflict, and weak national capacity. In the case of the vertical funds, such as the Multilateral Fund and GEF, direct execution of national projects is rarely used, despite those difficult contexts. Direct execution is used primarily for global projects. National ownership and national execution are the preferred option.

II. Achievements, challenges and the way forward

16. The evaluation strongly supports the extensive involvement of UNDP in global and vertical funds because through these partnerships UNDP has contributed tangibly to the achievement of results. The evaluation attributes this success to a number of factors, including: the comparative advantage of UNDP with global and vertical funds; management systems; the calibre of its staff; and efficient support from the three-tier structure provided through country offices, regional service centres and headquarters. The evaluation notes some isolated cases of inefficiencies in the partnership with global and vertical funds, which UNDP has addressed.

17. The evaluation recognizes the strategic importance that partnership with global and vertical funds brings to UNDP, both in mobilizing significant volumes of non-core financing and in providing UNDP with opportunities to participate in global policy dialogue, innovative initiatives, and strengthening its own capacity. The evaluation notes that the monitoring and evaluation systems for global and vertical funds are found to work well, and are often seen as more advanced than general UNDP requirements. Global and vertical fund project monitoring and evaluation systems are applied by UNDP staff and could be replicated and adapted to other UNDP projects and programmes (recommendation 5 of the evaluation).

18. UNDP is pleased that the evaluation recognizes that working with global and vertical funds has facilitated better integration of programmes within UNDP. Indeed, most GEF and Multilateral Fund-financed projects and programmes supported by UNDP are designed to achieve multiple development benefits. For example, a GEF-financed project designed to deliver a global environmental benefit – addressing the root causes of the environmental degradation of Lake Tanganyika – introduced alternative income activities for women in

Zambia bordering Lake Tanganyika which improved their livelihoods, provided sustainable income opportunities, and reduced one of the threats to the environmental sustainability of Lake Tanganyika. A Multilateral Fund-financed project in Lebanon designed to eliminate the use of methyl bromide (a toxic, ozone-depleting chemical) protected human health and provided crop-growers with access to new technologies and training, while livelihoods were improved by the resulting increase in productivity.

19. As principal recipient for Global Fund grants, UNDP has advocated for greater support in the area of capacity development for the programmatic and operational aspects of implementation by national entities. In addition, UNDP engages with the Global Fund and its country partners on substantive policy and programmatic issues, in line with the UNDP role as a co-sponsor of UNAIDS and its core mandates in governance and capacity development. This includes promoting the inclusion of human rights and gender equality initiatives into Global Fund grants, and ensuring that financing reaches key populations (such as men who have sex with men, and local networks of people living with HIV). UNDP also helps to align grants with national development plans and poverty reduction strategies; promotes appropriate public sector reform and anti-corruption initiatives; and fosters principles of national ownership, aid effectiveness and sustainability.

20. In Belarus, as principal recipient of Global Fund grants since 2004, UNDP has promoted a human rights-based approach to preventing HIV infection among injecting drug users in the country. In an important breakthrough, methadone substitution treatment was introduced through the Global Fund grants. A pilot project was launched in Gomel in 2007, targeting users for whom other treatment methods had failed. In 2009 a second methadone site was opened in Minsk, and a legal framework for the provision of methadone substitution treatment was drafted, with UNDP support. With UNDP as the main advocate for expanding the programme, more than 700 patients were receiving treatment at 12 methadone points by the end of 2011. In Haiti, as Global Fund principal recipient UNDP has adopted a holistic approach, building linkages between its work on poverty and early recovery and its work on HIV, health, human rights, and gender equality. It has helped mainstream HIV and health-related initiatives into different phases of early recovery to ensure that people living with HIV – and other vulnerable groups, including sex workers, men who have sex with men, and youth – are able to access life-saving HIV services. Through UNDP-managed grants, 32,000 people are receiving anti-retroviral therapy services, and HIV is mainstreamed into cash-for-work and gender-based violence programmes.

21. The evaluation found that global and vertical fund projects fit well with national priorities, and that UNDP has a crucial role as mediator, ensuring that country needs are matched with available funding. UNDP is pleased that the evaluation notes that no evidence was found to support the perception that global and vertical funds were ‘imposed’ on countries, or that UNDP had ‘pressured’ governments into such projects. The evaluation recognizes that project-based capacity development activities are commonplace. The vertical and global funds prioritize capacity development and have developed monitoring and reporting tools to measure progress.

22. UNDP recognizes the challenges of extrapolating evaluation results when sample size is small compared to country coverage in the large portfolio of vertical funds. We believe that in many countries there is a wide range of examples not covered by this evaluation that better demonstrate multiple development benefits.

23. UNDP welcomes the assessment that partnership with UNDP is of strategic importance to global and vertical funds, as there is a shared commitment to international

standards; and that UNDP adds significant value to the delivery of global and vertical fund initiatives. UNDP does not fully agree with the analysis that its administrative capacity and global network, as opposed to its specialization in particular subject areas, are the main reasons for its being selected as a partner by the global and vertical funds. As indicated in the above paragraphs, UNDP is nominated interim primary recipient in many countries because of the added value it brings, including its broad capacity development experience. The evaluation acknowledges the increasing role and work of UNDP in capacity development and other substantive and policy domains. UNDP is also an essential partner in the Global Fund risk management framework for implementing grants in difficult contexts. In recent years, UNDP expertise in HIV/AIDS, health, and development, has been more effectively integrated into that role, and this is recognized by Global Fund stakeholders. Likewise, countries select UNDP as the GEF or Multilateral Fund implementing agency primarily because of its technical knowledge and experience in delivering multiple development benefits, and in aligning national development goals with global environment priorities, rather than because of its administrative capacity. In order to remain relevant to country partners, UNDP must continue to build its capacities to provide highly specialized technical services that are recognized and sought after by partner countries – for example, in unleashing the economic potential of protected areas; in catalysing climate finance, in renewable energy and chemicals management; and, more broadly, in ‘green’, low-emission, climate-resilient development strategies.

24. As noted in the evaluation, GEF is likely to open up to other national agencies, which will be accredited to access GEF grant financing for countries. The evaluation concludes that the role of UNDP will therefore diminish. UNDP does not support that assumption. Its role will certainly change in countries with national GEF agencies, and it will need to adapt and provide innovative services to governments and national agencies in those countries. Direct access is a sign of success – it demonstrates national ownership and strong capacity at the national level, which UNDP fully supports.

25. In partnership with the Global Fund, UNDP is managing approximately 12 per cent of Global Fund grant resources. As UNDP builds capacity and ensures the successful transition of the principal recipient role to more national entities, there will be an increasing demand for its capacity-building and systems-strengthening services for national principal recipients. In addition to working in countries where it has itself served as principal recipient, UNDP has helped strengthen the capacity of current and prospective national principal recipients in nine countries to manage and implement Global Fund-financed programmes. In Indonesia, the Government and UNDP partnered to strengthen the capacity of national principal recipients to improve the implementation of Global Fund programmes. After a 2007 assessment found weaknesses in programme management that prompted new restrictions, the Ministry of Health and UNDP developed a project to provide capacity-building support to principal recipients to meet performance targets. These included training for managerial and financial staff and national certifications in the areas of procurement, human resources management, and behavioural analysis. Within two years, the grants were rated as ‘high-performing’.

26. The evaluation stresses that UNDP has a particular responsibility to find solutions to operational and procedural bottlenecks that affect relations with global and vertical funds. UNDP supports this conclusion. The UNDP global and vertical fund units are located within relevant UNDP thematic policy units so as to promote cross-linkages and synergies in thematic programming. However, UNDP global and vertical funds face an increasing number of similar operational issues linked to their common implementation service model, including environmental and social safeguards; fiduciary management; direct access; downward pressure on implementing fees; and difficulty in attracting, training and

retaining highly specialized technical staff. Greater operational coordination between UNDP global and vertical fund units could lead to efficiencies and the harmonization of various operational systems.

27. There has been wide formal engagement from UNDP senior management from various headquarters-based units and regional bureaus in the partnership with the Global Fund. The organizational performance group (led by the Associate Administrator) reviews the UNDP-Global Fund partnership on a six-monthly basis, based on a portfolio implementation and risk management review prepared by the Bureau for Development Policy/HIV together with the regional bureaus, the Procurement Support Office in the Bureau of Management, the Office of Audit and Investigations and the Legal Support Office. Preparations for this review include a detailed update of the portfolio, which is closely examined by the regional bureaus with follow-up consultations prior to the organizational performance group meeting. Thus all relevant parts of the organization come together to agree on specific, strategic directions for the partnership, including follow-up actions to be taken by all concerned. This has facilitated strong linkages between the work of the Global Fund work and that of UNDP on the broader human development agenda, as illustrated in the report. Given the success of this business model in monitoring and driving Global Fund country implementation and UNDP strategic priorities, it is suggested that the organizational performance group could be the central coordinating body for GEF and the Multilateral Fund as well, and that the group could complete the reviews sequentially. This would ensure and facilitate the systematic exchange of information and lessons learned across all the global funds managed by UNDP. It would also ensure greater support for diversification of funding (recommendation 1 of the evaluation report), and synergies in policy and programmatic work (recommendation 2) across the UNDP portfolio.

28. UNDP fully supports the recommendation for better policy and programming coordination between existing global and vertical funds, regional bureaus and other policy bureaus, and has taken steps towards that end (noted below). Additional layers of coordination are not likely to provide additional strategic value. UNDP will introduce regular coordination mechanisms between the global and vertical fund units and the UNDP organizational performance group (see key action 32). This is also consistent with the objectives of the Agenda for Change.

29. At the global level, UNDP provides substantive input to Global Fund policy documents as a member of the UNAIDS delegation to the Global Fund Board. UNDP supports the strategic and policy directions of Global Fund implementation in at least three areas:

(a) *Development of policy and programme plans.* UNDP supported the Global Fund in the development of its gender equality strategy (November 2008) and its sexual orientation/gender identities strategy (May 2009), which outline strategic directions for ensuring gender-equitable responses to AIDS, tuberculosis and malaria. UNDP also supported the development of plans of action for both strategies, and was part of the external advisory group that led the two-year evaluation of the strategies.

(b) *Support to global fund governance structures.* UNDP supports the preparation of all technical briefing notes and presentations for Technical Review Panel members on human rights, gender and sexual orientation/gender identities issues that precede the review of all funding applications. In addition, UNDP supports the Global Fund secretariat in implementing the gender equality and sexual orientation/gender identities plans of action, in building capacity for country coordination mechanisms, and in identifying innovative ways to 'make the money work' through the

development and effective implementation of human rights-based programmes that best serve the needs of communities.

(c) *Research for advocacy and policy change and strategy development.* In 2009, in collaboration with the UNAIDS secretariat and the Global Fund, UNDP initiated a study to analyse the implementation of projects within the analytical framework of key programmes addressing HIV-related human rights in active Global Fund HIV grants for rounds 6 and 7. This 2010 study analysed all Global Fund-approved round 6 and 7 HIV proposals as well as the corresponding grant agreements, performance reports, work plans, and financial reports for data on programmes. Using the findings from the study, UNDP worked with other partners, including the Open Society Institute and the Canadian HIV/AIDS Legal Network, to advocate for policy and process changes with the Global Fund secretariat and Global Fund board including incorporating the changes in the development of the Global Fund strategy, 2012-2016. UNDP supported the Global Fund in developing its new strategy.

30. In November 2012, the Global Fund board approved its strategy framework, 2012-2016, with the promotion and protection of human rights as one of its five key objectives. UNDP is supporting the Global Fund board and secretariat in developing an implementation plan for the strategy that will greatly enhance the ability of the Fund, as a leader in the sphere of global public health, to advocate with countries for the primacy of human rights in delivering tangible HIV, health and development results.

31. As with the Global Fund, UNDP maintains a strategic partnership with the GEF secretariat. A provision was included in the GEF-5 climate change focal area strategy to support synergies between the GEF and carbon finance (the Kyoto Protocol finance systems of the Clean Development Mechanism targeting the compliance market; and voluntary carbon market instruments). A tentative financial allocation of \$20 million was set aside for this purpose, but the scope of work was left very generic and undefined. As part of the GEF secretariat effort to fill in the details of a carbon finance strategy detailing synergies and interactions between GEF and the new carbon finance mechanisms, it was decided to call upon GEF agencies to share their experiences and make suggestions. A UNDP technical team participated in a special carbon finance strategy meeting. The outcome was a GEF carbon finance strategy paper that was prepared by the secretariat for the approval of the Chief Executive Officer. Since then, GEF has approved a number of projects covering carbon finance.

III. Actions, taken and ongoing

32. The evaluation suggests that project-level cross-linkages remain mixed, and some opportunities for an integrated approach to sustainable development may be missed. It notes that development projects typically do not take environmental considerations into account. The environmental and social safeguard screening procedure adopted by UNDP in late 2011 should help address some of these concerns, as it supports the identification of such cross-linkages early in the project design phase. As the new procedure is incorporated into the UNDP programme and operations policies and procedures, UNDP must ensure that it becomes the centrepiece for a streamlined UNDP policy framework rather than an additional programming burden.

33. The evaluation notes that some inefficiencies at the day-to-day working level can be attributed to the global and vertical funds themselves. Indeed, UNDP has a clear role as a GEF implementing agency to work continuously with GEF to help it improve its operational and policy structures. This is a work in progress to which UNDP contributes

institutional and project-cycle management support on an ongoing basis. There is, however, increasing pressure to reduce the fee that UNDP and other implementing agencies receive for providing such support. Should fees be reduced, UNDP may be forced to curtail support to GEF, or to provide it on an ad-hoc cost-recovery basis.

34. The UNDP Evaluation Office has finalized guidance on project terminal evaluations that aligns with the requirements of global and vertical funds, notably GEF. The guidance specifies that country offices are responsible for uploading country-level project terminal evaluations and management responses into the UNDP Evaluation Resource Centre and for providing regular updates on the management responses. Regional service centres or central bureaus will be responsible for uploading global and regional projects. This will address the concern noted in the evaluation that global and vertical fund project evaluations are not routinely uploaded to the Evaluation Resource Centre.

35. As noted in the evaluation, the UNDP Executive Board decided in June 2011 to share audit reports with some global and vertical funds. These include the Global Fund and GEF, and will likely include the Adaptation Fund. This has been well received by the funds.

IV. Outstanding issues

36. This evaluation report was written with a nuanced understanding of the UNDP partnership with global funds. Furthermore, the report includes a detailed grasp and recognition of global fund issues, and we welcome its findings, conclusions and recommendations. While we fully endorse the majority of the conclusions and recommendations, there follow some specific comments on a select number of them.

37. On conclusion 1, increasing investment by UNDP in enshrining capacity development and overall systems strengthening within Global Fund grants where UNDP is interim principal recipient is already serving to facilitate the longer-term sustainability of programmes by national entities. In April 2012, the HIV/AIDS and capacity development groups in the Bureau for Development Policy launched a capacity development toolkit to strengthen national entities to implement national disease responses for HIV/AIDS, tuberculosis and malaria, to be distributed to countries by the end of 2012.

38. Conclusion 3 states: “The programmatic objectives of partnership with global funds and philanthropic foundations are generally aligned with the broadly framed UNDP strategic plan. UNDP has missed opportunities to maximize the benefits of partnership to consistently integrate a human development perspective and foster a more holistic development approach”. Global Fund monies are indeed earmarked for specific disease interventions. However, within that funding envelope UNDP has been able to advocate for greater capacity development support for the programmatic and operational aspects of implementation by national entities. UNDP also engages with the Global Fund and its country partners on substantive policy and programmatic issues, in line with its core mandates in governance and capacity development and its role of co-sponsor of UNAIDS. UNDP promotes the inclusion of human rights and gender equality initiatives into Global Fund grants and ensures that financing reaches key populations. UNDP also helps to align grants with national development plans and poverty reduction strategies; promotes appropriate public sector reform and anti-corruption initiatives; and fosters principles of national ownership, aid effectiveness and sustainability.

39. Conclusion 6 states: “At an institutional level, UNDP has often been inflexible in terms of meeting the expectations of global funds and philanthropic foundations on

transparency, bureaucratic efficiency and cost-effectiveness. This has limited the ability of UNDP to fully exploit partnership and funding opportunities with such funds and foundations". The report mentions "resistance within UNDP over becoming more transparent and accountable, particularly through the audit system", and adds, "there needs to be a realization that relationships with non-core donors are fundamentally different. UNDP, like other United Nations organizations, cannot rely on old protections and ways of working which were agreed in the context of core funding from Member States many decades ago. Nor can it expect, along with other United Nations organizations, and nor is it likely to receive, exemptions from non-core donors, on the grounds of its special status as a United Nations body".

40. It is important to note that it was Member States themselves that restricted UNDP ability to show more transparency. Within the limits they established, UNDP has shown the utmost flexibility and creativity to demonstrate its commitment to transparency – as evidenced through the Global Fund partnership, especially in the realm of audit and investigations. In particular, the focused efforts of the Administrator in advancing the access to audit issue with the UNDP Executive Board should be highlighted. Moreover, while the question of whether or not to publicly disclose internal audit reports may be viewed as a transparency issue, it is definitely not an accountability issue. The text as it stands could therefore be misleading.

41. While we agree with the spirit of conclusion 6 that UNDP needs to be more flexible in order to adapt to, and work more efficiently with, these new partners, there is concern about the statement that UNDP should not receive "protection" or "exemptions" on the grounds of being a United Nations body. UNDP will remain a United Nations body, governed by the General Assembly and the Executive Board, and UNDP cannot realistically depart from that fundamental legal status when working with non-Member State donors. Specifically, UNDP cannot and should not give up the privileges and immunities of its staff. Nor should UNDP make exceptions to its 'single audit principle'. That principle is enshrined in its legal framework as a United Nations organization and is deemed a necessary arrangement. It is not possible to allow donors to exercise their own sovereignty over UNDP to access underlying audit documents for oversight purposes. This would create complete chaos and would undermine the value-for-money of UNDP having its own internal and external audit functions.

42. Conclusion 6 is also problematic in the context of the UNDP partnership with the Global Fund. After several years of negotiating a compromise with the Global Fund board and secretariat that respects the 'single audit principle', the investigative authority of the Office of Audit and Investigation, and the privileges and immunities of UNDP and its staff while giving the Global Fund access to audit reports on the same terms as Member States, UNDP now has a memorandum of understanding with the Global Fund on investigation cooperation and access to documents. The wording of conclusion 6 could risk undermining all the progress and good-faith efforts of both parties. In fact, the special partnership that the Global Fund has with UNDP was commended by the independent High-level Panel appointed by the Global Fund board and was tasked in 2011 to review the financial management and fiduciary oversight of the Global Fund. The High-level Panel report, September 2011, states that when the Global Fund uses UNDP as an implementing partner it relies on the sound procedures and rules of UNDP.

43. Below are some additional comments concerning the content of the report. Regarding section 3.1, on the evolving role of UNDP within the United Nations system, it should be

noted that HIV/AIDS has been a designated, stand-alone UNDP practice area for the past 10 years and is linked to specific outcomes in its strategic plan, 2008-2013.

44. Regarding section 4.1.1, on relevance and alignment with programmatic priorities, it should be noted that in some instances national entities do have the capacities to implement grants but that the countries are donor-constrained. This leads to difficult situations and tensions, where governments feel that they are able to be principal recipients but the Global Fund and its donors disallow this.

45. Regarding section 4.1.3, on efficiency, it should be emphasized that in addition to UNDP Executive Board decision 2011/23, on Global Fund access to UNDP internal audit reports, UNDP has established a secure electronic portal to allow designated Global Fund staff to review its audit reports from Geneva.

46. Regarding section 4.1.4, on sustainability, it is important to note the changing policy directives issued by the Global Fund Board in the last year on the financing of middle-income countries – making issues of sustainability even more critical for those countries.

V. UNDP and philanthropic foundations

47. In formulating the conclusions, the report does not include sufficient analysis of the evolving role of foundations in international development beyond giving volumes of financing. UNDP finds the linkages between the rationale and the conclusions weak when referring to criteria such as the relevance (positioning) and sustainability of relations between UNDP and foundations. UNDP believes that the positioning of the organization and the sustainability of future relationships should factor into the new roles and capacities of foundations in international development. These roles include foundations as a source of development knowledge; innovations; high-level advocacy on international development issues; influence on international development policy; and venture philanthropy.

48. UNDP does not agree with the conclusion 5, which states that “partnership with philanthropic foundations has been neglected, limiting relationships to project-specific initiatives, with minimal institutional-level guidance and follow-up”. Relationships between UNDP and foundations were driven in the past by a combination of internal demand and external partnering opportunities. Considering the structure of UNDP as a large multilateral organization, project-based collaboration with relevant country-level, regional centre or headquarters support – based on the type of support needed – was the most efficient model. Today, the UNDP business model, as well as the way philanthropic foundations operate, has shifted. The rationale behind the recent institutional decision to invest in a comprehensive UNDP strategy for engagement with philanthropic foundations is provided below.

49. Philanthropic foundation contributions to international development have increased significantly over the past decade, much of the change taking place in the last five years. In addition to committing much larger amounts of money, foundations have fundamentally changed the ways they operate and the roles they play in international development.

50. In the past, funding from foundations for international development constituted a very small part of foreign aid, typically to strengthen civil society in countries. The landscape was populated mostly by United States-based foundations, which gave grants for small-scale and single-issue projects in an isolated fashion, typically with little or no coordination with national governments. There were very few globally significant foundations interested in engaging with multilaterals in a strategic manner to find common

approaches to development problems. Because of the relative insignificance of the impact of foundations on international development, the concerns regarding their poor transparency and their accountability only to small, private boards did not really surface.

51. Against that background, UNDP invested in project-based relationships with foundations. Given the different organizational structures and cultures of UNDP and foundations, as well as the relatively small scale of interventions, collaboration for resource mobilization implied relatively high transaction costs for UNDP. It was therefore rare, although strategically important. Projects and relations were managed mostly by country offices. In addition, the Bureau of External Relations and Advocacy, on a case-by-case basis, coordinated multidimensional relationships with the few large players interested in linkages with multilaterals. The experience revealed the comparative advantages between foundations and UNDP, mutual goals, and possible models for working together. It also created opportunities for elevating collaboration from project-based and country-level to institutional and strategic collaboration, with headquarters coordination, as was the case with the Gates Foundation.

52. UNDP experience and growing internal demand for strategic relationships is aligned with changes in the landscape of philanthropy. “The ‘new philanthropy’ is global, and is increasingly seen as a significant element in international development. It is attributed to a growing number of new players, some from the Brazil, Russia, India, China and South Africa group (known as ‘BRICs’) and from emerging countries where individual wealth is expanding. There is an emergence of a ‘new breed’ of investment-minded philanthropists who use philanthropic endeavours to support enterprise solutions and who experiment with innovative business models for poverty reduction.

53. The volume of institutionalized philanthropic contributions for international aid projects has increased steadily in recent years; they are now estimated to be between \$4 billion and \$6 billion annually. That increase in volume, as well as philanthropic investments leveraging large-scale, enterprise-based projects in socially sensitive fields such as education and health, has brought to the fore concerns about how foundations measure up in terms of transparency and accountability.

54. Foundations see themselves as fully fledged development partners rather than donors, and expect close involvement in activities such as policy discussions, advocacy and problem analysis. They have become a source of valuable development knowledge. They run highly visible campaigns in the media and influence international development policy. As noted, there has been a growing trend towards quality management and public accountability. Those are the three main shifts that UNDP considers as an opportunity to engage.

55. Consequently, UNDP is already acting on recommendation 4, on developing a UNDP institutional strategy for engagement with philanthropic foundations. The strategy aims to reposition the organization vis-à-vis the new developments in the philanthropic sector and to embrace the new opportunities. It focuses on strategic collaboration for finding common ground and solutions to development, with an emphasis on mainstreaming sustainable human development. The strategy acknowledges the wide range of cash and non-cash resources and assets that foundations offer, and recognizes the new value proposition of foundations in international development.

Annex

Key recommendations and management response

Note: The definitions of abbreviations and acronyms used in this table will be found at the end of the document.

Evaluation recommendation 1. In fostering and strengthening the partnership with global funds and philanthropic foundations, UNDP should focus strongly on supporting the prioritization of national development priorities. To the extent possible, and to retain some flexibility, an over-reliance on any particular funding source should be avoided.

Management response

The evaluation found that global and vertical fund projects fit well with national priorities, and that UNDP has an important role as mediator, ensuring that country needs are matched with available funding. UNDP is pleased that the evaluation notes that no evidence was found to support the perception that global and vertical funds were ‘imposed’ on countries or that UNDP ‘pressured’ governments are into such projects. UNDP has identified three key elements to support country offices: programming, diversifying the funding base, and identifying alternative funding sources.

UNDP shares the concern of over-reliance on one fund (the Global Fund) to address national priorities such as the response to HIV/AIDS, tuberculosis and malaria. In that vein, the UNDP-Global Fund partnership team is prioritizing increased work on the sustainable financing of national responses, particularly to HIV and AIDS, and will work, where possible, as a convenor to facilitate increases in domestic and international financing in countries where UNDP is the IPR.

Key actions	Time frame	Responsible units	Tracking	
			Comments	Status
1.1. Support country offices in formulating integrated environment and energy country programming frameworks.	Ongoing	UNDP-GEF; UNDP Montreal Protocol Unit (MLF)		
1.2. Assist countries in programme implementation; provide support in accessing, combining and sequencing financing.	Ongoing	UNDP-GEF; UNDP Montreal Protocol Unit (MLF)		
1.3. Continue the environment community of practice networks at the regional and global levels.	Ongoing	EEG; UNDP-GEF; GEF SGP; UNDP Montreal Protocol Unit (MLF); BDP		
1.4. Support country offices in aligning Global Fund grants with national development plans and poverty reduction strategies, promote appropriate public sector reform and anti-corruption initiatives, and foster principles of national ownership, aid effectiveness and sustainability.	Ongoing	Global Fund		
Evaluation recommendation 2. UNDP should engage more explicitly and consistently with global funds and philanthropic foundations, to establish common ground and develop mutual approaches to development challenges. In its partnership with global funds and philanthropic foundations, UNDP should place more explicit emphasis on the central importance of mainstreaming a human development perspective and developing national capacity.				

Management response

The evaluation recognizes that project-based capacity development activities are commonplace. The global and vertical funds prioritize capacity development and have developed monitoring and reporting tools to measure progress. Within the constraints imposed by the independent mandate of each global fund, UNDP will promote cross-linkages between environmental sustainability, gender equality, capacity development, and civil society participation.

The expanded role of UNDP in ensuring greater policy and programmatic input in Global Fund policy circles, including as part of the UNAIDS delegation to the Global Fund board, demonstrates the added value of UNDP as a partner beyond the implementation of the grants. UNDP supported the Global Fund board and secretariat in developing the Global Fund strategy, 2012-2016, and has become a trusted partner to the Global Fund in addressing development challenges linked to the three epidemics. This work will continue: cross-cluster and cross-practice collaborations have been prioritized and will be bolstered in 2012 and beyond. As noted above, the increasing investment in enshrining capacity development and overall systems-strengthening within Global Fund grants where UNDP is the IPR is already serving to facilitate the longer-term capacitating of national entities in programme implementation.

The significant progress on capacity development and the links between UNDP Global Fund work and its broader in-country human development work is well illustrated throughout the evaluation report. However, the report accurately shows that standard UNDP reporting does not adequately reflect all the progress in this area. In refining the ROAR, UNDP will strive for a more consistent, stronger way to capture these synergies and capacity development progress at the country level.

Key actions	Time frame	Responsible units	Tracking	
			Comments	Status
2.1 Monitor and report on progress in project-level capacity development (including via the UNDP capacity development tracker) by global and vertical fund projects.	Annually.	UNDP-GEF, UNDP Montreal Protocol Unit (MLF), CDG, country offices		
2.2 Monitor and report on progress in project-level gender equity (including via the UNDP gender marker) by global and vertical fund projects.	Annually.	UNDP-GEF, UNDP Montreal Protocol Unit (MLF), CDG, gender team		
2.3 Refine the ROAR to enable reporting on the synergies between the work of the global and vertical funds and the broader human development agenda of UNDP.	Annually	OSG, BDP, regional bureaus		
2.4 Launch and disseminate the BDP HIV/AIDS group-CDG 'capacity development toolkit to strengthen national entities to implement national disease responses for HIV/AIDS, tuberculosis and malaria'.	May 2012 and Ongoing	Global Fund, CDG, regional bureaus		
2.5 Monitor and report on progress in project-level capacity development by UNDP-managed Global Fund grants.	Annually	Global Fund, OSG, regional bureaus		

Evaluation recommendation 3. UNDP should focus on the role that partnership with global funds can play in securing development support to programme countries, particularly in the context of the rapidly changing international development cooperation architecture. It needs stronger central coordination of information and knowledge-management functions in order to facilitate a more strategic approach to partnership with global funds.

Management response

The UNDP vertical fund units are located within relevant UNDP thematic policy units so as to promote cross-linkages and synergies in thematic programming. However, UNDP vertical funds face an increasing number of similar operational issues – including environmental and social safeguards, fiduciary management, direct access, downward pressure on implementing fees, and difficulty in attracting, training and retaining highly specialized technical staff – linked to their common implementation service model. A greater operational coordination between fund units could lead to efficiencies and the harmonization of various operational systems.

As noted above, the UNDP-Global Fund Partnership is monitored by a high-level central coordinating body, the OPG, led by the Associate Administrator. The OPG brings all relevant parts of the organization together to agree on strategic directions for the partnership, including follow-up and actions to be taken by all concerned. Given the success of this business model in monitoring and driving Global Fund country implementation and strategic priorities for UNDP, it is suggested that the OPG could be the central coordination body for the other global funds as well, namely GEF and MLF, and that the OPG could complete the reviews sequentially. This would ensure and facilitate the systematic exchange of information and lessons across all the global funds managed by UNDP. It would also ensure greater support for diversification of funding (recommendation 1) and synergies in policy and programmatic work (recommendation 2) across the UNDP portfolio.

Key actions	Time frame	Responsible units	Tracking	
			Comments	Status
3.1 Continue to engage with regional bureaus in global and vertical fund programming.	Ongoing	UNDP-GEF; Global Fund		
3.2 Create a regular coordination mechanism between various UNDP global and vertical fund units and UNDP OPG.	August 2012 and biannually thereafter	Executive Office, UNDP-GEF, Global Fund, UNDP Montreal Protocol Unit (MLF), BDP		
3.3 Increase knowledge management, learning and communication on the programming and results of UNDP global and vertical fund units.	Ongoing	UNDP-GEF; UNDP Montreal Protocol Unit (MLF), Global Fund		

Evaluation recommendation 4. Building on ongoing BERA initiatives, UNDP should develop a partnership strategy for engagement with philanthropic foundations. Such a strategy should be built on a clear assessment of potential partners; on their motivations and goals; on potential benefits to UNDP programme countries; on UNDP value-added in engaging with such partners and the opportunities and risks in doing so.

Management response:

The new strategy for the UNDP engagement with philanthropic foundations aims to reposition the organization vis-à-vis the new developments in the philanthropic sector, and to embrace the new partnering opportunities. It focuses on the strategic collaboration for finding common solutions to development, and emphasizes mainstreaming sustainable human development. The strategy recognizes a wide range of cash and non-cash resources and assets that foundations offer and recognizes the new value proposition of foundations in international development. It outlines new collaboration models where foundations are positioned as development partners rather than donors, and offers space for working together in policy discussions, advocacy and problem analysis. Finally, it recognizes foundations as a source of valuable development knowledge.

Key action	Time frame	Responsible units	Tracking	
			Comments	Status
UNDP is developing a corporate strategy for engagement with philanthropic foundations.	June 2012	BERA, with inputs from all bureaus.		Final draft in preparation
Evaluation recommendation 5. UNDP has a particular responsibility in finding solutions to the operational and procedural bottlenecks, including issues relating to transparency and oversight, that plague relations with global funds and philanthropic foundations. UNDP should develop a communication strategy vis-à-vis global funds and philanthropic foundations that clarifies what can and cannot be done, so as to minimize clashes between bureaucratic cultures and expectations.				
Management response <p>The evaluation suggests that cross-linkages at the project-level remain mixed and that some opportunities for an integrated approach to sustainable development may be missed. The new environmental and social safeguard screening procedure adopted by UNDP late 2011 should help to address some of these concerns, as it supports the identification of cross-linkages early in the project design phase. As the new procedure is incorporated into the UNDP POPP, UNDP must ensure that it becomes the centrepiece for a new streamlined UNDP policy framework rather than an additional programming burden.</p> <p>The UNDP Evaluation Office has finalized guidance on project terminal evaluations that aligns with the requirements of global and vertical funds, notably GEF. The adoption and implementation of the guidance should address the concern that global and vertical fund project evaluations are not routinely uploaded to the ERC.</p> <p>As noted in the evaluation, the UNDP Executive Board decided in June 2011 to share audit reports with some global and vertical funds. These include GEF and will likely include the Adaptation Fund. The initiative was well received by the global and vertical funds.</p>				
Key actions	Time frame	Responsible units	Tracking	
			Comments	Status
5.1 In the context of the UNDP agenda for organizational change, continue to strengthen partnerships across policy and regional bureaus, including the different funds, to promote cross learning; strengthen monitoring and evaluation and quality assurance; identify synergies and efficiencies; streamline reporting procedures; and clarify accountability – all with a view to reducing confusion and burden at the country office level.	July 2012	UNDP-GEF, Global Fund, UNDP Montreal Protocol Unit (MLF), BDP, OSG, regional bureaus		
5.2 UNDP Executive Board to provide audit statements to GEF Council on a regular basis.	Ongoing			

5.3. Develop and implement a new UNDP policy framework incorporating the environmental and social safeguards policy.	End 2013	BDP; EEG		
54. Ensure that UNDP policies and procedures comply with the grievance and compliance elements of the GEF environmental and social safeguards policy.	End 2014	UNDP-GEF, BDP, OAI		

Abbreviations used in the annex

BDP – Bureau for Development Policy
 BERA – Bureau of External Relations and Advocacy
 CDG – capacity development group
 EEG – environment and energy group
 ERC – Evaluation Resource Centre
 MLF – Multilateral Fund
 OAI – Office of Audit and Investigations
 OPG – organizational performance group
 OSG – Operations Support Group
 POPP – programme and operations policies and procedures
 ROAR – results-oriented annual report
 SGP – Small Grants Programme (of GEF)
 IPR – interim principal recipient