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**Evaluation**

**Management response to the evaluation of UNDP  
development cooperation in middle-income countries**

**I. Introduction**

1. From August 2019 to July 2020, the Independent Evaluation Office of UNDP carried out an evaluation of UNDP development cooperation in middle-income countries for the period 2014-2019, focusing on: (a) UNDP support to middle-income countries, taking into account their wide diversity of development conditions and needs; (b) the UNDP contribution to the middle-income countries through selected practice areas; and (c) identification of the factors affecting the positioning and engagement of UNDP in middle-income countries, and the generation of lessons learned. The evaluation was prepared in accordance with the multi-year evaluation plan of the office (DP/2018/4), approved by the Executive Board at its first regular session of 2018. The executive summary of the evaluation is contained in document DP/2020/21.

2. The evaluation assessed the contribution of UNDP to national development results in middle-income countries through the objectives of its Strategic Plans (2014-2017 and 2018-2021) in four practice areas: poverty eradication (Sustainable Development Goals 1, 5, 8-10, 13-17); inclusive and accountable institutions (Goal 16); environment and nature-based solutions for development (Goals 13, 14, 15, 17); and clean, affordable energy (Goal 7). Contributions to gender equality (Goal 5) were covered within the assessment of the foregoing areas, focusing on the extent of gender mainstreaming in these programmes. The evaluation did not cover the area of strengthening of resilience (Goal 11) as the office was conducting a separate thematic evaluation of the UNDP contribution to disaster risk reduction. Without assessing UNDP signature solution 3 on increasing resilience, it is not possible to make a clear linkage between socioeconomic conditions, economic achievements and resilience of a society towards potential future shocks. Development gains of middle-income countries need to be more resilient and risk-proofed.

3. The evaluation's focus was on interventions implemented at country level during the period 2014-2019, spanning the first two years of the current Strategic Plan, 2018-2021 and the four years of the Strategic Plan, 2014-2017, although some programmes may have been initiated before this period. It covered all 84 countries classified as middle-income in the UNDP integrated budget cycle, accounting for 42 per cent of the budget in 2015-2019. At the heart of the UNDP mandate is the focus on supporting countries' structural transformation towards more inclusive, green and resilient societies in accordance



with the Sustainable Development Goals. UNDP welcomes the evaluation’s findings and lessons, which will inform the organization’s work in middle-income countries in alignment with the Strategic Plan, 2018–2021 and beyond. The organization will build on the areas that have been identified as strong, while responding to the areas in need of strengthening.

## II. Middle-income countries and the 2030 Agenda for Sustainable Development

4. Over 100 middle-income countries account for one third of the global gross domestic product (GDP) and 75 per cent of the world’s population.<sup>1</sup> Five middle-income countries alone – Brazil, China, India, Mexico and South Africa – account for 40 per cent of the world’s population.<sup>2</sup> Middle-income countries have also been in the top tiers of countries driving economic growth and trade globally, with nine middle-income countries represented in the Group of 20.<sup>3</sup>

5. The middle-income category – a World Bank classification which uses gross national income (GNI) per capita in United States dollars – ranges from lower-middle-income economies with a GNI per capita between \$1,036 and \$4,045, to upper-middle-income economies with a GNI per capita between \$4,046 and \$12,535.<sup>4</sup>

6. Middle-income countries are a highly diverse group. Over one third of all least developed countries – 17 out of 47 countries – are middle-income countries, based on an assessment of human assets, economic vulnerability and GNI per capita. Most small island developing States, 27 out of 35 countries, are middle-income, affected by heightened vulnerabilities due to the coronavirus disease (COVID-19) pandemic and increasingly unsustainable debt levels. In recent years, higher-middle-income countries have become donors of development assistance. Within the diversity of this group, there are also some commonalities.

7. While many middle-income countries have experienced faster economic growth than other income groups, which contributed to the decline of national and global average poverty rates, middle-income countries are still home to 62 per cent of the world’s poor, with persistent pockets of poverty and growing inequalities. The relationship between economic growth, poverty reduction and inequalities can be influenced by interventions on income distribution, including domestic policies ranging from macroeconomic policies with implications for the welfare system to labour-market regulations to address the percentage of women in the paid workforce, youth employment levels and regulation and protection of informal workers.

8. Many middle-income countries suffer from what is broadly described as “the middle-income trap” which describes the process of growth stagnation that happens when countries are too rich to compete with low-income and low-wage economies in manufacturing, but too poor to invest in activities with higher value added to compete with advanced economies. A transition from middle-income to high-income is more challenging as it will require a “shift from input-led growth to productivity- and innovation-led patterns of growth”.<sup>5</sup> Historically, economies that graduated from lower-middle-income to middle-income status did so in about

<sup>1</sup> Data from the World Bank ([source](#)).

<sup>2</sup> For more information check [Inequality in the Giants Project](#) by the World Institute for Development Economics Research.

<sup>3</sup> The Group of 20 (G20) represents 85 per cent of the world economy, 75 per cent of global trade, two thirds of the world’s population and over 50 per cent of the world’s poor ([source](#)). G20 middle-income countries include Argentina, Brazil, China, India, Indonesia, Mexico, Russian Federation, South Africa and Turkey.

<sup>4</sup> For current income classifications and respective lending groups (by the International Development Association, International Bank for Reconstruction and Development and blend) – [see here](#). Classification of countries is reassigned on 1 July each year and remains fixed for the entire fiscal year, even if GNI per capita estimates are revised in the meantime. See [how the World Bank classifies countries](#), including: “How are the income group thresholds determined?” and “Why use GNI per capita to classify economies into income groupings?”

<sup>5</sup> Eichengreen, Barry et al. (2017). [The Landscape of Economic Growth: Do Middle-Income Countries Differ?](#), Asian Development Bank (ADB) Working Paper Series.

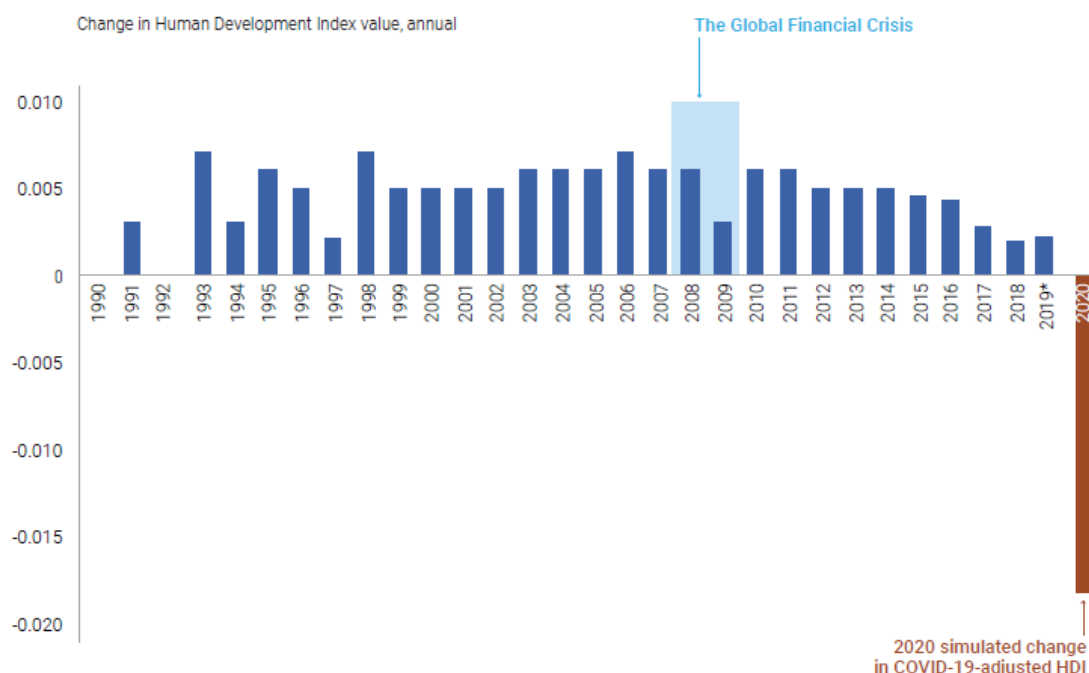
55 years. Likewise, it took on average 15 years for some countries to graduate from upper-middle-income to high-income status.<sup>6</sup> Trajectories of middle-income countries differ, with a majority of Latin American countries facing significant structural barriers to make the transition to high-income status.

9. The 2030 Agenda for Sustainable Development recognizes that middle-income countries are still facing significant challenges to achieve sustainable development and to sustain progress made, calling for a strengthened “exchange of experiences, improved coordination, and better and focused support of the United Nations development system, the international financial institutions [IFIs], regional organizations and other stakeholders”.<sup>7</sup>

10. Structural challenges affecting middle-income countries are varied but some common barriers include the need for economic diversification, with many countries depending on a few commodity exports; high volatility and risks of markets; the inability to invest in advanced technologies and innovation to boost their competitiveness; and growing inequalities and uneven investments in human capital.

11. Since 1990, global human development levels – as the combined measure of the world’s education, health and living standards – have increased by 22 per cent reflecting that, on average, people in middle-income countries are living longer, are more educated and have greater income. The current pandemic has triggered massive disruptions in economies, jobs and livelihoods. Based on projections by the UNDP Human Development Report Office, global human development is on course to decline for the first time in 30 years. The economic shocks can hit countries before the health shocks, through macroeconomic transmission channels, and persist after the health crisis is over. The figure below illustrates that human development is facing a “hit” that is unprecedented since the concept was introduced in 1990.

#### Annual change in Human Development Index value, 1990-2019



Source: United Nations Development Programme, May 2020.  
\* The 2019 value is a provisional estimate.

<sup>6</sup> Felipe, Jesus et al.(2014), *Middle-Income Transitions: Trap or Myth?*, ADB Working Paper Series.

<sup>7</sup> Transforming our world: the 2030 Agenda for Sustainable Development (A/RES/70/129/35), para. 65.

12. The COVID-19 crisis has revealed the unsustainability of the pre-pandemic development path. Its socioeconomic impacts feed on pre-pandemic vulnerabilities and inequalities across societies, and exacerbate poverty and vulnerability, which must be addressed if countries are to build a more resilient future from the perspective of sustainable and people-centred development.

13. As middle-income countries recover from the COVID-19 crisis, they will face further contraction of fiscal space and inflows of external resources, mounting liquidity pressures which may jeopardize short-term response as well as long-term recovery. The sequencing of policy responses is critical. Middle-income countries will need to set appropriate fiscal and financial incentives to restore income and livelihoods and lead to job creation, targeting the most vulnerable and marginalized groups.

14. Building on strong existing partnerships with middle-income countries, UNDP support is focused on the COVID-19 response, drawing on both the UNDP lead technical role for the United Nations socioeconomic response and the four substantive pillars of the UNDP COVID-19 offer 2.0, “Beyond Recovery: Towards 2030”: governance; protecting people; digital disruption; and a green recovery. UNDP expects this offer to be in full force for the next 12 months and to substantively shape its future programmatic work in countries across regions.

### **III. UNDP support to middle-income countries**

15. In line with the UNDP Strategic Plan, 2018-2021 and the 2030 Agenda, UNDP supports middle-income countries to eradicate poverty while addressing the economic, social and environmental dimensions of sustainable development and building resilience to crises and shocks. UNDP also recognizes the changing role of middle-income countries in development, as well as the expectations that have been built around these countries.

16. The integrated UNDP approach to respond more effectively to complex development challenges is at the heart of those challenges faced by middle-income countries. It is aimed at supporting countries to assess the impact of policies and resource allocations; boost their abilities to use and gather disaggregated data; and help them respond to the needs of marginalized communities.

17. UNDP pays close attention to the heterogeneity within the middle-income category and adopts a multidimensional approach to this broad gamut of countries, one allowing for a tailored approach driven by country context and demand. Its Strategic Plan, 2018-2021 recognizes that countries, including middle-income countries, may face development challenges that straddle the three development contexts: poverty eradication; structural transformations; and building resilience to crises and shocks. The UNDP signature solutions provide differentiated development support in each of those contexts, enabling an agile and responsive presence in these countries, as well as institutional support at headquarters and in the regional hubs.

18. The evaluation flags the limitations of a UNDP resource allocation method based on income. As noted above, although middle-income countries host 75 per cent of world’s population and 62 per cent of the world’s poor, concessional financing is almost exclusively directed towards countries in the low-income category. Categorization of middle-income countries needs to be refined, e.g., taking into account balance of payments, indebtedness, level of economic diversification, sectoral vulnerabilities and least developed country and small island developing State status (including how much all of this is aggravated by climate change).

19. Within UNDP support to middle-income countries, there is an opportunity to highlight the particular situation of small island developing States. In 2019, UNDP launched a comprehensive strategy for small island developing States covering the blue economy, digital

transformation and climate action, with a cross-cutting focus on finance. The Pacific Islands Oceanic Fisheries Management initiative demonstrates the potential of a blue economy. Through a partnership between the Food and Agricultural Organization of the United Nations, Global Environment Facility (GEF), UNDP, the Pacific Islands Forum Fisheries Agency and the Pacific Community, the initiative aims to sustain the tuna stocks in the Western and Central Pacific, which represent half the global annual tuna catch. Its impact has already spread far beyond fisheries: the contribution of tuna fishing to the GDP of the 14 Pacific Island Countries increased from \$300 million to \$500 million; direct employment in the fisheries sector increased from 12,000 in 2013 to nearly 22,500; and all four tuna species are being fished sustainably.

20. UNDP also considers the application of a conflict-sensitive and preventive lens as fundamental to its work, including in its development cooperation with middle-income countries. Pockets of poverty and discrimination or a non-inclusive social contract can lead to violence and conflict and erode hard-won development gains. Support for governance and peacebuilding may take different forms including support to constitution-making processes; electoral and parliamentary support; strengthening of the rule of law, justice and security; support for the implementation of the recommendations of the Universal Periodic Review and fostering the capacity of human rights institutions; and analysing options for decentralization and increasing local development. It can also imply supporting the national peace architecture by building national capacities for conflict prevention, including the prevention of violent extremism.

21. UNDP has adopted new and innovative ways of working and partnering with stakeholders, e.g., efforts to promote greater collaboration between humanitarian, development and peace actors. UNDP works closely with IFIs, tackling the drivers of fragility and crisis, and placing an emphasis on crisis prevention and resilience-building in all its programming. Vertical funds (e.g., GEF, Green Climate Fund, Global Fund to Fight AIDS, Tuberculosis and Malaria and the Multilateral Fund for the Implementation of the Montreal Protocol) remain a significant contribution to UNDP efforts to support national Sustainable Development Goal priorities, underpinning the organization's efforts to build nature-based solutions for development results across the entire 2030 Agenda.

22. Through initiatives such as Tax Inspectors Without Borders, which UNDP implements jointly with the Organization for Economic Co-operation and Development (OECD), UNDP is supporting many middle-income countries to build the capacities of their tax administrations in to expand their fiscal space. This includes countries such as Botswana, Costa Rica, Egypt and Jamaica.

23. Middle-income countries play a crucial role in promoting South-South cooperation with their peers and with low-income countries. UNDP supports national capacities to accelerate development progress in which South-South and triangular cooperation operates as an effective and important enabler. Another significant area of engagement by UNDP is the facilitation of knowledge exchanges between middle-income countries and other developing countries. Even though the primary partners on South-South and triangular cooperation are national Governments, UNDP has increased its cooperation with non-State actors (such as the private sector, civil society organizations, research institutions and IFIs) from the South that are mostly hosted in middle-income countries.

#### **IV. Findings and conclusions of the evaluation**

24. UNDP welcomes the evaluation's findings as useful to inform its work in middle-income countries in the next Strategic Plan. UNDP notes the identified areas of strength upon which it can build, and the areas highlighted in the evaluation which need strengthening in line with the

Strategic Plan, 2018-2021 and in anticipation of the future of development in middle-income countries.

25. UNDP is pleased to note the evaluation's positive findings in relation to its contribution to development results across many sectors and signature solutions in middle-income countries. UNDP management notes two key conclusions in this regard: (a) the value added by UNDP in providing policy and institutional support to integrated economic, social and environmental approaches increasingly linked to the 2030 Agenda for Sustainable Development, alongside an emphasis on inequality, vulnerability and exclusion as key priorities in these efforts; and (b) the adaptive ability of UNDP in engaging in new thematic areas and its relevance to development challenges facing middle-income countries, including programming approaches around the 2030 Agenda, natural resource management, climate change and energy, financing for development and private sector engagement, as well as a progressive positioning at subnational and local levels to support last-mile challenges.

26. In relation to the recommendations provided by the evaluation:

(a) UNDP takes note of recommendation 1, which stresses rethinking the income-based approach for the allocation of regular resources. UNDP management wishes to clarify that decisions on the formula for allocation of regular resources rest with the Executive Board. UNDP notes that it previously explored options, in the context of the 2018-2022 budget, to alter the GNI-based methodology for allocation of regular resources, based on the proposed use of the Human Development Index or Multidimensional Poverty Index or a hybrid. These proposals resulted in extensive discussions within UNDP and with the Executive Board. It is noted that a change in the formula was not acted upon at that specific juncture. UNDP will engage with the Executive Board for a more adequate methodology to address the diversity and need of the huge variety of middle-income countries as it prepares the integrated resource plan and integrated budget for 2022-2025, noting the financial context in which the organization is operating in the light of the COVID-19 situation. Given the wide heterogeneity among middle-income countries, UNDP programming and prioritization on the ground are informed primarily by countries' demands. As discussed in the next section, UNDP recognizes a number of shifting trends in a COVID-19 recovery environment which will underpin and shape its development offer to middle-income countries;

(b) UNDP acknowledges recommendation 2, which identifies the need to seek balanced programme portfolios in middle-income countries. In so doing, UNDP notes that both its thought leadership and programmatic and operational interventions on the ground are guided by national development plans and government-specific demands, supported by context analysis and theories of change, and are in alignment with the Strategic Plan as articulated in country programme documents. UNDP has realigned its policy function into a Global Policy Network to enable the mobilization of cross-practice, cross-bureau and multidisciplinary expertise globally to provide more effective responses to the complex development challenges countries face in achieving the Sustainable Development Goals and responding to crisis in an integrated and coherent manner;

(c) The evaluation provides solid recognition of UNDP work and results in governance in recommendation 3. This includes significant contributions to: transparent, sound and credible electoral processes and support for some transformative legislative and policy changes; strengthening institutional capacities at central and local levels, supporting development of normative and legislative frameworks and strategic planning for improved citizen security, access to justice and rule of law; strengthened institutional structures and policy frameworks for improved transparency, accountability and governance; and strengthening institutional frameworks and spaces for the protection of the rights of minorities and vulnerable groups. As highlighted in the midterm review of the Strategic Plan, governance received the largest proportion of resources from programme Governments, indicating confidence in UNDP in this area. UNDP appreciates the evaluation's recommendation that it should maintain its focus on the effort to build inclusive and accountable institutions and strengthen the enabling environment for institutional reform. UNDP will continue to support countries in developing

accountable, responsive institutions at national and local levels, focused on deepening social compacts, and support the creation of governance systems of the future, including through digitalization, and closing gaps between people and government. The UNDP offer 2.0, “Beyond Recovery: Towards 2030”, promotes a forward-looking approach to COVID-19 recovery and identifies governance and support to the social contract as one of the four UNDP priority areas in the coming period.

(d) UNDP takes note of recommendation 4, that it should consolidate and sustain the results that have been achieved to date under the environment, natural resources management and climate change programmes in middle-income countries. UNDP will continue to work closely with Governments of these countries to address their nature, climate and energy priorities in full alignment with their national development strategies. Going forward, UNDP will take further actions to leverage domestic and other financing to achieve scale in environment and energy initiatives with seed funding from vertical funds and in partnership with the private sector and other United Nations organizations;

(e) UNDP welcomes the finding that its engagement with the private sector has helped to attract private capital for development programmes and takes careful note of recommendation 5 that further work is needed to establish clear corporate norms for implementing private sector initiatives in middle-income countries, including appropriate standards for programme staff and implementation processes. UNDP takes a risk-informed approach to all its programming, and in relation to partnerships with the private sector has a well-developed risk assessment policy and tools. The policy, which is currently being updated, will be rolled out later in 2020, supported by an implementation plan to strengthen staff capacities and provide guidance for private sector initiatives.

27. UNDP agrees with the finding that greater gender mainstreaming is contributing to the achievement of gender results in middle-income countries. UNDP notes that the gender marker shows a steady increase of resource allocations to gender equality. UNDP also takes note of the evaluation’s finding that in general, gender equality programming continues to experience challenges in priority setting and identifying transformative opportunities.

28. In line with the conclusions of the 2019 annual report on the implementation of the gender equality strategy, UNDP will continue investing in methods and instruments to ensure that gender analysis is at the centre of its policy, advocacy and programming work. In particular, UNDP will promote changing discriminatory social norms through government policies and programmes. To further scale up transformation in key portfolios, UNDP will implement a next-generation offer on poverty and inclusive growth, including through gender-responsive social protection, addressing the gender-differentiated impact of the fourth industrial revolution and the digitalization of the labour market. UNDP is coordinating efforts with other United Nations entities to ensure that the programmatic response to the COVID-19 pandemic integrates the gender impact, including the need for sex-disaggregated data, the inclusion of women in decision-making and addressing the high prevalence of gender-based violence.

29. The annex details the UNDP response and the specific actions that UNDP will take in response to the recommendations and to strengthen its support to middle-income countries.

## **V. Future UNDP support to middle-income countries**

30. UNDP welcomes the evaluation’s spotlight on the specificities of middle-income countries and their development challenges. As noted in the evaluation, the COVID-19 pandemic and UNDP response were unfolding during the final stages of the evaluation. Looking forward, UNDP support to middle-income countries will first revolve around a coherent and effective response to the COVID-19 crisis, captured in its offer 2.0, “Beyond Recovery: Towards 2030” and ongoing roll-out. The second step focuses on the recovery pathway for middle-income countries, which will entail

providing support to address structural challenges beyond COVID-19 recovery and into the future, especially as UNDP prepares its next strategic plan for 2022-2025.

31. For the immediate COVID-19 response, the lead technical role of UNDP for the United Nations socioeconomic response and recovery has focused attention sharply on the immediate programmatic and analytical challenges, including the preparation of socioeconomic impact assessments and implementation of costed socioeconomic response plans. The UNDP offer 2.0 “Beyond Recovery: Towards 2030” – focused on governance, protecting people, digital disruption and green recovery — will inform action on the ground in middle-income countries.

32. There are a number of critical issues that are reshaping the UNDP offer to middle-income countries. First, there is a stronger emphasis on inter-agency response work, with partners including IFIs and bilateral donors pooling resources and skills during the response. The first socioeconomic impact assessments show that in over 70 countries, United Nations country teams (UNCTs) and IFIs are working together to prepare joint impact assessments, which are contributing directly to joint response plans. For example, in the Republic of Moldova, the socioeconomic impact task force includes 21 UNCT members and the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund and the World Bank. In Uzbekistan, the response plan is engaging 16 UNCT members and the Asian Development Bank, the EBRD, the International Finance Corporation, the Islamic Development Bank and the World Bank. Second, there has been a sharpened focus on jobs/livelihoods/social protection during the first phase of the COVID-19 response, mirroring government strategies that are mitigating the worst effects of the crisis during the spread and acceleration of the virus. Third, the UNDP digital response has been heightened across all e-government services, including protocols for business continuity, digital payments, digital procurement work and expansion of administrative registries.

33. In the medium term, on the path to recovery and a post-COVID19 offer, UNDP has identified three shifting trends, or “tipping points”, which will underpin and reshape its development support to middle-income countries:

(a) There is a strong shift in social expectations and trust in middle-income countries that may have long-lasting effects over governance, social contracts, trust and social conflict, all of which were already heightened pre-COVID-19. This shift may require UNDP work in fragile middle-income country contexts to expand as well as reflect a deeper move towards rule of law, human rights and right-based offers;

(b) There is also a shift in the substantive development pathway for middle-income countries, moving towards accelerated energy transitions and nature-based solutions, which will likely involve repurposing fossil fuel subsidies, introducing carbon pricing and accelerating UNDP work on nature-based action. Given existing fiscal and financial constraints, the size of this shift will require a substantive focus on new and innovative financial instruments and expanded private sector partnerships in middle-income countries;

(c) There is high likelihood that debt overhang and fiscal stress will be a substantive feature of the post-COVID-19 context in middle-income countries. UNDP will need to engage with these implications, including scoping sources of fiscal space, protecting the poorest and most vulnerable groups, reducing inequalities, expanding social assistance and insurance systems, and restoring livelihoods and supporting micro, small and medium-sized enterprises, for example through integrated national financing frameworks and development finance assessments, working with IFIs and other United Nations partners engaged on this agenda.



34. UNDP support will need to help countries address the lasting effects of a post-COVID-19 development trajectory, while continuing to maintain a focus on the needed structural transformation, resilience and “leave no one behind” contexts that are currently unfolding in middle-income countries worldwide.

## Annex. Key evaluation recommendations and UNDP management response

### Recommendation 1.

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

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

### Management response:

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

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

UNDP recognizes that the middle-income country concept is a bidimensional (income and population-based approach) categorization of a complex reality, with middle-income countries home to 75 per cent of the world's population and representing about one third of global GDP. UNDP has pioneered several indices and options which were explored, in the context of the 2018-2022 budget, to alter the GNI-based methodology for allocation of regular resources. Those options included the proposed use of the Human Development Index, inequality or Multidimensional Poverty Index or a hybrid. These proposals resulted in extensive discussions within UNDP and with the Executive Board as part of the preparation of documentation for approval by the Board. UNDP will engage with the Executive Board for a more adequate methodology to address the diversity and needs of the huge variety of countries classified as middle-income as it prepares its 2022-2025 budget, noting the financial context in which it is operating in the light of the COVID-19 pandemic. Hence, the volume of available regular resources is not guaranteed and may be one of the main challenges as UNDP re-engages with the Executive Board in this discussion.

Key action(s)	Time frame	Responsible unit(s)	Tracking	
			Status	Comments
1.1 Undertake an analysis of programmatic, operational and financial implications of utilizing the Human Development Index and other development parameters (to be defined) as the paradigm for country categorization, providing alternative scenarios.	1 February 2021	Bureau for Policy and Programme Support Regional bureaux		
1.2 Launch dialogue process with different stakeholders (donors, Executive Board members, other Member States, country offices, among others) to discuss implications of scenarios for middle-income countries.	June 2021	Executive Office Bureau for Policy and Programme Support Regional bureaux Bureau for External Relations and Advocacy		

1.3 Present options to alter the GNI-based methodology for allocation of regular resources as part of preparations for the 2022-2025 integrated resource plan and integrated budget	September 2021	Bureau for Management Services, Office of Finance and Resource Management		
<p><b>Recommendation 2.</b>  <b>UNDP should seek balanced programme portfolios in middle-income countries, with development services support generating opportunities for strategic thought leadership aimed at enhancing the effectiveness of public policies and achievement of the Sustainable Development Goals.</b></p> <p>UNDP has a comparative advantage in having both operational and conceptual/analytical arms, which it needs to use to the greater benefit of national partners. UNDP strategic thought leadership should be an integral component of country programming. It should support Governments in their efforts to rethink the effectiveness of public policies and prioritize actions for achievement of the Sustainable Development Goals. UNDP should continue to make use of its flagship products such as the Human Development Index and Multidimensional Poverty Index as entry points and maintain equality and social inclusion as central themes for development dialogue and advocacy in middle-income countries.</p>				
<p><b>Management response:</b></p> <p>UNDP acknowledges the need for a balanced portfolio in middle-income countries that combines thought leadership with high programmatic impact. Both UNDP conceptual/analytical and operational interventions on the ground are always guided by national development plans and government-specific demands, supported by context analysis and theories of change and are in alignment with the Strategic Plan as articulated in country programme documents.</p> <p>UNDP has realigned its policy function into a Global Policy Network to enable the mobilization of cross-practice, cross-bureau and multidisciplinary expertise globally across headquarters, regional hubs and country offices to provide more effective integrated responses to the complex development challenges countries face in achieving the Sustainable Development Goals and responding to crisis in an integrated and coherent manner. This integrated approach is already being put in practice in the context of COVID-19, with the rapid deployment of high-level expert advisers and training on the use of analytical tools to complement the expertise of UNDP country offices to fulfil the lead technical role on the socioeconomic pillar of the United Nations response to the pandemic.</p> <p>UNDP will continue to elevate its support to national Governments in implementing policies to ensure the achievement of the Sustainable Development Goals, together with other United Nations system entities. UNDP will enhance its thought leadership by better harnessing its flagship products and tools and methodologies and developing specific products for evidence-based policymaking, in line with national priorities and context. Through its Finance Sector Hub, UNDP will continue to support middle-income countries in scoping sources of fiscal space, protecting people through social assistance and insurance systems, including through the work of Tax Inspectors Without Borders (a joint OECD-UNDP initiative) and integrated national financing frameworks.</p>				
Key action(s)	Time frame	Responsible unit(s)	Tracking	
			Status	Comments
2.1 Advocate and roll out corporate flagship products and solutions such as the Human Development Index and Multidimensional Poverty Index, among others, to advance equality and social inclusion as central themes for development dialogue and agendas in middle-income countries.	December 2021	Bureau for Policy and Programme Support Regional bureaux Country offices		
2.2 Tailor and build on new and existing corporate solutions to support integration and advancement of the Sustainable Development Goals for reduction of poverty and inequalities, leveraging expertise across the United Nations system and capitalizing on innovations from the network of country Accelerator Labs.	December 2020	Bureau for Policy and Programme Support Regional bureaux Country offices and Accelerator Labs		

2.3 Launch the UNDP Sustainable Development Goal finance web platform, a place where all tools and experts for both public and private financing will be available; encourage and support country offices to use these tools and products effectively to build and strengthen an integrated approach to achieving the Goals in middle-income countries.	December 2021	Bureau for Policy and Programme Support Regional bureaux Country offices and Accelerator Labs		
<p><b>Recommendation 3.</b>  <b>UNDP governance work in middle-income countries should maintain its focus on the effort to build inclusive and accountable institutions and strengthen the enabling environment for institutional reform.</b></p> <p>As UNDP alone does not have sufficient human and financial resources and standing to address the root causes of weak institutions, it should promote long-term change processes required for systemic transformation of accountable institutions, and seek to better leverage knowledge networks and multidisciplinary partnerships that include civil society as an essential actor with a crucial role to play in improving the quality of governance and demanding transparent, free and accountable institutions.</p>				
<p><b>Management response:</b></p> <p>In many middle-income country contexts, concerns with inequality, injustice and corruption have heightened tensions and highlighted the need for a new rights-based social contract. The COVID-19 crisis may serve to reinforce disparities, magnify tensions and worsen mistrust in governance systems. Weak State institutions may be unable to respond effectively to the pandemic, further reducing trust in governance systems. On the other hand, in some contexts, the crisis also provides opportunities to discuss the measures needed for transformation, including through leveraging the power of digital technologies to support accountable, effective and inclusive governance.</p> <p>UNDP work on governance recognizes that resilience is manifest in the ability of countries to anticipate and prepare for shocks. This in turn depends on the technical capacities of organizations and institutions at the front lines of the development and crisis response to sustain core government functions, the overall functioning of national and subnational systems, and inclusive, trusted governance structures, based on rule of law, human rights and participation, as envisioned in Sustainable Development Goal 16. The UNDP offer 2.0, “Beyond Recovery: Towards 2030”, which promotes a forward-looking approach to COVID-19 recovery, identifies governance and support to the social contract as one of the four UNDP priority areas in the coming period. The UNDP governance offer in middle-income countries will maintain its focus on: (a) supporting national and local government institutions to uphold rule of law and human rights; (b) strengthening equitable public service delivery, including through strengthening subnational institutions, rights-based advocacy networks and people-centred e-government; (c) strengthening transparency, accountability and effectiveness; (d) promoting social cohesion and peaceful societies, and breaking with drivers of discrimination and bias; and (e) strengthening social capital – the habits, norms and systems for voice, inclusion and solidarity – and engagement with civil society, including through digital governance. These approaches will support long-term change, including creating the enabling environment required for systemic transformation.</p> <p>Given the challenges of addressing root causes, as well as the lack of human and financial resources, partnerships, including with civil society, networks and the private sector at all levels will indeed be critical. Partnerships around Sustainable Development Goal 16 will be particularly important in this regard.</p>				
<b>Key action(s)</b>	<b>Time frame</b>	<b>Responsible unit(s)</b>	<b>Tracking</b>	
			<b>Status</b>	<b>Comments</b>
3.1 With relevant United Nations entities and partners, support Governments of middle-income countries to prioritize accountability and transparency as integral to national COVID-19 response and recovery efforts by enhancing systems and institutions for checks and balances and integrating anti-corruption measures across the five pillars of the United Nations framework for the immediate socioeconomic response to COVID-19.	August 2021	Bureau for Policy and Programme Support Regional bureaux		

3.2 Draw on existing and new partnerships to deliver advisory support and tools on digital governance in middle-income countries, with a focus on enhancing knowledge, building capacities for a renewed public sector, shaping policy frameworks for responsive government and inclusive societies in the digital age, and reduction of digital and other inequalities.	December 2021	Bureau for Policy and Programme Support		
3.3 Develop adaptive learning programmes and tools to assist middle-income countries to localize the Sustainable Development Goals through integrated, participatory local planning and delivery, supporting the partnerships required for local-level transformation to achieve the 2030 Agenda and the Sustainable Development Goals.	December 2021	Bureau for Policy and Programme Support		
<p><b>Recommendation 4.</b>  <b>UNDP should consolidate and sustain the gains that have been achieved to date under the environment, natural resources management and climate change programmes in middle-income countries.</b></p> <p>The themes of environment, natural resource management, climate change and energy will continue to be critically important in middle-income countries as economic and population growth will continue to pressure the global community. There is a strong link between the effectiveness of programme results in the area of environment and energy and the relevance of the overall UNDP programme actions. Many of the issues in the environment and energy sector have their grounding in governance. UNDP should capitalize more on its implementation role in environmental funding platforms such as the GEF to engage in high-level policy discussions with Governments in middle-income countries, and leverage domestic financing in addressing cross-sectoral institutional barriers to achieve scale and sustainability on environment and energy initiatives. UNDP should leverage its innovation agenda to come up with new business approaches to fully harness partnerships with private sector and United Nations organizations that have financing instruments which UNDP could use in middle-income countries.</p>				
<p><b>Management response:</b></p> <p>UNDP works closely with Governments in middle-income countries to address their nature, climate and energy priorities in full alignment with their national development strategies. In this respect, UNDP supports the recommendation to leverage domestic and other financing to achieve scale in environment and energy initiatives with seed funding from vertical funds and in partnership with the private sector and other United Nations organizations. To this end, UNDP will continue to strengthen its work in:</p> <ul style="list-style-type: none"> <li>• Leveraging vertical funds to unlock parallel co-financing (public and private) to advance the Sustainable Development Goals; building capacities of State and non-State actors, at national, subnational and local levels, to integrate climate risks into policy/planning/budgeting/decision-making, including with private sector entities.</li> <li>• Responding to country requests with top-notch, cutting-edge technical know-how and knowledge to design interventions that not only meet the requirements and objectives of different funds, but also to crowd in partners and other sources of private finance for greater development impacts.</li> <li>• Exploring ways of using new innovative financial instruments such as innovation challenge awards and guarantees for catalysing private sector capital.</li> <li>• Assisting countries in identifying innovative solutions, by leveraging the UNDP Global Policy Network and its thought leadership.</li> <li>• Encouraging cross-cutting and cross-thematic programming to provide integrated solutions that will result in multiplier and dual development and environmental/climate benefits at scale, leaving no one behind.</li> <li>• Aligning solutions with those of other United Nations organizations, multilateral development banks, IFIs, development finance institutions and public domestic resources to bring about multiplier effects of development impacts.</li> </ul>				

Key action(s)	Time frame	Responsible unit(s)	Tracking	
			Status	Comments
4.1 Support the development of scaled-up environment and energy programmes in partnership with the private sector in at least three middle-income countries.	December 2021	Bureau for Policy and Programme Support Regional bureaux Country offices		
4.2 Support the development of scaled-up environment and energy programmes in partnership with other United Nations agencies in at least three middle-income countries.	December 2021	Bureau for Policy and Programme Support Regional bureaux Country offices		
4.3 Deliver a COVID-2019 2.0 offer that tackles the challenges and meets the needs and aspirations of middle-income countries in a green recovery, including a focus on green jobs and livelihoods.	December 2020	Bureau for Policy and Programme Support Regional bureaux Country offices		
<p><b>Recommendation 5.</b>  <b>UNDP should establish clear corporate norms for implementing private sector initiatives in middle-income countries, including appropriate standards for programme staff and implementation processes.</b>  Private sector engagement is an important aspect of UNDP partnership, particularly in middle-income countries. UNDP is placing greater emphasis on private sector funding partnerships, but there remains considerable ambiguity as to the derived benefits for all partners and insufficient consideration of reputational risks. UNDP should strike a balance between its role as convener of Sustainable Development Goal platforms promoting impact investments and that of implementer of corporate social initiatives of large conglomerates.</p>				
<p><b>Management response:</b>  The UNDP private sector strategy seeks, in partnership with Governments, civil society and businesses, to make markets work for the Sustainable Development Goals, with a strong emphasis on inclusion of poor and marginalized communities. This strategy builds upon the long-standing adoption by UNDP of a market system approach,<sup>8</sup> which is also the main basis for the work on private sector development and partnerships championed by a number of other international agencies.<sup>9, 10</sup> It is deploying a suite of service offers, in collaboration with other United Nations and non-resident agencies in areas such as sustainable value chains and</p>				

<sup>8</sup> The features of a market system approach “focus on interventions that modify the incentives and behaviour of businesses and other market players – public, private, formal and informal – to ensure lasting and large-scale beneficial change to poor people. It also requires that each market is a complex ‘system’ involving many stakeholders, each with a particular set of unique characteristics, any intervention must take this complexity into account” <https://beamexchange.org/market-systems/key-features-market-systems-approach/> and characterizes the market system “in terms of three distinct elements: core market transactions, institutions (including the business environment) and services and infrastructure.” BEAM Exchange. (2014). [Market systems approaches: A literature review](#).

<sup>9</sup> It builds on the UNDP “inclusive markets development” approach adopted in 2007 and a number of other approaches championed by various international agencies including value chains (particularly by GIZ and the United States Agency for International Development), and “Making Markets Work for the Poor” (known as M4P) supported by the Swedish International Development Cooperation Agency, the Swiss Agency for Development and Cooperation and the United Kingdom Department for International Development, the Donor Committee on Enterprise Development, and the Consultative Group to Assist the Poor. It also provides the conceptual underpinnings for the current United Nations Capital Development Fund policy on “inclusive finance” and for various UNDP programme initiatives. The Donor Committee for Enterprise Development is the forum consisting of 22 funding and inter-governmental agencies that support the growth of the private sector in developing countries and the Consultative Group to Assist the Poor is a global partnership of 34 development organizations that seek to advance financial inclusion.

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

inclusive business, gender equality in markets, digital finance and closing the energy gap. These are tailored to the specific country contexts in middle-income countries. Furthermore, several relevant initiatives that align business activities with the Sustainable Development Goals, in the context of COVID-19 include:

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

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

Key action(s)	Time frame	Responsible unit(s)	Tracking	
			Status	Comments
5.1 In alignment with the UNDP private sector strategy, roll out a package of services to support small and medium-sized enterprises in middle-income countries as part of the COVID-19 response.	January 2021	UNDP Finance Sector Hub Istanbul International Center for Private Sector in Development		
5.2 Support the deployment of the “SDG Impact” platform tools, products and services to middle-income countries, and leverage innovative financing and partnership solutions to mobilize private capital for the implementation of the Goals.	December 2021	UNDP Finance Sector Hub		
5.3 Finalize update of the UNDP policy, guidance and tools for private sector due diligence and provide implementation support for the updated policy to build staff capacities for risk-informed approaches for private sector engagement.	Policy update: December 2020 Implementation support: December 2021	Bureau for Policy and Programme Support		