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Evaluation

Evaluation of UNDP development cooperation in middle-income countries

Executive summary

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I. Background

1. The Independent Evaluation Office of UNDP has carried out an evaluation of UNDP development cooperation in middle-income countries. The evaluation is part of the office's medium-term plan (DP/2018/4) approved by the Executive Board in 2018. The evaluation, presented to the Executive Board at the second regular session of 2020, aims to inform UNDP engagement in middle-income countries and strengthen the accountability of UNDP to the Executive Board and programme countries.

2. Middle-income countries are an important group of countries for a number of reasons. Development cooperation with middle-income countries plays a crucial role in the implementation of the 2030 Agenda for Sustainable Development. The pledge to leave no one behind requires addressing the needs of the poor and the most vulnerable, the overwhelming majority of whom now live in middle-income countries.¹ Secondly, development cooperation with middle-income countries should create positive synergies for other developing countries, through trade and investment channels and sharing of good practices within the context of South-South and triangular cooperation. Thirdly, middle-income countries represent the largest group of developing countries and an increasing number of UNDP programme countries are classified as middle-income. In the Asia-Pacific, Latin America and the Caribbean and Europe and the Commonwealth of Independent States regions, the majority of countries are middle-income countries.

3. The evaluation assesses UNDP contributions to national development results in middle-income countries through its Strategic Plan objectives in four practice areas/signature solutions. These are signature solution 1 on poverty eradication; signature solution 2 on inclusive and accountable institutions; signature solution 4 on environment and nature-based solutions for development; and signature solution 5 on clean, affordable energy. Contributions to signature solution 6 on gender equality are covered within the assessment of these areas, focusing on the extent of gender mainstreaming achieved by country programmes.²

4. The evaluation assesses the extent to which UNDP programmes in middle-income countries are distinct from those of least developed countries (LDCs) and net contributor countries, and the relevance of middle-income-country-specific differentiation in programme and operational strategies. The evaluation considers the extent to which regular resources financing and government financing affect UNDP programming.

5. The evaluation focuses on interventions implemented at country level during the years 2014 to 2019, covering the first two years of the current UNDP Strategic Plan, 2018-2021 and the four years of the previous Strategic Plan, 2014-2017.

6. The evaluation adopts the UNDP country classification system and excludes those middle-income countries that are also considered LDCs by the United Nations. All 84 countries classified as middle-income countries in the UNDP integrated budget cycle 2018-2019 are covered by the evaluation.

¹ United Nations, Development cooperation with middle-income countries: Report of the Secretary-General, A/74/269, 5 August 2019.

² The evaluation did not cover signature solution 3 on enhancing national prevention and recovery capacities as the Independent Evaluation Office is conducting a separate thematic evaluation of the UNDP contribution to resilience-building and disaster risk reduction.

7. The evaluation set out to examine UNDP programming in middle-income countries in reference to the evaluation criteria of relevance, effectiveness, efficiency and sustainability and assessed more carefully the positioning of UNDP in middle-income countries, its contribution to development results, its business model and partnership strategy.

II. UNDP programme scope and scale in middle-income countries

8. UNDP works in 170 countries and territories around the world, organized in five UNDP regions. The UNDP Strategic Plan, 2018-2021 sets the overall direction of UNDP support to programme countries, highlighting the organization's role in supporting country-led efforts for achieving the aims of the 2030 Agenda, including the Sustainable Development Goals and related agreements. The Strategic Plan sets out three broad development outcomes to which UNDP aims to contribute. These are: (a) countries that have achieved some of their development needs and are striving to overcome others; (b) countries that need to successfully complete structural transformations required to sustain progress; and (c) countries that need to build resilience to shocks and crises, ranging from small-scale, short term shocks to longer-term systemic crises such as environmental crisis or conflict. The Plan also outlines six signature solutions which tailor development solutions to the three development settings with targeted and differentiated approaches. While the Strategic Plan makes references to the challenges of middle-income countries, these are not specifically articulated and delineated and mainly refer to the challenges related to financing and poverty at large. The six signature solutions – poverty, governance, resilience, environment, energy access and gender equality – are common to all income and human development settings and do not differentiate between the income-based country categories and between middle-income countries or other countries.

9. From 2014 to 2019, UNDP programme expenditure in middle-income countries amounted to \$10.5 billion, representing about 42 per cent of total UNDP programme expenditure (\$25.1 billion). This is an annual average expenditure of \$1.75 billion. Expenditures peaked at over \$2 billion in 2018. The share of regular resources designated for use in middle-income countries declined from 7 to 3 per cent within this time frame. Analysis of expenditures by Human Development Index classification shows that the highest average annual expenditures were in middle-income countries with high human development (\$213 million). However, these averages are driven by individual countries with exceptionally large programmes such as Argentina. The median expenditure over the same period is around \$75 million in each human development group,

10. Between 2014 and 2019, government cost sharing and bilateral and multilateral funds constituted the largest share of UNDP expenditures in middle-income countries, together accounting for over 80 per cent of total expenditures. The relative proportion of government cost sharing in total expenditure decreased from 48 per cent in 2014 to 36 per cent in 2019, although overall expenditure rose slightly. Countries with very high or high human development made particular use of this source. Vertical funds, notably the Global Environment Facility (GEF), remained steady at between 15 and 17 per cent overall.

11. Data on UNDP programme expenditure by each Sustainable Development Goal are available only for the years 2018 and 2019. About half of total programme expenditures in middle-income countries, \$3.8 billion, has been programmed under Goal 1 (no poverty) and Goal 16 (peace, justice and strong institutions). Other focus

areas with expenditures over \$200 million are Goal 3 (good health and well-being), Goal 13 (climate action) and Goal 15 (life on land).

12. Analysis of regional distribution shows that most of the Goal 1 expenditure is concentrated in the Arab States region. Goal 16 expenditures are higher in the European and Latin American countries. Expenditures in Europe and Asia and the Pacific appear to be more equally divided across the different Goals, with focus points in conservation, climate action, inequality reduction and health.

13. In terms of mapping expenditure in middle-income countries against the outcomes of the Strategic Plan, 2014-2017, the highest expenditure was on inclusive growth (43 per cent), followed by access to basic services (26 per cent). Expenditure under the current Strategic Plan according to its six signature solutions shows that the first two solutions on inclusive growth and inclusive and accountable institutions each registered around one third of the total, while nature-based solutions showed about half of that level. The percentage of expenditures on programmes which had gender equality as a significant or principal objective increased from 39 per cent in 2014-2017 to 56 per cent in 2018-2019.

III. Key findings

A. The UNDP business model in middle-income countries

Finding 1. UNDP does not distinguish between different types of middle-income countries and non-middle-income countries when establishing programmatic approaches and business models.

14. The evaluation notes that while the middle-income country classification, based on income levels, continues to be used for resource planning and allocation, the designation has marginal significance as a basis for formulating programmatic responses. UNDP has not sought to utilize its own socioeconomic classification mechanisms to better define programming strategies in different countries. The Human Development Index, developed by UNDP in 1990, takes into account dimensions beyond income levels. It is rarely used a planning tool in middle-income country programming. The UNDP approach to country typologies can only be inferred from the current Strategic Plan's differentiation of the three "context-specific development settings" in which UNDP works and the six signature solutions which are to be tailored to development settings.

15. Overall, the diversity among middle-income countries poses challenges to developing an overarching blueprint for programmatic response for these countries. While individual country contexts define the focus of UNDP programmes, including critical issues and solution pathways, it is important for UNDP to articulate engagement strategies and approaches for the diversity within these countries, which is not there now. The report of the Secretary-General on development cooperation with middle-income countries (A/74/269) calls for a tailored approach that tackles the bottlenecks of this highly heterogeneous group of countries, while considering their common challenges.

Finding 2. The use of income classifications to inform cooperation and resource allocations limits the ability of UNDP to respond to the complex challenges faced by middle-income countries.

16. The wide heterogeneity of middle-income countries presents classification challenges and defies segmented strategies based on income groupings. The United Nations Department of Economic and Social Affairs has advocated for the use of issue-based criteria in addition to those based on income to determine funding

allocations to developing countries. Such issue-based classifications are useful to target the broad range of specific development challenges faced by middle-income countries, including high debt, environmental degradation and prohibitive international trade costs. This evaluation has found that applying income classification as a prime criterion for development assistance resources for middle-income countries has often been disadvantageous to countries, given the range and severity of development challenges they face.

Finding 3. The increased government cost sharing to fund programmes in middle-income countries reflects strong national ownership, even as it can limit UNDP programme coherence and flexibility.

17. The majority of UNDP regular (core) resources (TRAC-1 stream) are directed to the least developed and low-income countries per Executive Board decision 2012/28. Government cost sharing is an important source of financing for UNDP programmes in middle-income countries, representing 40 per cent of total expenditures between 2014 and 2019, compared to 6 per cent in LDCs. The level of government cost sharing varies significantly between and within regions; at its highest, it constitutes about 69 per cent of expenditures in the Latin America and Caribbean region, followed by the Europe and the Commonwealth of Independent States (40 per cent), Arab States (19 per cent), Africa (17 per cent) and Asia-Pacific regions (11 per cent)

18. An important aspect of government cost-sharing modalities is the increasing trend of Governments engaging UNDP to provide a range of development services (termed development services support). The evaluation noted that the reputation of UNDP as an expert agency in human development was built over a long time and with its own programme resources, but it is at risk in the case of large government cost-sharing programmes. According to UNDP programme policy procedures, development services support must be aligned to the UNDP Strategic Plan and support national development priorities. But one concern that has been emerging in independent evaluations is that government cost sharing can drive country offices to formulate programme proposals in response to government requests which may represent more operational support than development policy and capacity development. While UNDP engagement in development services support represents a demand-driven approach characterized by its responsiveness and adaptability, it can lead to limited programme coherence and a projectized approach.

19. Vertical funds play an important role in the UNDP business model in middle-income countries. Along with the GEF, the Multilateral Fund for the Implementation of the Montreal Protocol features more prominently in UNDP environmental programmes in middle-income countries as compared to LDCs. The fund is dedicated to reversing the deterioration of the Earth's ozone layer through setting progressive phase-out obligations for ozone-depleting substances which, along with unsustainable natural resource consumption and environmental degradation, are key issues in middle-income countries.

B. UNDP positioning in middle-income countries

Finding 4. UNDP has built strong partnerships with the Governments of middle-income countries at national and now increasingly subnational levels for implementation of the Sustainable Development Goals, bolstered by its principal comparative advantages: intellectual leadership on human development paradigms; a history of universal presence; and strong institutional networks with multiple ministries, enabled by its broad mandate.

20. The evaluation established that Governments consistently view UNDP as a long-term, neutral and legitimate multilateral partner that can bring in international networks, expertise and standards. UNDP has often helped Governments of middle-income countries to design and implement large-scale initiatives in complex or specialized areas. For its part, UNDP has successfully leveraged partnerships for financing from government entities at national and subnational levels.

21. One of strongest assets of UNDP noted by national stakeholders is its capacity to convene dialogues, enable conditions for change and facilitate consensus-building among diverse sets of partners. In some countries, another major reason for engaging UNDP in development services support is the benefit of its efficient administrative procedures and reputational seal, which is valued and in demand by Governments to ensure transparency.

22. On a less positive note, UNDP has not fully met the expectations of the Governments of middle-income countries for promoting and facilitating the dissemination of good practices and the learning of lessons from programme achievements and challenges in other countries.

Finding 5. UNDP has established a strong position at the subnational and local levels in middle-income countries, and in some instances uses this to scale up solutions across regions and cities, especially with the localization of the 2030 Agenda and Sustainable Development Goals.

23. At the subnational level, strong UNDP partnerships with Governments provided opportunities for demonstrating programming models. UNDP in many instances has provided policy advisory services, sometimes delivered in addition to institutional strengthening and other core areas of support such as technical assistance, capacity development, project implementation and other development services support.

C. UNDP partnerships in middle-income countries

Partnerships with other United Nations agencies

Finding 6. While there is evidence of joint United Nations programming in middle-income countries, the limited resources of United Nations agencies and an increasingly competitive environment for resource mobilization have led to more ad hoc than systematic collaboration.

24. The evaluation came across multiple examples of joint United Nations initiatives in middle-income countries. However, in general, unharmonized programme planning cycles and unclear partnership procedures and processes still hamper effective partnerships.

25. UNDP engagement and partnerships with international financial institutions (IFIs) has expanded in middle-income countries in recent years, with collaboration especially focused on crisis prevention and post-conflict peacebuilding contexts.

UNDP leverages its access, impartiality and experience to maximize the impact of IFI financing in partner countries, and has been especially prominent in Latin America, helping to implement Inter-American Development Bank loans to counterpart Governments.

Enabling South-South cooperation

Finding 7. The most successful UNDP work in South-South and triangular cooperation in middle-income countries was linked to the strategic priorities of host countries that considered it a pillar of development cooperation policies and strategies.

26. South-South cooperation is featured strongly in some of the programmes in upper-middle-income countries, where it is a strategic international cooperation policy instrument of these countries to position themselves as providers of development assistance and become important regional and global players. In these cases, UNDP has provided technical assistance, organized and facilitated events, supported institutional strengthening and trained national human resources. Such countries have built structured partnerships with UNDP in this area for almost 10 years now.

Finding 8. Despite being integrated in the UNDP strategic framework, South-South cooperation initiatives come across as project-based rather than a well-defined delivery mechanism based on analysis and mapping.

27. While the evaluation found many examples of promising South-South cooperation initiatives which were well received by partners, most initiatives were project-based and lacked a strategic approach. Results achieved with UNDP support have often been focused at the level of individual organizations, providing training opportunities or sharing lessons at international forums. Insufficient resources have put a constraint on efforts to systematize South-South cooperation and trigger further transformational change in middle-income countries. While this affects all countries, South-South cooperation is one of the key pillars of the UNDP and United Nations cooperation framework in the middle-income countries, and national stakeholders have major expectations from UNDP about facilitating learning and sharing of lessons with other countries.

28. The evaluation also examined linkages between innovation and South-South cooperation initiatives. Seven of the top 10 country offices implementing innovation service lines are also engaged in South-South cooperation, indicating some sort of association between the two. As many middle-income countries strive to achieve faster growth and escape the middle-income “trap”, an innovation-focused development strategy can make the difference between stagnation and a structural transformation of their economies.³ UNDP prioritized innovation in its agenda with approaches ranging from setting up innovation labs with Governments to redesign public service delivery, to embracing data innovation for implementation, monitoring and exploring alternative sources of financing of the Sustainable Development Goals.

29. In 2019, UNDP launched 60 accelerator labs covering 78 mostly middle-income countries, providing increased momentum and capacities to the UNDP innovation agenda. The accelerator labs aim to help UNDP and partners bridge the gap between current international development practices and an accelerated pace of change. The work of the accelerator labs will be discussed in more detail in the ongoing evaluation of the UNDP Strategic Plan, 2018-2021. UNDP also launched a new digital strategy

³ United Nations, Development cooperation with middle-income countries: Report of the Secretary-General, A/74/269, 5 August 2019.

in 2019, which aims to help Governments and communities leverage technology and innovation to deliver results in the era of digital transformation and the fourth industrial revolution.

Private sector partnerships

Finding 9. There has been a progressive evolution of the UNDP approach and engagement with the private sector, and UNDP is well positioned to promote and facilitate national and global platforms for private sector engagement for the Sustainable Development Goals. In middle-income countries, the need to raise revenue has become an important determinant of UNDP programme strategies with the private sector. However, UNDP also needs to strengthen its role as an enabler of private sector partnerships.

30. The UNDP private sector strategy makes a distinction between strategic engagement and resource mobilization. Private sector contributions ranged from \$47 million in 2014 to \$75 million in 2017 and fell to \$50 million in 2018, with nearly equal contributions from private companies and foundations, followed by non-governmental organizations. These amounts are very small in terms of overall UNDP programme expenditure; however, as they are concentrated in fewer countries, they can become important sources of revenue for country offices in middle-income countries transitioning into a full cost-recovery model.

31. One of the most evident forms of engagement with the private sector in middle-income countries has been in projects and programmes involving livelihoods and value chains, with the private sector seen as a provider of employment and markets. The status of UNDP as an intergovernmental development agency is a key advantage in partnering on corporate social initiatives and in enabling private sector partnerships. The evaluation found successful examples in this regard. The status of UNDP also evokes high expectations from the private sector which are not always met. The evaluation came across examples of flagship private sector partnership ventures which demonstrate unmet or partially met private sector expectations from UNDP for high standards of expertise and implementation effectiveness. The shorter-term horizons of private sector projects and resource mobilization pressures on country offices introduces a complex mix of factors which should be studied closely.

32. At corporate level, the UNDP policy on private sector due diligence has been in place since 2013. A private sector due diligence committee is responsible for providing advice on proposed private sector partnerships. UNDP has been at the forefront in setting parameters for United Nations private sector partnerships, co-leading preparation of the United Nations Sustainable Development Group common approach to prospect research and due diligence for business sector partnerships. As was evident in some countries studied for this evaluation, there remain reputational and financial risks of engaging with some private sector entities, and a need for additional corporate guidance. UNDP is currently updating its private sector due diligence policy.

D. UNDP contributions to development results in middle-income countries

Signature solution 1. Keeping people out of poverty

Finding 10. Middle-income countries need support in economic specialization and building resilience to exogenous economic shocks while building competitive financial markets to sustain national development. UNDP has several relevant offerings, but their presence in country programmes has been sporadic.

33. While UNDP has established a track record in relevant areas such as competitiveness, economic diversification, social protection, jobs and skills development, engagement has been sporadic and fragmented without building intersectoral synergies. Country programme documents lack due analysis of the entirety of the challenges represented by middle-income-country status. Analysis of financing for development alternatives has also been missing in nearly all country programme documents.

Finding 11. Evidence-based policy support has been a constant feature in UNDP country-level support; inclusive growth and poverty reduction policies and strategies were supported in about 75 per cent of the middle-income country programmes reviewed.

34. UNDP supported 75 per cent of the middle-income countries reviewed in the formulation of inclusive growth and poverty reduction policies, strategies and action plans addressing structural impediments and access gaps for the poor, marginalized and vulnerable groups. With widespread adoption of the 2030 Agenda and the realization that the Sustainable Development Goals are interconnected, there has been demand for multidimensional poverty measurement. The Multidimensional Poverty Index and the Human Development Index – UNDP flagship knowledge products – have had wide uptake at country level.

35. In some countries, there was specific emphasis on policies to support productivity and competitiveness. Supplier development programmes, competitive production clusters and strengthening of micro, small and medium-sized enterprises and support services were common approaches, with an emphasis on enhancing domestic competitiveness against imports, integration of these enterprises into supply chains of anchor manufacturing facilities, and integration into national and international value chains.

Finding 12. Comprehensive support to mainstreaming, implementation, monitoring and reporting on the Sustainable Development Goals has emerged as a flagship and distinct UNDP offering and has attracted demand from several middle-income countries.

36. The long-standing engagement of UNDP on the Millennium Development Goals, especially support to the Millennium Development Goals Acceleration Framework, enabled a seamless transition to the adoption of the 2030 Agenda for Sustainable Development in 2015, and the framework implementation plans in several countries⁴ were subsumed into the Sustainable Development Goal framework.

37. UNDP played a leading role in formulating and implementing a coordinated approach – Mainstreaming, Acceleration and Policy Support (MAPS) – to support Member States in mainstreaming, acceleration, policy development, data management, partnerships and accountability related to the Sustainable Development Goals. A number of guidance materials and tool kits were prepared for the MAPS,

⁴ In all, 53 countries undertook such plans, according to a UNDP report on their implementation.

including a rapid integrated assessment tool developed by UNDP to support countries in assessing their readiness for implementation of the Goals by reviewing national plans. Between 2016 and 2018, UNDP with other United Nations agencies conducted MAPS missions to 27 middle-income countries (15 lower-middle-income and 12 upper-middle-income countries).

38. MAPS missions have consistently pointed out data gaps, insufficient coordination between data producers and the challenges of disaggregation and clear political commitment to data-driven decision-making. UNDP has supported 20 countries with assessments of the readiness of their national statistical systems for Sustainable Development Goal implementation and monitoring. It has also provided technical inputs and financial assistance in preparing “leaving no one behind assessments”, national reports on the Goals and voluntary national reviews. In 2018, 47 countries presented voluntary national review reports (16 of which were middle-income countries), up from 22 in 2016.

Finding 13. UNDP made noticeable contributions to address the issue of development financing for the Sustainable Development Goals, including support to development finance assessments and engaging with private sector enterprises to expand capital flows to meet the Goals.

39. UNDP developed a methodology for development finance assessments and supported such assessments in eight middle-income countries. These assessments have demonstrated their usefulness in identifying strategies to improve revenue performance. Other important initiatives include Tax Inspectors Without Borders, the Sustainable Development Goal Innovative Finance Initiative and support to Islamic financing, in collaboration with the Islamic Development Bank, to establish (in 2016) the Global Islamic Finance and Impact Investing Platform.

Finding 14. In country programmes in middle-income countries, UNDP has designed and implemented a sizeable number of community-based livelihood interventions, addressing the challenges of vulnerable and marginalized groups. Some projects have shown effective linkages with upstream policy processes besides strengthening community livelihoods.

40. Inequality is a consistent central theme in the UNDP development dialogue and advocacy in middle-income countries and the primary lens in its programme engagements. UNDP enhanced its focus on leaving no one behind with a new marker identifying 18 priority groups in its programmes.

41. A recurring aspect of UNDP work with communities is in community-based natural resource management. Many UNDP interventions address the livelihood needs of communities living in remote areas or in conflict over natural resources with other sectors. The evaluation noted a number of interventions that led to sustainable linkages for income enhancement for excluded and vulnerable groups or an increase in government efficiencies in service delivery to these groups.

Finding 15. UNDP efforts in middle-income countries to improve livelihoods through vocational education and training are mostly stand-alone and are often not embedded within a larger strategy rooted in competitive diversification of the economy. UNDP interventions are often focused on the supply side rather than on exploring and advocating for long-term human capital investments.

42. The evaluation came across several illustrations of UNDP work to improve national vocational education and training systems, with a view to improve employability in sectors where demand for technical skills was on the rise, but many interventions came across as stand-alone or not comprehensive enough.

43. Youth employment and economic empowerment is one component of the multidimensional UNDP approach to youth empowerment. At country level, although youth employment initiatives were supported in only 17 per cent of the middle-income country programmes reviewed, there were examples of comprehensive approaches.

44. Green jobs have been another area of action by UNDP. The Green Commodities Programme (launched in 2009) is one of the few multi-country programmes that specifically addresses the needs of middle-income countries. Projects in several middle-income countries have addressed sustainability challenges of global value chains in commercially important commodities such as palm oil, cocoa, coffee, pineapple, fisheries, soy and beef.

Signature solution 2. Governance for peaceful, just and inclusive societies

Finding 16. UNDP support to electoral processes has yielded significant results contributing to transparent, sound and credible electoral processes and leading to some transformative legislative and policy changes.

45. The nature of UNDP support has varied, with a major focus on building the institutional capacities of electoral authorities (predominantly in medium human development countries) by facilitating consultations and offering methodologies, tools and data for effective planning and implementation of electoral processes and fostering citizen participation through civic education, training and awareness-raising to reach missing voters (especially women and youth). The strength of UNDP as an impartial broker and facilitator, as well as its technical leadership in electoral support and reform processes, have been mentioned as key factors for the achievement of results in previous independent evaluations. UNDP has also made contributions to citizen participation in elections, promoting the engagement and role of civil society, particularly women, in decision-making processes.

Finding 17. UNDP contributed to strengthening institutional capacities at central and local levels, supporting the development of normative and legislative frameworks, and strategic planning for improved citizen security, access to justice and rule of law.

46. UNDP support has contributed to strengthening national capacities for effective promotion of human rights and good governance in several of the countries reviewed by the evaluation. It helped to strengthen national capacities and systems for improved rule of law and access to justice, including for vulnerable populations. It has also implemented programmes in support of institutional capacities and policy frameworks to reduce violence and promote peaceful coexistence in several countries affected by violence and crime.

Finding 18. UNDP support contributed to strengthened institutional structures and policy frameworks for improved transparency, accountability and governance by enhancing capacities of civil servants, supporting processes and structures for organizational efficiency and effectiveness, and facilitating citizen oversight and participation.

47. In anti-corruption efforts, supported in most of the middle-income countries reviewed, intermediate outcomes such as progress in reporting and investigation of cases are being achieved. However, higher-level results such as an actual reduction in the level of corruption have not yet been realized.

48. UNDP has also assisted civil service reforms and modernization efforts for greater transparency, accountability and efficiency of public service institutions, promoted the use of open data in the public sector, and helped to monitor transparency in public management. There were less prominent results in local development and decentralization since UNDP had limited financial leverage and human resource capacities to make meaningful structural changes at the policy levels, and is often confined to clusters of capacity-building projects.

Finding 19. UNDP work in human rights in middle-income countries has led to significant achievements in strengthening institutional frameworks and spaces for the protection of the rights of minorities and vulnerable groups including lesbian, gay, bisexual, transgender and queer persons (LGBTQ), indigenous communities, migrants and trafficked persons, often in partnership with other United Nations agencies.

49. UNDP support for national human rights institutions in middle-income countries has often led to transformative results, such as introducing laws and policies related to female genital mutilation, discrimination against indigenous peoples, discrimination of religious and sexual minorities and anti-racism. The UNDP role and contribution in advancing the rights of LGBTQ persons and persons living with HIV/AIDS has the potential to lead to modest but impactful results in several challenging country environments. In the area of migration and trafficking, UNDP contributions have helped several countries to build the capacity of State institutions to combat trafficking in persons.

Finding 20. Notwithstanding the above-mentioned positive contributions, the UNDP inclusive and accountable institutions portfolio in middle-income countries is informed more by government demand rather than theories of change and diagnosis underlying country programme formulation. Potential political sensitivities and the dependence on government financing cause underrepresentation of some areas which are important for achievement of the Sustainable Development Goals.

50. The proportion of government cost sharing in the inclusive and accountable institutions portfolio in middle-income countries has remained high, ranging from 46 to 57 per cent between 2014 and 2019. Development services support is the most prevalent area in the top 12 government cost-sharing programmes in middle-income countries. This tends to overshadow UNDP policy and institutional advisory services and challenges the ability of UNDP to expand its value proposition beyond development services support.

Signature solution 4. Environment, nature-based solutions for development

Finding 21. UNDP work related to natural resource management, including forest and other habitat management and biodiversity conservation, has resulted in significant policy and regulatory changes in most regions. Further, natural resource management initiatives in all regions have engaged frequently with local communities, including some efforts at benefit-sharing and payment for ecosystem services to help keep them engaged. As a result, observable improvements in habitat quality and protected area coverage have been noted in most regions, contributing to Sustainable Development Goal 15 (life on land).

51. The long association of UNDP with GEF funding and facilitation of project implementation, as well as the long time frame of projects and their multipronged approach, covering institutional and policy development right down to on-the-ground

pilots and demonstrations, have allowed natural resource management initiatives in all regions to develop and produce results in a harmonized manner.

52. Monetization of the social and environmental benefits of proposed changes to natural resource management, as has been done in several countries, helps to clarify beneficiaries and benefits, thereby helping with the engagement of local communities. Other success factors include practical monitoring and enforcement systems (remote sensing and on-the-ground monitoring), in which local communities can be engaged, but these are cited less often.

Finding 22. There have been some successes with the development and implementation of sustainable financing mechanisms, notably in the Latin America and Caribbean and Europe and the Commonwealth of Independent States regions. However, sustainable financing continues to be a challenge, as it requires significant policy changes related to taxation, revenue collection capacities and monetization of environmental resources.

53. The sustainability of the natural resource management and conservation initiatives is dependent on full uptake and support in national and local government policies and regulations. Slow political acceptance and cumbersome bureaucracies have been perhaps among the biggest challenges to UNDP-supported changes in natural resource management and conservation initiatives, with financing concepts being articulated but difficult to implement. There are many examples of attempts with sustainable financing mechanisms for forest management and biodiversity conservation, often involving partnerships with banks and the private sector.

Finding 23. The UNDP work related to environmental management has mostly supported institutional development for more effective planning and improved environmental quality, as well as contributing to meeting international obligations related to hazardous chemicals such as mercury, polychlorinated biphenyl and ozone-depleting substances. These initiatives have tried to address specific local pollution or waste issues, and from the sample countries there are clear examples of collection and proper disposal of hazardous chemicals and waste, with elimination of attendant health issues.

54. UNDP-supported environmental management initiatives have been technically focused and less directly engaged with communities compared to natural resource management initiatives. Almost all interventions have been targeted on specific industries, locations and technologies, and this problem-solving focus has helped with successful environmental management and chemical controls. Institutional development related to environmental management, in particular environmental management information systems, has been more challenging than the technical problems.

Signature solution 5. Clean, affordable energy

Finding 24. UNDP has increased support for climate change and energy-related initiatives in the last six years, with significant assistance to the development of climate change mitigation and adaptation strategies and associated actions on energy efficiency and development of renewable energy options.

55. UNDP has supported more than half of the countries reviewed with their compliance reporting obligations related to climate change. In a few cases, there has been associated institutional development, sometimes with positive results. With UNDP support, several middle-income countries have successfully progressed to various options for climate financing, including tax code changes and emissions trading systems, that will help encourage and sustain climate mitigation measures.

UNDP has also supported initiatives in most regions that have leveraged energy efficiency and renewable energy approaches into urban green growth strategies, which will help with more expansive uptake of climate change mitigation approaches. UNDP has enabled numerous local-level climate adaptation initiatives, including climate-smart agriculture, water conservation and coastal adaptation and other kinds of climate-proofing.

Finding 25. The UNDP environment and energy programme has been mostly effective, especially in developing strategies, policies and associated regulations in the different subprogrammes and themes, and in experimenting with and therefore better understanding new partnerships and sustainable financing mechanisms, which are subsequently tested in pilots and demonstrations in middle-income countries in all regions.

56. UNDP has made a leading contribution to increasing the access of middle-income countries to vertical funds since 2008, serving as the main partner for engagements with the GEF Adaptation Fund and lately, the Green Climate Fund. Since 2008, UNDP has enabled 140 countries to access more than \$2.8 billion in GEF grant climate finance. With UNDP support, middle-income countries in Europe, Asia and parts of Latin America and the Caribbean have successfully progressed to various options for climate financing, including tax code changes and emissions trading systems, that will help to encourage and sustain climate mitigation measures. Through its Biodiversity Finance Initiative, UNDP helped ministries of finance and environment in 30 countries to design creative solutions to fill biodiversity finance gaps.

Finding 26. There is a strong link between the effectiveness of programme results under the environment and energy theme and the relevance of programmatic actions. Technical/technological innovations which can be applied and tested in demonstrations and pilot projects could play a key role in delivering results.

57. Within the GEF portfolios, the long participatory planning process and the multi-year nature of the projects (four to five years), as well as some effort in each of the steps in the development spectrum, have allowed UNDP to clarify needs and relevance and facilitate change at the outcome level in many countries (especially maintaining and expanding critical habitats and forest areas and implementing energy-efficiency options, with associated business cases and self-financing starting to be developed). UNDP has made considerable efforts to include innovative technical approaches in its environment and energy initiatives, such as in waste management, energy efficiency and monitoring wildlife. It has also included new approaches related to revenue collection and distribution to ensure the financial sustainability of the various initiatives.

Finding 27. The effective delivery of the UNDP environment and energy programmes has been frequently constrained by complex institutional contexts of national partners in middle-income countries.

58. Constrained government coordination in complex institutional scenarios or in remote areas, cumbersome bureaucracy, low absorptive capacity, staff turnover, lagging regulations, lack of political will and inadequate government funding have led to delays and negatively impacted programme implementation and results on the ground. Project design and planning at times overwhelm local capacity. The scaling-up of community issues is challenging due to local governance issues and the difficulty to embed new initiatives within routine government practice.

59. In order to strengthen the prospects for sustainability of results achieved, UNDP has invested a significant amount of time and resources in developing partnerships (especially with various government entities, local communities and the private

sector) from the design phase through to project implementation. Nonetheless, the sustainability of project partnerships in the eventual uptake of new initiatives (in the absence of ongoing projects) is still fragile.

Signature solution 6. Gender equality and women’s empowerment

Finding 28. The inclusive growth and inclusive and accountable institutions programmes have demonstrated greater gender mainstreaming efforts, contributing to the achievement of gender results in middle-income countries. However, in general, gender equality programming continues to experience challenges in priority setting and identifying transformative opportunities.

60. Gender equality is a strong feature of UNDP country programmes in middle-income countries and the evaluation noted gender results in several of the reviewed countries. However, UNDP contributions to gender equality and women’s empowerment are often constrained by both the external country context and internal gender-responsiveness of country offices, including resource constraints. Only 0.4 per cent of total expenditures in middle-income countries was registered for outcome 4 on gender equality and women’s empowerment in the Strategic Plan, 2014-2017. In the current plan cycle, the figure is 1 per cent.

61. The internal gender-responsiveness of country offices is often reflected in the formation of a gender team. Some country offices incorporated the Gender Seal programme as part of a restructuring exercise, facilitating a shift from a structural approach that revolved around self-contained focal areas to an issue-based approach that allowed for easier horizontal collaboration.

62. Country offices in middle-income countries often approached gender equality and women’s empowerment as a mandatory exercise to be reported against and less as a key programme result area. The continued practice of targeting women as beneficiaries as the main emphasis of gender-responsive programming detracts from mainstreaming efforts.

IV. Conclusions

Conclusion 1. Despite recognition of the heterogeneity among middle-income countries, UNDP has not established segmented approaches to programming strategies for middle-income countries. UNDP programmatic responses are undifferentiated, with country programmes exhibiting similar features across subgroups of middle-income countries.

63. There is no particular distinction between programmatic approaches in middle-income and other countries. At the same time, there is no articulation of the UNDP engagement strategy within the middle-income-country group, which takes into account the huge diversity within its various subgroups (small and large natural resource extraction-based economies, large emerging economies, long-term middle-income countries, recently transitioned middle-income countries, etc.). Over time, UNDP has gradually moved away from viewing middle-income countries as having a distinct development profile. The current UNDP approach to country typologies is essentially limited to the Strategic Plan’s differentiation of three development settings and offer of six integrated signature solutions which should be tailored based on each development setting.

Conclusion 2. The income-based approach to the allocation of regular resources has been a significant constraint for UNDP programming in middle-income countries, with the results acutely experienced in countries transitioning to middle-income status.

64. The transition to middle-income status has led to lower allocations of regular resources for UNDP country offices in middle-income countries. As countries attain middle-income status, official development assistance and concessional financing also decline, creating pressures of funding development from domestic resource mobilization. At the same time, not much has changed for these countries in terms of challenges, and integration into the global economy even introduces new risks. In these conditions, applying income classification as the prime criterion for cooperation and resource allocations for middle-income countries can be disadvantageous, given the existence or even amplification of the same challenges that least developed and low-income countries encounter.

Conclusion 3. The UNDP contributions to development results in middle-income countries show two distinctive features: policy and institutional support to integrated economic, social and environmental approaches increasingly linked to the 2030 Agenda for Sustainable Development; and an emphasis on inequality, vulnerability and exclusion as the key priorities in these efforts.

65. UNDP has helped to facilitate and support Governments of middle-income countries in formulating policies and action plans addressing structural impediments and access gaps for poor, marginalized and vulnerable groups, and advocated for attention to the root causes of poverty, inequality and exclusion when developing country programmes.

66. The UNDP flagship products, the Human Development Index and Multidimensional Poverty Index, have been strong entry points for poverty reduction policies and strategies in middle-income countries. These have been reinforced through comprehensive support for mainstreaming, implementing, monitoring and reporting on the Sustainable Development Goals, which has emerged as a flagship UNDP offering.

Conclusion 4. UNDP has demonstrated its adaptive ability in engaging in new thematic areas to stay relevant. Programming approaches around the 2030 Agenda, natural resource management, climate change and energy, financing for development and private sector engagement are the most evident examples of adaptation in middle-income countries, as well as a progressive positioning at subnational and local levels to support last-mile challenges.

67. Building on the development of a new package of support services around the Sustainable Development Goals, UNDP is supporting middle-income countries in mainstreaming, localizing, monitoring and reporting on the Goals. UNDP has also evolved a suite of development financing products and services specifically relevant to middle-income countries, including integrated national financing frameworks, development finance assessments, climate and biodiversity expenditure reviews, Tax Inspectors Without Borders, participation in the Secretary-General's Joint SDG Fund, etc. Another illustration of proactive adaptation by UNDP in middle-income countries has been the progressive shift to subnational institutional capacity development. This approach found resonance with Governments given the larger capacity gaps in regions lagging behind on development indicators.

68. The UNDP environment and energy programme continues to evolve, placing greater emphasis on green economies, value chains, innovation, access and affordability. The fact that Governments of middle-income countries continue to utilize UNDP despite having options for direct access to GEF funds is a recognition

in itself of the value proposition that UNDP offers to these Governments as an implementing partner for the GEF. The reliance of UNDP on vertical funding for its environment and energy programming poses a challenge for UNDP that will be amplified in middle-income countries where increasingly non-grant financing requires different financing instruments to deliver on the types of environment and energy initiatives required by countries and other donors.

69. UNDP has earned consistent appreciation for being an agile and responsive agency ready to undertake a diversity of requests and present alternative options using its international expert networks and global suite of knowledge products. Equally appreciated has been its flexibility to use regular resources as catalytic seed funding for initiatives with potential for scalability.

Conclusion 5. The UNDP engagement with the private sector has helped to attract private capital for development programmes. However, private sector partnerships can pose reputational risks that have not been adequately analysed.

70. The UNDP status as an intergovernmental development agency is a key advantage in partnering with private sector foundations on corporate social initiatives. However, the quality of implementation of field programmes for the private sector needs to deliver on the high expectations generated by the long-standing presence and track record of UNDP. UNDP engagements on responsible corporate citizenship and business ethics require high-calibre skills on the part of programme staff, which can be in short supply when offices are increasingly staffed by short-term recruits with little institutional grounding in UNDP. The Global Policy Network is an effort to counteract this problem, but is a recent initiative. In working with the private sector, UNDP is also subject to several commercial and compliance processes that may not recognize the usual exemptions applicable to an intergovernmental body and which create additional transaction costs that need to be incorporated in the business model.

V. Recommendations

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 financing strategies to assist newly classified middle-income countries.

71. 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.

Recommendation 2. 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.

72. 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.

73 Under the new United Nations resident coordinator system, with UNDP no longer responsible for United Nations country team coordination, UNDP has an excellent opportunity to redefine and promote its strategic advisory capabilities, including through Sustainable Development Goal integration and impact finance, as well as other cross-cutting areas such as climate finance and energy efficiency. UNDP should leverage its internal corporate knowledge networks effectively to respond to the diverse needs of middle-income countries, including the Global Policy Network and knowledge-sharing initiatives such as SparkBlue.

Recommendation 3. 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.

74. 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.

Recommendation 4. UNDP should consolidate and sustain the results achieved to date under the environment, natural resources management and climate change programmes in middle-income countries.

75. 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.

76. 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 also leverage its innovation agenda to come up with new business approaches to fully harness partnerships with the private sector and United Nations organizations that have financing instruments which UNDP could use in middle-income countries.

Recommendation 5. UNDP should establish clear corporate norms for implementing private sector initiatives in middle-income countries, including appropriate standards for programme staff and implementation processes.

77. 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.