

Multi-year funding framework: report on UNDP performance and results for 2004

Annex 2

Sources, measures and corroboration of data

1. The UNDP report on performance and results for 2004 (DP/2005/16)¹ – the MYFF report – builds on an agreement with the Executive Board that “reporting should provide Member States with factual analysis of the development effectiveness of UNDP activities and the institutional effectiveness of the organization” (decision 2004/1). In September 2004, the Executive Board favourably reviewed a full-scale ‘mock-up’ of future reporting which illustrated the structure, measures, sources of data and approach to analysis. The current report is wholly consistent with the approach laid out at that time.

A. Evolving approach to reporting

2. Previous results reports to the Executive Board took a centralized approach to analysis by headquarters-based staff members and depended on a single source of data, namely the results-oriented annual reports submitted by country offices, which were subject to limited verification by desk review conducted by a small group of analysts.

3. In contrast, the current report is the outcome of an approach to data analysis and verification that draws from the increasing sophistication and better understanding and internalization of results in UNDP. The main features of this evolving approach include:

(a) Decentralized assessment by country offices/regional programmes, situating the monitoring, measurement and articulation of results as close as possible to the programmes being assessed, and being done by the individuals most familiar with them. A major benefit of this approach is enhanced learning, and the opportunity this provides for continuous performance adjustment and improvement.

(b) Reflecting the integrated, and wider, scope of organizational results that this report covers, corporate analysis for the current report has been done by the relevant central service, e.g., the Bureau for Development Policy for analysis of substantive results by goal and service line, and the Bureau of Management for analysis of strategies for organizational effectiveness. It is expected that this mainstreaming of organizational assessment of results, using multiple sources to include more objective data and third party feedback, will yield its own payoff in terms of a better understanding, and improvement of, the factors underlying performance.

(c) Finally, arrangements for verification are becoming gradually mainstreamed into institutional mechanisms of oversight, in particular the periodic country office internal audits being conducted by the Office of Audit and Performance Review. Regional bureaux are also performing a crucial verification function

¹ The present document is to be read in conjunction with document DP/2005/16.

by scrutinizing draft results reports, and engaging in this context in a results-based dialogue with country/regional counterparts. These, it is expected, will allow the consistent application of a standards-based approach to results and performance management and will, in their own way provide incentives for the adoption of behaviors and practices that are consistent with effective results orientation.

B. Bedrock of the current report

4. Within this overall scheme, the bedrock of data upon which the report is based is the self-rated results reporting of country offices and regional programmes. Self-rating based on corporate parameters contained three components:

(a) The *outcome-level assessment of achievements* against annual targets, including a rating of achievements (selecting one of the following):

(i) Fully achieved (if the target was 100 per cent achieved);

(ii) Partially achieved (if there was more than 50 per cent substantive progress made towards the annual target but without the target being fully met), or

(iii) Not achieved (if there was less than 50 per cent substantive progress made towards the annual target)

Data from this part of country/regional programme results reports were aggregated into findings by practice, service line and region throughout the report, indicating performance against annual targets across the organization. The information was used in chapters 3 and 4 of the report, as well as in the service line annexes.

(b) The *outcome-level use of drivers of development effectiveness*, through which every country/regional programme was invited to provide a 'yes' or 'no' answer to a set of questions framed by UNDP policy advisors on each of the following six drivers:

(i) Developing national capacities;

(ii) Enhancing national ownership;

(iii) Advocating for and fostering an enabling policy environment;

(iv) Seeking South-South solutions;

(v) Promoting gender equality, and

(vi) Forging partnerships for results.

This was the first time that substantive guidance on crosscutting values has been systematically applied to assessing performance across the organization. The yes/no answers made it possible for UNDP to stratify findings in terms of importance given to each driver. Outcomes for which the answer was 'yes' to all questions for one driver were deemed to have a high relevance for that driver. For example, if a country or regional programme answered 'yes' to all the questions on promoting gender equality while pursuing an outcome in water governance, then work towards this outcome was interpreted as having a high emphasis on promoting gender equality. UNDP can therefore determine high, medium or low emphasis on drivers for each intended outcome within all service lines for all country and regional programmes.² This data was used for chapters 3 and 4 of the report, and for the service line annexes.

² The formula used to determine high, medium or low reliance for each driver is as follows: For developing national capacities and promoting gender equality, high = 4/4 questioned answered 'yes'; medium = 3/4 or 2/4, and low = 1/4 or 0/4. For enhancing national ownership, advocating for and fostering an enabling policy environment, seeking South-South solutions and forging partnerships for results, high = 2/2; medium = 1/2; and low = 0/2.

(c) The *programme-wide strategic outlook*, in which each office considered a set of questions on strategic focus, criticality, the role of UNDP in coordination and partnerships, and looking forward to the next year and beyond.

C. Approaches to verification

5. Verification of the accuracy and quality of self-rated results reports upon which the MYFF report is based comprises three elements. In the first instance, regional bureaux were, for the first time, engaged systematically to review, provide feedback on and clear country and regional programme results reports before they were included in the data set for MYFF report analysis. The regional bureaux were provided with a checklist containing a minimum set of issues on which they were requested to scrutinize draft results reports. The involvement of the regional bureaux helped improve the completeness of the results reports and brought a growing number of headquarters-based colleagues into results-oriented dialogue with their country and regional programme counterparts.

6. Second, reporting on results has become subject to independent verification through the expanded country office internal audits conducted by the Office of Audit and Performance Review. This mechanism, instated in 2002, provides a fact check on the data sources behind country and regional programme results reports, and assesses the quality of results-based programme management in the office. This means that both the report per se and the office-wide arrangements for managing for development results are subject to verification and assessment.

7. The purpose of this exercise, apart from providing actionable feedback to country offices on improving their results practices, is to augment the credibility of the MYFF reports by independently checking the accuracy of the self-assessment that underlies unit reporting. A brief summary of the conclusions of the expanded country office internal audits conducted over the past three years, in relation to the elements mentioned above, is provided in the next section of this annex.

8. Third, a further dimension of independent verification has been introduced into the MYFF report in the form of findings from the partnership survey. That process required some alignment between the categories of the partnership survey and the directions and strategies of the organization for 2004-2007. This has made it possible for UNDP to include feedback from partners on several aspects of organizational effectiveness, as reflected throughout the report.

D. Major conclusions from expanded country office internal audits, 2002-2004

9. As indicated above, UNDP country office audit methodologies were redesigned in 2002 to, inter alia, assess and provide information on results reporting and results-oriented management practices. In particular, a verification exercise was included as part of the internal audit to corroborate (or refute, as the case might be), the accuracy of the progress statements made by country offices in relation to output and outcome targets³. The audit

³ It should be noted that under the second MYFF 2004-2007, country offices are no longer required to report on achievement of targets at the output level. Reporting now focuses on *outcome-level* assessment of achievements against annual targets, as well as against the use of drivers of development effectiveness. The audit methodology is being adapted to reflect this change.

exercise was adjusted to review, and provide feedback on, the use of results orientation in strategic planning and country programming; programme and project management; partnership management; and staff and office management.

10. While the audit methodology is still being adjusted in the light of experience and the evolution of the MYFF itself, sufficient audit evidence has been collected in the past three years to permit meaningful analysis. Twenty-six country office audits in this period assessed and commented on results reporting and/or management practices, representing a significant sample and cross section of country offices from which to draw meaningful conclusions.

E. Verification of the accuracy of results reporting

11. As part of the internal audit exercise, country office auditors were asked to verify, partially verify, or refute the accuracy of output and outcome achievement statements made by country offices in their results-oriented annual reports. This was done using a review of evidentiary documentation submitted by country offices in support of their statements, supplemented, as required, by field visits. For the purposes of this report, a results statement is considered verified (i.e., made accurately) if it was fully or partially verified during the audit.

12. The accuracy of *output* statements was assessed in 19 country office audits. The average verification percentage, taking all these audits into account, was 90 per cent, indicating that most of the reporting was found to be accurate. Only 10 per cent of the output statements either could not be verified, or documentation in clear support of their veracity could not be made available. The rate of output verification within these 19 audits ranged from 71 per cent to 100 per cent, with 15 out of the 19 country offices having an output verification rate of 85 per cent or higher.

13. The accuracy of *outcome* statements was assessed in 12 country office audits. The average verification percentage, taking all these audits into account, was 84 per cent, indicating, again, a high accuracy rate in results reporting in relation to outcomes. The rate of outcome verification within these 12 audits ranged from 65 per cent to 100 per cent, with one outlier having a verification rate of 25 per cent. Nine out of the 12 country offices had an outcome verification rate of 85 per cent or higher. The relatively lower verification rate for outcomes as compared to outputs, though still high, could be a reflection of the fact that outcomes are at a higher level of the results chain, are less precise, and are more difficult to measure and articulate than are outputs.

14. Overall, the data from expanded audits provide some reassurance on the accuracy, credibility and veracity of results statements made in the country results oriented annual reports. For the future, it is hoped – and expected – that verification rates will further improve, as country offices and the organization as a whole become more proficient in formulating measurable, monitorable results targets, and as data collection and reporting mechanisms improve at the country programme level. As mentioned above, audit methodology is currently under review with a view to improving it as a tool to better capture country programme level results performance.

F. Results-based programme management

15. As discussed, the expanded country programme audit methodology aims at making a broad assessment of results-based programme practices and

processes, and providing feedback on the extent and quality of internalization of results orientation in the management of the programme. With the benefit of several years of experience in results management since the methodology was developed in 2002, UNDP is now updating the methodology. Some brief observations can be made, however, emerging from the 26 country office internal audits that provide the basis for this report. The observations are grouped around the following four broad areas: (i) Results-oriented strategic planning and country programming; (ii) Results-based programme and project management; (iii) Results-oriented partnerships; and (iv) Use of results-based approaches in overall management and staff management.

Results-oriented strategic planning and country programming.

16. Out of 23 internal audit reports assessing and commenting on this area, the picture that emerges is mixed. While almost all country offices have articulated a strategic results framework (SRF), in almost half the country offices the SRF is not being effectively used as a management tool to plan for and evaluate new programme proposals; to monitor and report on results at the country programme level; or to plan evaluations at the outcome level. In these country offices, the results framework appears to be seen more as an instrument for fulfilling headquarters reporting requirements than as an opportunity to focus and align resources to help achieve development goals. However, considering the relatively recent introduction of results planning in UNDP, it is encouraging that some country offices have progressed a long way in the management use of the SRF at the country programme level. In Senegal, for example, audit observations indicate that the SRF has been used effectively as a strategic management tool, both for internal work planning and for systematic monitoring of progress through periodic cluster meetings with key partners. Country offices in Mexico, Uruguay, Macedonia and Pakistan were among those where results orientation at the strategic planning level had been implemented effectively. More work needs to be done to identify the factors underlying some of the good practices that have been identified.

17. Internal audit findings indicate that country offices are increasingly using participatory approaches to define intended programme results, and formulating programmes to pursue them. More than half of all audit reports commented positively on this trend, a finding that is consistent with the broader conclusions of this report: UNDP is using partnerships more effectively and is becoming more outward oriented. However, it appears that the involvement of partners is much more widespread in the case of direct national counterparts and major donors. Country offices are finding it more difficult to engage civil society and non-state national partners, a finding that needs to be investigated further. The institution of 'theme groups' and outcome-centered consultative groups are examples of effective practices – in Pakistan, for example – in engaging partners in a participatory manner that might be used to guide efforts in other countries.

18. The majority of country offices that were audited demonstrated good results in focusing programming resources around a limited number of outcomes that were in line with national priorities, with only one country programme where the number of outcomes greatly exceeded corporate guidance. A strong corporate push towards focus and country relevance, combined with the increasing number of countries where country programmes derive from completed CCA/UNDAF exercises, appears to be a central factor here. These audit findings are consistent with the broader findings on focus, country relevance and criticality described in the main body of this report.

19. Among the other issues in this area that emerging from the audit reports that may have broad corporate implications is the conflict between the corporate objective of narrowing focus and that of mobilizing resources. Several country offices have found it difficult to sharpen strategic focus while at the same time responding to the varied opportunities for co-financing that reflect the varied broader interests and priorities of key donors. The crucial role of the regional centres and regional bureaux in supporting and backstopping results programming in country offices, and the need for training and capacity building at the country level on RBM concepts and methodologies, are other issues highlighted in several audit reports. These will be the subject of further review and analysis.

Results based programme and project management

20. All 26 audit reports that analyzed country office results practices have assessed and commented on this area.

21. With regard to project design and formulation, a key pattern that emerges is the good use of participatory approaches at the programme and project formulation stage. In almost all country offices, partners were involved at some level in the definition of programme and project result targets, as well as implementation arrangements. Here, once again, the involvement of national counterparts is more widespread than that of other partners, partly a reflection of the predominance of nationally executed programmes in the UNDP portfolio.

22. In general, the links between elements of the results chain, starting from the UNDAF/country programme outcomes down to project outputs, appear to be better articulated. While causal relationships in the chain may still be tenuous in many cases, there appears to be a clear conceptual appreciation of the importance of the results chain. Audit findings in this area, once again, clearly point to a need for greater training and capacity building of country office (and headquarters) staff in results methodologies. One interesting pattern to emerge from the audit reports is a noticeable decrease, in many countries, in the number of projects supported by UNDP – presumably a by-product of the emphasis on greater programme focus.

22. The audit findings on results-based monitoring and evaluation of programmes and projects reveal that in eight of the 26 country offices audited, the transition to results-oriented monitoring and evaluation practices has not yet been completed, despite the introduction of new procedures. It will, however, take time for deeply ingrained monitoring practices to be changed, and this will depend to a great extent on the approval of new projects that incorporate results targets using the new approach.

23. A significant finding emerging from the audit reports is that, while financial monitoring at the country office level is considered satisfactory, substantive monitoring is generally weak. In general, there needs to be greater discipline and regularity in carrying out project monitoring visits, holding annual project reviews, and documenting the findings and outcomes of these mechanisms.

24. Notwithstanding the above, some good practices can be gleaned from the audit observations. For example, Mexico has developed a project management and monitoring system that has resulted in effective project management for results, and that may well serve to inform corporate practice. Bangladesh, for

its par, has introduced a quarterly project management performance scorecard, allowing periodic assessment of progress in project implementation.

Results oriented partnerships

25. At the heart of the audit review of partnerships at the country level lies the question of whether outcome-centred partnerships have been integrated into country office results planning, and what strategies and mechanisms have been implemented to achieve this.

26. The extent and quality of partnership development has been commented on elsewhere in this annex and in the main body of the MYFF report. The generally positive findings on the increasing use of partnerships by UNDP is confirmed in the direct comments on the subject in the 26 internal audit reports reviewed. Auditors rated 85 per cent of these country offices as doing well on development partnerships in general. Another indication of this is the fact that the CCA/UNDAF process was assessed as being carried out well in most of the country offices that had undergone that exercise.

27. While the importance of partnering in order to achieve development results appears to be better appreciated than previously, this does not yet seem to be reflected in written, well-thought-out partnership strategies. Few country offices have carried out partnership surveys systematically (only eight of the 26 country offices audited had done so), and only three country offices – Chile, Mexico and Uruguay – have a documented partnership strategy.

28. Several country offices have been proactive in establishing partner forums centred on outcomes, and several good examples of lessons learned have begun to emerge. The ‘Never Alone’ initiative in Bulgaria; the ‘Tuesday Group’ of European Union ambassadors in Bangladesh; the ‘marathon’ convening all national counterparts together to discuss programme issues in Cuba; the round table in Laos; and the public-private partnership initiatives in Russia are just a few examples that can be cited.

29. An important factor that has been mentioned in audit findings as being critical to country office success in partnership building is the support and intervention of the regional bureaux and BRSP in facilitating contacts and communication with key donors.

Use of results-based approaches in overall management and staff management

30. Observations on the use of a results-based approach in overall management, including staff management, were made for all 26 country offices audited. Over half of the sample reviewed commented positively on the use of results orientation in management strategies and the use of the management results framework (MRF) as a management tool. It was noted that MRFs were generally prepared with corporate guidance together with a country office work plan closely linked to the strategic results framework (SRF). The results orientation is reflected in strategic plans derived from the SRF. Operational support was provided in Chile, Cuba, Turkey, Uruguay and Venezuela to facilitate the establishment, execution and ongoing monitoring of the annual work plan.

31. Twelve of the 26 country offices in the sample did not integrate results orientation satisfactorily in their management strategies. In some cases a country office work plan was not developed, the work plan did not include links to priorities formulated in the SRF and the MRF, or a self-assessment of performance indicators in the MRF was not or was only partially performed by

the country office. The lack of an annual management work plan, established self-assessment mechanisms and targets and indicators leaves little scope for sustainable integration of a results-based approach. Eritrea is cited as a 'best practice' country in this regard. The country office's results-based work plan is derived from the CCF expected results; key outputs for the year are logically related to the SRF/MRF outputs; and the main activities required for outputs – a time frame, primary and secondary responsibility and support required – are delineated. An action plan for change was created, monitored by a task force.

32. Forty per cent of audit reports make observations about the use of a results-based approach in staff appraisal and development, including Belarus, Bulgaria, Iran, Mexico, Moldova and Zimbabwe. The majority of audit reports, including those mentioned, commented on country office learning practices being derived from staff learning needs, as identified through the RCA process. In some cases, however, the learning plan was not linked to the strategic goals of the country office or to its annual work plan (e.g., Croatia and Ecuador). The Pakistan country office established a reward and recognition policy to complement the performance assessment done through the RCA, cited by the audit team as a 'best practice'. In certain cases (e.g., Eritrea, Moldova and Zimbabwe), a comprehensive annual work plan was derived from the management plan and was regularly monitored and updated. The latter should contribute to the annual performance assessment of staff, serving as a benchmark for staff performance.

33. The main recommendations contained in the sample of audit reports reviewed refer to the establishment, strengthening or revision of country office work planning instruments. Specific recommendations include the development of a management plan that permits regular evaluation of performance. The relationship between the learning plan, the RCA and overall strategy needs to be emphasized. In some cases, performance assessment needs to be strengthened and aligned to the achievement of results.
