

## Multilateral Aid Review: Assessment of the United Nations Industrial Development Organisation

### Summary

Organisation: **United Nations Industrial Development Organisation** Date: February 2011

### Description of Organisation

UNIDO is a specialised agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalisation and environmental sustainability. It provides technical support to member states. It has 173 member states with representation in 44 countries.

UNIDO's mandate aims to promote adherence to international environmental and social standards and norms that are required by international trading markets. It assists developing countries to meet these standards. Normative activities are complemented by programmes that aim to reduce poverty through development of sustainable industrial activities. Inclusive globalization and environmental sustainability are priority focus areas, with UNIDO acting as a global forum to generate and disseminate industry-related knowledge. UNIDO's comparative advantage is its assistance to Small and Medium Enterprises (SMEs), which account for a substantial proportion of Gross National Index (GNI) in Least Developed Countries (LDCs) and Middle Income Countries (MICs).

The UNIDO governing body comprises a General Conference (173 Member States), Industrial Development Board (53 Member States) and a Programme and Budget Committee (27 Member States). The UK is represented in all bodies.

UNIDO has worked within a zero real growth (ZRG) budget framework since 2006. The total budget is €375 million, €179 million in assessed contributions and €196 million in voluntary contributions. In 2010/11 the three main areas of UNIDO's work are poverty reduction through productive activities (e.g. entrepreneurship for women), trade capacity building, and environment and energy. DFID pays the UK's annual assessed contribution to UNIDO. In 2010/11 (UK financial year) this amounted to £6.5million, which is reported as 100% Overseas Development Assistance (ODA).

UNIDO is currently working on a change management project aimed at improving the effectiveness of the organisation. The project aims to help UNIDO meet the demand for its services, improve the quality of project implementation and enhance its focus on results and impact. These objectives comply with donor calls for improvements over the past few years and should deliver improved links between its headquarters (HQ) and field operations.

DFID has had very limited engagement with UNIDO for several years. The UK Mission in Vienna works to promote UK policy priorities such as results based management and value for money. DFID has not provided voluntary



<p>share knowledge.</p> <ul style="list-style-type: none"> <li>– It is not yet clear how attempts to strengthen gender awareness in the organisation are contributing to gender equality results.</li> <li>– No evidence was found that gender is fully considered as part of project design, implementation, monitoring and evaluation.</li> <li>= While UNIDO is taking steps to improve gender mainstreaming, we have not yet seen the impact of the 2009 gender policy.</li> </ul> <p><b>2c. Climate Change</b></p> <ul style="list-style-type: none"> <li>+ UNIDO assesses the environmental impact of its projects.</li> <li>+ Energy efficiency targets are in place at HQ, with some evidence of progress.</li> <li>– We could find no evidence of a climate change or environment strategy in place that guides UNIDO’s approach to project selection.</li> <li>= UNIDO lacks a clear environment strategy setting out its objectives and clarifying the extent of its mandate.</li> </ul>	<p><b>Weak (2)</b></p>
<p><b>3. Focus on Poor Countries</b></p> <ul style="list-style-type: none"> <li>– Scores for the UN specialised agencies (UNIDO, UNESCO, WHO and ILO) with the exception of FAO are obtained by using a breakdown by country for all specialised agency expenditure. As a group they spend 43% of their resources in the countries in the top quartile of an index that scores developing countries based on their poverty need and effectiveness (the strength of the country’s institutions). This is low compared with most of the other multilaterals assessed by this index.</li> <li>– In addition they spend significant resources in middle income countries with low absolute poverty numbers including upper middle income countries.</li> </ul>	<p><b>Weak (2)</b></p>
<p><b>4. Contribution to Results</b></p> <ul style="list-style-type: none"> <li>+ UNIDO’s Change Management Programme is leading to improvements in results reporting, including at country level. There are some good examples of delivery at country level.</li> <li>– UNIDO’s lack of a systematic approach to results-based management (RBM) and the fact that not all projects have results frameworks means that it struggles to demonstrate delivery against its objectives in a comprehensive way.</li> <li>= While there are some good examples of country-level delivery UNIDO does not provide a compelling picture</li> </ul>	<p><b>Weak (2)</b></p>

of its contribution to results.	
<b>Organisational Strengths</b>	<b>Score (1-4)</b>
<p><b>5. Strategic and Performance Management</b></p> <ul style="list-style-type: none"> <li>+ UNIDO has a clear mandate and generally effective governance structures.</li> <li>+ It has an independent Evaluation Unit.</li> <li>+ Human Resources (HR) processes are transparent and fair.</li> <li>+ The Director General (DG) is regarded as an effective, competent leader.</li> <li>– UNIDO’s results framework and results-based management are weak.</li> <li>– Follow up to evaluation and Joint Inspection Unit reports is weak.</li> <li>= While plans are in place to improve results based management (RBM), strategic and performance management remain weak.</li> </ul>	<b>Weak (2)</b>
<p><b>6. Financial Resources Management</b></p> <ul style="list-style-type: none"> <li>+ The policies and processes in place for financial accountability are generally good.</li> <li>+ There is evidence of flexibility in funding mechanisms that allow for funding predictability and meeting unexpected demands.</li> <li>– There is no clear system or criteria used to allocate aid amongst competing priorities.</li> <li>– No evidence was found that UNIDO has a system in place to identify and manage poorly performing projects.</li> <li>– The latest external audit report found that UNIDO could be more effective in managing funding risks.</li> <li>= Although there are elements of good practice, the areas of weakness are significant.</li> </ul>	<b>Weak (2)</b>
<p><b>7. Cost and Value Consciousness</b></p> <ul style="list-style-type: none"> <li>+ Evidence from country visits and other evaluations shows keen control of staff overheads and programme costs.</li> <li>+ Procurement policy is regularly updated, with cost savings and value for money (vfm) approaches built into procurement practice.</li> <li>+ There is good evidence that cost effectiveness is an important factor for UNIDO in deciding on investments at project level.</li> <li>+ The governing body challenges management on vfm issues.</li> <li>+ Implementation of the intranet-based procurement system will further improve efficiency and cost</li> </ul>	<b>Satisfactory (3)</b>

<p>effectiveness of the procurement process.</p> <ul style="list-style-type: none"> <li>- There is limited evidence that UNIDO supports partners to think about vfm.</li> <li>= Evidence from country visits and evaluations provided good evidence of cost management issues being prioritised. Procurement processes are clear and updated regularly, with an emphasis on cost control. UNIDO generally has a good track record in this area.</li> </ul>	
<p><b>8. Partnership Behaviour</b></p> <ul style="list-style-type: none"> <li>+ UNIDO works well with governments at various levels and with the private sector.</li> <li>+ It has a good reputation in the UN system as a partner.</li> <li>+ There is evidence of good beneficiary engagement.</li> <li>- There is limited evidence of how UNIDO applies a country-led approach or the extent to which UNIDO systematically uses partner country financial management systems or country procurement systems.</li> <li>= The evidence points to UNIDO performing well on partnerships, especially with governments, SMEs and the UN – its key stakeholders.</li> </ul>	<p><b>Satisfactory (3)</b></p>
<p><b>9. Transparency and Accountability</b></p> <ul style="list-style-type: none"> <li>+ There is good representation of member states within a governance structure that is regarded as being effective and pragmatic.</li> <li>+ A mechanism is in place for Member States to lodge complaints.</li> <li>+ Senior management responds quickly and willingly to requests for more details on projects when asked.</li> <li>- No evidence could be found of a specific disclosure policy or that UNIDO publishes key project information.</li> <li>- No evidence could be found to show how complaints were followed up on and resolved.</li> <li>- We could also find no evidence to show how UNIDO encourages transparency and accountability in delivery partners' recipients.</li> <li>= Accountability is satisfactory, but transparency is weak.</li> </ul>	<p><b>Weak (2)</b></p>
<p><b>Likelihood of Positive Change</b></p>	<p><b>Score (1-4)</b></p>
<p><b>10. Likelihood of Positive Change</b></p> <ul style="list-style-type: none"> <li>+ UNIDO has shown a positive attitude to reform in key areas, especially in terms of clarifying its mandate and driving forward improvements in how the organisation reports on results.</li> <li>+ The DG is regarded as an effective and strong leader, is responsive to the governing body's concerns, and has the confidence of the governing body.</li> </ul>	<p><b>Uncertain (2)</b></p>

<ul style="list-style-type: none"><li>+ UNIDO has a good track record at the country level of cost control.</li><li>– The UK’s ability to influence the pace and scope of reform in UNIDO is limited.</li><li>– There is little or no evidence that UNIDO could expand either the scale or scope of its activities to an extent that could make a critical contribution to UK development objectives.</li><li>= There are good grounds to expect that UNIDO’s change management programme, supported by a pragmatic governing body, will improve its performance in some areas this review has highlighted, for example better results management. But there is no reason to believe that its contribution to the UK’s development objectives could become critical, or even significant.</li></ul>	
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