

MOPAN  
2019 ASSESSMENTS

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**Organisational Performance Brief**  
**United Nations Industrial  
Development Organization  
(UNIDO)**

# UNIDO's performance at a glance

UNIDO is facing a decisive moment. Over the past two decades, the organisation has been through a period of significant change. Yet UNIDO has been slow to react and has only recently focused on undertaking structural and organisational reforms. It has become a challenge for UNIDO to retain both its normative and development co-operation roles. Pertinent concerns remain over the organisation's operating model and whether UNIDO is fit to meet the challenges of the future.

This assessment finds that UNIDO has made limited progress since the 2017 Joint Inspection Unit report and that its areas of strengths and weaknesses remain largely the same.

UNIDO's strengths continue to be its highly valued technical expertise and its effective collaboration with a large range of stakeholders to build engagement. The inauguration of the Programme for Country Partnership model is a further positive step in this area. The assessment also recognises members' strong endorsement of UNIDO's future vision to promote Inclusive and Sustainable Industrial Development (ISID). UNIDO's recent improvements such as the increased use of technology to make its processes more efficient, the 2018 update of the evaluation policy and handbook, and the 2019 revisions to the Integrated Results and Performance Framework set a positive signal that the organisation is eager to improve.

However, several challenges restrict UNIDO's delivery capacity. The assessment finds that UNIDO would benefit from more clarity on how the organisation intends to live up to its normative role and objectives in light of its strong prioritisation of project work. The continued reduction in the regular budget limits UNIDO's normative capacity. Its strong focus on winning and managing individual projects and the resulting dependency on earmarked funding makes it challenging for UNIDO to maintain both its normative and project implementation roles. Structurally, UNIDO has a stated commitment to Results-based management (RBM), yet its implementation remains somewhat limited. More effort will be needed to clearly prioritise resources and activities to deliver organisational priorities. UNIDO's decision-making remains highly centralised, which is found to limit UNIDO's agility and responsiveness in the field.

The assessment finds that recent reform efforts are a step in the right direction but will also require the support of member states to succeed. The inauguration of a new theory of change and results framework in 2019 can help accelerate the organisation's transformation as it embarks upon a new institutional journey. For the time being, it is in many areas still too early to see the tangible results of recent reforms.

## UNIDO KEY FACTS

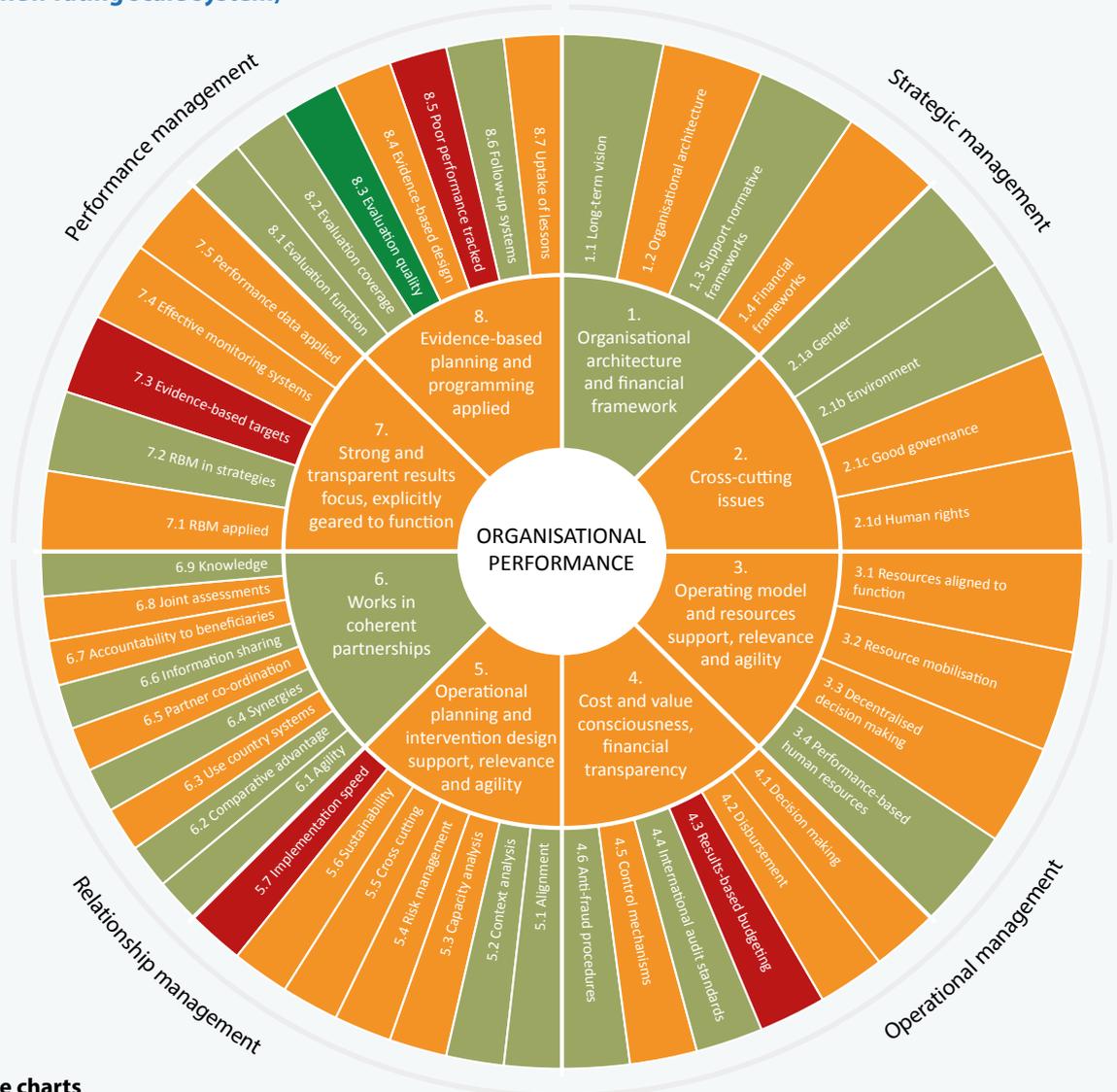
**MISSION AND MANDATE:** Created in 1966, UNIDO is a specialised agency of the United Nations that promotes industrial development in order to achieve poverty reduction, inclusive globalisation and environmental sustainability. Its mission is to encourage and accelerate inclusive and sustainable industrial development for its member states. It is the sole multilateral organisation mandated to pursue ISID.

**GOVERNANCE:** UNIDO has two policy-making organs: the General Conference and the Industrial Development Board. The General Conference consists of all 168 UNIDO members and determines the organisation's programme of work and budget (PWB), adopts its Medium-Term Programme Framework and appoints the UNIDO Director General. The General Conference elects 53 members to be on the Industrial Development Board, which reviews the implementation of the PWB and provides advice and recommendations. The Board meets once a year and is supported by a 27-member subsidiary called the Programme and Budget Committee.

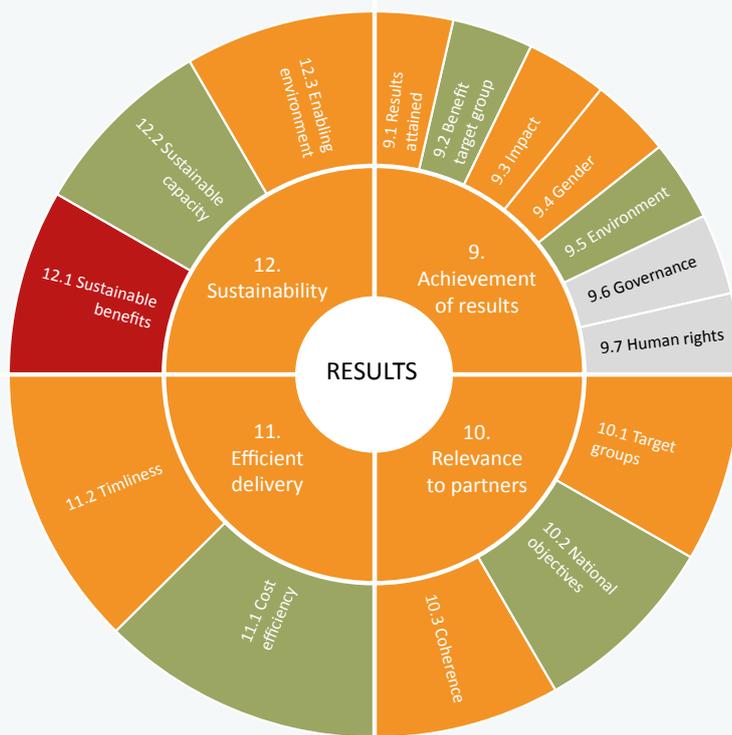
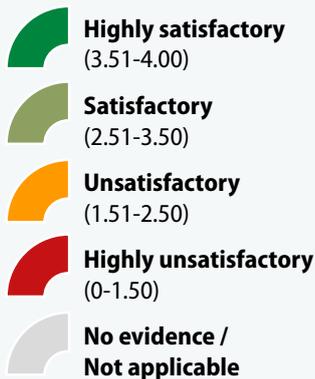
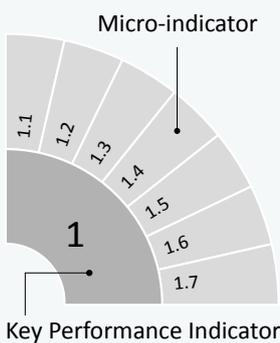
**STRUCTURE:** UNIDO has its headquarters in Vienna, which is where the UNIDO Secretariat resides, and liaison offices in Brussels, Geneva and New York. UNIDO covers five geographical regions with a field network encompassing 5 Regional Hubs, 4 Regional Offices, 39 Country Offices and a presence in 101 countries. UNIDO possesses approximately 666 permanent staff and 1 462 temporary employees as of November 2019.

**FINANCE:** UNIDO's budget for 2018/19 was EUR 516.8 million. This consisted of EUR 136.7 million from the net regular budget and extra budgetary contributions of EUR 380.1 million. Nearly all of the extra-budgetary contributions are earmarked. The biggest extra-budgetary contributors are the Global Environment Facility (31%), the Montreal Protocol (14%) and the European Union (10%). UNIDO has also worked to diversify its financial base: It has signed agreements with the African Development Bank and the World Bank to increase the provision of UNIDO expertise on affiliated projects and signed a readiness framework agreement with the Green Climate Fund in 2018.

**PERFORMANCE RATING SUMMARY FOR UNIDO**  
**(MOPAN 3.0\* – new rating scale system)**



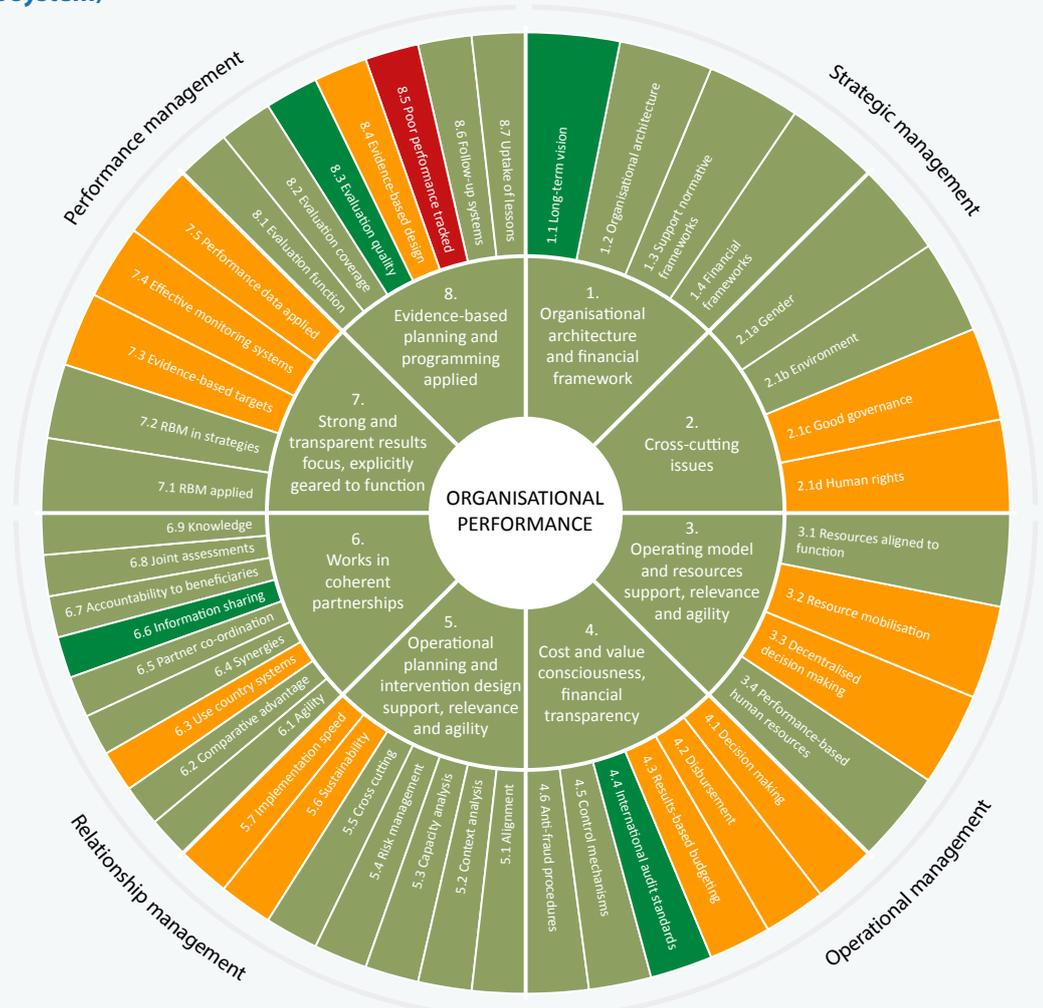
**How to read these charts**



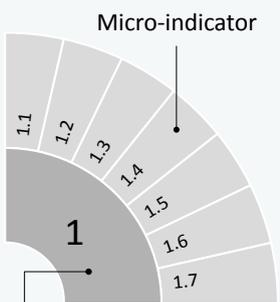
**PERFORMANCE RATING SUMMARY FOR UNIDO  
(MOPAN 3.0 – old rating scale system)**

**Changes to MOPAN rating system  
(MOPAN 3.0\* scales)**

The 2019 Assessment Cycle under MOPAN 3.0\* includes a notable change on how ratings (and their corresponding colours) are applied based on the scores at MI and KPI level. Compared to previous cycles, the threshold for a rating has been raised to reflect the increasing demands for organisational performance in the multilateral system. The underlying scores and approach to scoring are unaffected. Further information can be found in the MOPAN 3.0\* methodology manual.



**How to read these charts**



-  **Highly satisfactory**  
(3.01-4.00)
-  **Satisfactory**  
(2.01-3.00)
-  **Unsatisfactory**  
(1.01-2.00)
-  **Highly unsatisfactory**  
(0-1.00)
-  **No evidence / Not applicable**



## Key findings

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**UNIDO's strategic plan sets out a long-term vision for inclusive and sustainable industrial development (ISID), a concept that enjoys solid support among member states.** The Lima Declaration, adopted by UNIDO's General Conference in 2013, is a strong endorsement of UNIDO's role. The 2018-21 Medium-Term Programme Framework (MTPF) has further strengthened UNIDO's strategic direction. It is centred on the 2030 Agenda for Sustainable Development, which recognises ISID as a major driver for achieving Sustainable Development Goal 9, and it commits the organisation to "Leaving No One Behind". The MTPF focuses UNIDO's programmes on four priorities: advancing economic competitiveness, creating shared prosperity, safeguarding the environment, and strengthening knowledge and institutions.

**UNIDO has successfully begun pursuing a transformative agenda that sets a promising direction for the organisation's future.** Recognising the need to reform, UNIDO has made continuous improvements over the last years. It revised its gender strategy, updated its evaluation policy and handbook, restructured the Secretariat and its field presence, revised its Integrated Results and Performance Framework (IRPF) and the organisational theory of change, and introduced a new Quality Assessment Framework. UNIDO used the run-up phase to the MOPAN assessment as an occasion to push forward with such reforms, which had lost steam. These changes are a positive signal that the organisation is eager to improve.

UNIDO has strong technical expertise, relevant experience and pertinent knowledge. Stakeholders appreciate UNIDO's technical expertise, particularly in areas that are fundamental to the development of low-income and least developed countries. These include agricultural business, off-grid renewable energy and environmentally-friendly production technologies. Recurrent demand and positive feedback from country partners and donors regarding UNIDO's knowledge and experience prove that such expertise is among UNIDO's key comparative advantages.

**UNIDO has successfully collaborated with a large range of stakeholders to build engagement.** UNIDO's operational model is based on collaboration, which the organisation does effectively. Partners value both UNIDO's experience in accessing bilateral and private sector finance and its positive engagement with other multilateral organisations on joint programmes. UNIDO also excels at providing tailored advice and niche solutions. This is praised by its members and has allowed the organisation to generate deep and long-standing relationships with its partners.

**UNIDO's development of the Programme for Country Partnership (PCP) model is a positive step towards strategic partnerships.** It aims to assist countries to develop a stronger vision of industrial development, improve partner co-ordination, and strengthen its relations within the highest levels of government. The flagship PCP model provides a potentially effective way to promote UNIDO's organisational coherence and bring sustainable change at country level; its explicit intent is to focus on scaling up resources and impact through a bottom-up approach so that UNIDO can work at scale. The PCP will require adequate staffing and resourcing as well as sufficient time to deliver its full offering. Finally, evaluation quality is strong. This is an area where UNIDO has made significant progress. The 2015-18 synthesis of evaluations found that quality improved. Recent evaluations present evidence, findings and conclusions in a balanced way and draw out appropriate conclusions. The introduction of the evaluation manual and policy in 2018 will help to further strengthen evaluation quality and to place the evaluation function more clearly and centrally within the organisation.

**However, UNIDO faces a number of challenges. These prevent the organisation from potentially playing a leading role in the multilateral system and from maximising its impact.**

**In this sense, UNIDO would benefit from clarifying its normative role and objectives.** The Lima Declaration and the 2030 Agenda offer ample opportunities for UNIDO to develop a strong normative role. Normative functions and standards-related activities indeed feature among the organisation's four declared core functions. The MPTF makes several references to normative work, including the new strategic objective on knowledge strengthening, introduced in 2018. The organisation's role in relation to promoting global norms and its objectives in doing so are, however, not yet clearly prioritised or articulated. This lack of clear direction, combined with significant funding challenges, has resulted in a prioritisation of project implementation over its normative functions.

**UNIDO does not have clarity on its future strategy.** UNIDO's strategic ambition is set out in its 2018-21 theory of change, which states the overall aim to contribute to ISID and to the Sustainable Development Goals. However, a lack of clear articulation of UNIDO's normative and development roles, and of its results for ISID, has left UNIDO being unable to strike a clear balance between its roles as a normative and a development organisation and reduces the organisation's scope for contributing to ISID. The organisation would gain from assessing whether it needs to rebalance its ambitions, aims and organisational resources with its mandate. Lack of a strategy for the future means there are unresolved questions regarding the nature, composition and deployment of resources within UNIDO, which need to be addressed.

**The continued reduction in the net regular budget and increased dependency on earmarked funding severely restrict UNIDO's ability to chart its own course to deliver its strategic vision.** Since 2013, UNIDO has seen a reduction in its net regular budget of 13% and has had to deal with volatile funding. This has made the organisation reliant on extra-budgetary funds, which outmatched the regular budget three-fold and of which 97% were earmarked (2017). Although member states have mandated UNIDO to play both a technical co-operation/project implementation role and a normative and knowledge function, earmarked project funding is made available primarily for technical co-operation, but only rarely for normative functions. With this, UNIDO's key normative, knowledge-strengthening

and policy analysis functions are under-resourced. UNIDO's strong focus on winning and managing individual projects further diminished the extent to which strategic normative objectives are pursued. These factors have resulted in UNIDO losing authority over its activities and not being able to reach its targets. While these challenges are somewhat out of the organisation's control, UNIDO needs to consider how to prioritise activities around the reduced net regular budget in order to achieve its goals.

**UNIDO has stated its commitment to results-based management (RBM), yet more effort will be needed to close the gap between ambition and practice.** UNIDO has yet to fully internalise RBM as an overall orientation for all its activities and resources. For the time being, governance documents, audits and evaluations point to limited implementation. This partly stems from the fact that the IRPF is not yet well-developed, and a results chain from field to headquarters is yet to be established. A move to RBM is heralded by the 2019 revised IRPF, boding for a clearer and more consistent results reporting in the future. The most recent Programme and Budget 2020-21 also sets out the intent to align resources to results. Until RBM is fully internalised, the extent to which resources and activities are clearly prioritised to meet the organisation's objectives will remain limited.

**The high level of headquarters' centralisation of decisions affects UNIDO's efficiency, effectiveness and relevance at country and regional levels.**

Decision-making is largely centralised at headquarters and relies heavily on the "Executive Board". While centralised management offers the chance of reaping economies of scale and scope, it limits the agility, relevance and responsiveness of UNIDO in the field. Unclear accountability and a certain lack of transparency remain practical challenges to clear delegation of authority and prompt decision-making at different levels. The contribution of country offices, which represent a significant investment, is not systematically structured to deliver strategic results. Centralised decision-making has also led to important delays in implementing projects, which partners have widely cited as a challenge. Delays have negatively affected project quality and effectiveness, while also posing a risk to the organisation's reputation.

**UNIDO does not have the necessary risk management processes in place.** A standard approach or documentation for risk analysis, mitigation and reporting has yet to be defined, and the organisation has yet to clarify how much appetite it has for risk and define risk mitigation approaches. Weak risk identification and assessment expose UNIDO to reputational, organisational and political risks.

**Since 2017, UNIDO has taken steps to develop organisational risk management, but progress has been slow.**

**Challenges remain in articulating and addressing cross-cutting priorities such as governance and human rights.** While the organisation has made progress in integrating gender equality and environmental sustainability into its operations, the intended alignment of UNIDO's work with good governance and human rights (as understood by UNIDO) is not clearly articulated. This is reflected in the absence of policies, in weaknesses in project design and implementation, in results frameworks and in the lack of demonstrable achievements in these areas. The new IRPF introduces a revised framework for assessing ISID which may enable a clearer approach in future.

#### **Main strengths identified in the MOPAN 2019 assessment of UNIDO**

- UNIDO's vision of ISID enjoys strong support among member states in line with its mandate for industrialisation.
- UNIDO has strong technical expertise, relevant experience and pertinent knowledge.
- UNIDO's leadership has displayed openness to improvement even in the face of an adverse resource situation and has introduced, for example, the 2019 revised theory of change and IRPF as well as other system improvements.
- UNIDO has successfully collaborated with a large range of stakeholders to build engagement.
- UNIDO's development of the Programme for Country Partnership model indicates a positive step towards strategic partnership working to promote coherence and sustainable change at country level.
- Evaluation quality is strong, and the 2018 Evaluation Policy and manual strengthen it further.

#### **Main areas for improvement identified in the MOPAN 2019 assessment of UNIDO**

- UNIDO does not yet have sufficient clarity on its normative role and objectives.
- The continued reduction in the regular budget and increased dependency on earmarked funding poses a challenge to UNIDO's maintaining both its normative and project implementation roles.
- Results-based management for the organisation is not yet fully implemented, and the results-based management culture remains to be established.
- Delays in project implementation are a continuing challenge to efficiency and effectiveness.
- The high level of HQ centralisation of decisions affects UNIDO's efficiency, effectiveness and relevance at country and regional levels.
- UNIDO does not have the necessary risk management processes in place; since 2017, it has taken steps to develop organisational risk management, but progress has been slow.
- Challenges remain in articulating and addressing cross-cutting priorities, such as governance and human rights.

## About this assessment

The Multilateral Organisation Performance Assessment Network (MOPAN) is a network of 19 countries<sup>1</sup> that share a common interest in assessing the effectiveness of the major multilateral organisations they fund, including UN agencies, international financial institutions and global funds.

The Network generates, collects, analyses and presents relevant and credible information on the organisational and development effectiveness of the organisations it assesses. This knowledge base is intended to contribute to organisational learning within and among the organisations, their direct clients and partners, and other stakeholders. Network members use the reports for their own accountability needs and as a source of input for strategic decision-making.

The MOPAN 3.0\* methodology employed in this assessment uses a framework of 12 key performance indicators (KPIs) and associated micro-indicators (MIs). It comprises standards that characterise an effective multilateral organisation. As part of MOPAN's efforts to ensure its assessments remain relevant to stakeholders and aligned to international best practice, the MOPAN methodology is continuously evolving. The methodology used in the 2019 Assessment Cycle includes two notable changes from the previous iteration. The first is that the threshold for the ratings (and their corresponding colours) applied has been raised to reflect the increasing demands for organisational performance in the multilateral system. The underlying scores and approach to scoring are unaffected.

The second is greater flexibility in the selection of partners and geographies for the survey line of evidence. This approach allows for a more relevant sampling of organisations' external partners and geographic coverage. More detail are available in MOPAN's methodology manual 3.0\*<sup>2</sup>

This was the first MOPAN assessment of UNIDO. It was championed by the Republic of Korea on behalf of the Network. The assessment addresses organisational systems, practices and behaviours, as well as results achieved during the period 2017 to mid-2019. It relies on three lines of evidence: a document review, interviews with staff at both headquarter-level and country/regional-level, and an online partner survey.<sup>3</sup>

The assessment covers UNIDO's headquarters and regional and country presence.

### MOPAN's evidence lines for UNIDO

- Review of 90 documents
- 66 headquarter-level and 14 country/regional-level employee interviews
- 181 partner survey results across 10 countries

This brief accompanies the full assessment which can be found on MOPAN's website at [www.mopanonline.org](http://www.mopanonline.org). UNIDO's management response will be made available on that website as well.

### Organisations assessed by MOPAN in 2019:

- CGIAR
- UNCTAD
- UNODC
- MLF
- UNIDO

1: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, the United Arab Emirates, the United Kingdom and the United States.

2: Available at [www.mopanonline.org/ourwork/2019assessmentcycle/](http://www.mopanonline.org/ourwork/2019assessmentcycle/)

3: The online survey was conducted among partners of UNIDO from ten countries; four from a list surveyed for the MOPAN cycle 2019 (Ghana, Mexico, Egypt and Lebanon); and six countries targeted by UNIDO activities (Bangladesh, Cambodia, Ethiopia, Mozambique, Senegal and Uruguay).