

Note by the UNIDO Secretariat

## Response to the 2015 Multilateral Review

### by the Ministry of Foreign Affairs of the Netherlands

---

*This response presents the major concerns of UNIDO with regard to the validity of the “scorecard” of the Organization resulting from the 2015 Multilateral Review, in view of the **outdated, incomplete, incorrect or wrongly interpreted information** taken as the basis for the assessment of the Organization in this important exercise.*

*The Dutch assessment is based on two sets of criteria:*

- (i) Organizational effectiveness and*
- (ii) Relevance for the Dutch policy in the areas of aid, trade and investment.*

*This response will address each item under these two sets of criteria separately, in the order in which they are presented in the original assessment.*

#### **I. Organizational Effectiveness**

##### **1. Strategy and focus: UNIDO given the lowest score (1 = poor, with neutral expiation of positive change) in this category, based on faulty and outdated information:**

- The justification provided refers to a recent evaluation by UNIDO’s Office for Independent Evaluation (EVA), which considered the Medium-term Programme Framework (MTPF), 2010-2013, which was the multi-annual programme and management policy of the Organization for five years.
- The Director General personally asked EVA for a very thorough and deep investigation of this important policy framework, which is the basis for all of UNIDO’s programmes and management approaches.
- **The evaluation was intended to provide valuable learning tool to guide the senior management of UNIDO during the process of formulating the new MTPF, 2016-2019.**
- This process of formulating the new MTPF, 2016-2019 was ongoing at the end of 2014 and beginning 2015 when the evaluation was carried out. Several consultations with Member States had taken place on the new MTPF during this period, with the provisional outline of the new document having been presented to the forty-second session of the Industrial Development Board in November 2014. The finalized new MTPF, 2016-2019 was subsequently considered y the thirty-first session of the Programme & Budget Committee in May 2015 (where the Netherlands participated) and the forty-third session of the Industrial Development Board in June 2015, which decided to adopt this new multi-annual programme and management policy.

- Member States gave clear programmatic and managerial guidance in the historic 2013 Lima Declaration and the Strategic Guidance Document. This guidance is fully cascaded down into the new MTPF in both the programmatic and managerial parts of the policy.
- The international community is also formulating in 2015 a new “post-2015 development agenda”, addressing a universal and comprehensive set of challenges in the decades to come. The new MTPF fully aligns with the new global agenda, and embraces the responsibilities deriving from it.
- Finally, the new Programme and Budgets, 2016-2017, which constitutes the detailed agenda of work for the next biennium, directly cascades its programmes and programme components from the new MTPF in all its aspects.
- **The information used in the Dutch assessment to evaluate UNIDO’s strategy and focus is thus grossly outdated, and incorrect due to a misunderstanding or limited appreciation of the strategic planning activities of UNIDO, and an apparently deliberate disregard of the comprehensive information provided to the policymaking organs of UNIDO.**

**2. Results controlling: UNIDO given a low score (2 = moderate, with probable expectation of positive change) in this category, based on outdated and faulty information:**

- The information on the programme “PCOR” mentioned in the assessment is faulty. The programme fully introduced the new Enterprise Resource Planning (ERP) system, including the digital results management system. **It has been finalized.**
- A comprehensive implementation and results report on this matter was provided to the forty-second session of the Industrial Development Board in November 2014, and the **external auditor (German Bundesrechnungshof, since 2013)** fully acknowledged the well-functioning of the system in his report to the thirty-first session of the Programme & Budget Committee in May this year.
- The new MTPF includes a new **“Integrated Results and Performance Framework” (IRPF)**, fully aligned with the programmatic and managerial guidance from Member States in the Lima Declaration, the Strategic Guidance Document, and the current drafts of the post-2015 development agenda and its Sustainable Development Goals (SDGs).
- The IRPF is a comprehensive results system designed in line with best international practice, along the models of the International Financial Institutions, as the first and only amongst UN agencies, funds and programmes. UNIDO will thus become one of **the most advanced** in terms of integrated results-based management (RBM) in the UN development system.
- The IRPF will be fully integrated in the ERP system by the end of 2015, including full baseline data, in order to allow smooth and transparent monitoring of all developmental, programmatic, and managerial results of UNIDO and in the industry-related fields of the new SDG agenda, as of 1 January 2016.
- Also, a comprehensive transparency initiative has been initiated at the last session of the Programme & Budget Committee in May 2015. This will not only provide full disclosure on all programmatic and financial data but also on all developmental data related to UNIDO and industry.
- Results-based budgeting (RBB) is pursued at UNIDO through the combined MTPF and Programme and Budgets (P&B) document:

- The MTPF provides the policy framework for UNIDO's programmes and management, including a budgetary framework, a medium-term investment plan, and the IRPF.
- The biennial P&B links specific, financially budgeted programmes to the longer-term policy framework (MTPF). Hence, RBB is closely linked to policy priorities, management objectives and results.
- Field offices have annual results-based work plans, which are observed and implemented.
- **The information used in the Dutch assessment to describe UNIDO's results control mechanisms is thus grossly outdated, and faulty.**

**3. Partnerships: UNIDO given a medium score (3 =satisfactory, with neutral expiation of positive change) in this category, based on faulty and outdated information**

- The information used on UNIDO's partnerships is partially **outdated and/or incorrect**.
- **UNIDO is generally partnering with industry partners in most, if not all, of its programmes and activities. However, its form depends on the circumstances (*no one size fits all*).** At times, such "partnerships" are done with the national industry associations, which act on behalf of their (often SME) members. In other countries, partnerships of a mixed public-private nature are considered more effective. For some demonstration projects, the modality of direct partnerships with companies is pursued.
- The specific form of partnership, mentioned in the Ministry's assessment is referred to as "**Business partnerships**" in the UN context. As rightly stated, a number of Dutch corporations and industry associations have signed MOUs with UNIDO in various fields and are running successful programmes in the field.
- The 2014 evaluation of these business partnerships is very positive, acknowledging UNIDO's significant progress and strategic thinking in this field, and foreseeing a positive trend in this field of work. It is therefore surprising that the negative assessment of the Ministry is based on a half-sentence of the executive summary that, put in the proper context, positively signals additional potential for further learning and improvement in this field.
- The scorecard entirely neglects that many Dutch companies are interested and actually engaged in supplying goods, services, and technologies to UNIDO's programme countries. A specifically growing field for Dutch technologies is found in "**green industries**". However, cooperation and partnership with Dutch companies also happen in **agro-industrial technologies** and various **energy-related fields**.
- Since the introduction of the **Programme for Country Partnerships (PCP) approach** (see below), the approach to partnerships has also developed further over the past years. As a traditionally integral part of UNIDO programmes, partnerships have now been further strengthened through a multi-sector dimension, fully integrated under a country's comprehensive industrialization policy.
- This development approach is also proposed as the UNIDO contribution to the "**Financing for Development**" debate as a model for private sector engagement and "safe" technology transfer, hence a win-win strategy. This is also fully in line with the Global Partnership approach of the OECD.

- Finally, **UNIDO is already creating new partnerships and strategic alliances under the newly proposed SDG agenda**, where industry-related goals will require close collaboration between all sectors and parts of the UN development system.
- On this basis, we were **highly surprised** that UNIDO only scores “medium level” in the field of Partnerships, particularly as the Organization excels in this field in the broader comparison of the UN development system.

4. ***Effective administrative and management bodies: UNIDO given a low score (2 = moderate, with neutral expectation of positive change) in this category, based on outdated information***

- It is indeed regrettable that the Netherlands has not actively sought an active role in the IDB or PBC for a long time, as these bodies not only discuss the latest information with regard to UNIDO management but also thematic issues related to industry and sustainable development.
- The ERP system fully integrates the field offices of the Organization since 2012.
- It is important to understand that UNIDO applies a “lean management” principle to its field network, deploying experts only if and when necessary for programmatic or policy advisory activities, while the core field office staff remains small to allow for flexible approaches. Hence, even if the core staff of a chosen field office may only show four staff, there may be some fifty UNIDO staff in the country, working on various programmes on short-term field assignments or policy advisory activities.
- Country offices are instructed to fully participate in the “Delivering as One” initiative where applicable. Their main functions are related to industrial policy advice to the governments as well as support to programme development activities. They may also facilitate forum and convening activities, including expert meetings, usually on request by the respective Government or industry chamber etc., on a specific policy field. Forum activities are usually self-evaluated and respective reports are available.
- UNIDO is requested to advise policymakers at the highest level on all industry-related aspects of development policy. Some lead to demonstration projects. It should also be pointed out that the quantitative size of a project is not equal to its quality. A diversity of projects does not necessarily mean fragmentation; on the contrary, it shows responsiveness to demand for specific and specialized support services.
- However, the **Programme for Country Partnerships (PCP)** introduced to operationalize UNIDO’s “*inclusive and sustainable industrial development*” (ISID) mandate, given in the Lima Declaration, in a comprehensive approach to the implementation of a country’s industrialization ambitions. These programmes are **neither small nor fragmented**. They are closely linked to the development policies of the countries concerned and are driven by the respective governments, who have full ownership of the programmes. They are implemented in a multi-sector, multi-stakeholder coalition of partners, including the international financial institutions, other relevant UN agencies, development agencies, academic institutions, civil society groups, and above all, **private industry partners**.
- **The information used in the Dutch assessment to describe UNIDO’s administrative and management bodies is thus clearly outdated**. It should also be noted that the British Multilateral Aid Review (MAR) on which the Dutch assessment bases its

conclusion, was conducted six years ago and itself was based on information that was already outdated at the time.

**5. Evaluation: UNIDO given a high score (4 = good) in this category.**

- UNIDO is indeed very proud of its independent evaluations, which are an **important basis for further learning and improving**. The evaluations are usually comprehensive and cover positive and negative points. They are being utilized for learning and improving individual programmes, entire country approaches, as well as the strategic documents, including the MTPF and P&B.
- As such, we were surprised and disappointed that our honest and transparent approach to truly evaluating the value of our programmes and projects is being used against the Organization through incorrect, “out of context”, and partial quotes and pieces of evaluation reports.
- In particular, we consider **such a utilization of our evaluation findings in the scorecard system as an incentive against transparency**, as other Organizations may see UNIDO being punished for its honest approach.
- **We are particularly surprised to have to remind the Government of the Netherlands of a certain degree of fairness, and responsible and truthful representation of openly available data in the UN system.**

**6. Personnel policy: UNIDO given a medium score (3 = satisfactory, with neutral expectation of positive change) in this category, based on faulty and outdated information**

- The information provided on human resource management is **outdated**.
- UNIDO is currently overhauling the HRM Framework, to further improve the attractiveness of the Organization to highly qualified and motivated staff. The overhaul further strengthens a results- and merit-based culture. For this, a fully ERP-integrated human resource appraisal system is in place, allowing for a 360-degree appraisal of each staff member. Appraisal of staff is linked to cascaded results, deriving from the MTPF and P&B, a link that will be further strengthened in 2016 on the basis of the IRPF.
- The knowledge management system in the ERP system is gradually used for knowledge retention, not only for retiring staff but also for short-term consultants and other types of personnel.
- There has not been a late payment to short-term consultants in years; the reported failure seems to derive from the first year of introduction of the ERP system, which caused 2-3 months of IT-related adjustments issues in 2011.
- Trainings for staff are generally jointly assessed by the participating staff member and the HRM Branch. Professional development plans are linked to the overall staff appraisal system and allow for targeted planning of specific training needs and wishes in line with the staff member’s envisaged career development.
- On this basis, we do not understand why UNIDO only scores “medium level” in HRM, as the scorecard does not provide any further points for additional achievement.
- **The information used in the Dutch assessment to describe UNIDO’s personnel policies is thus clearly outdated**. It should also be noted that the British Multilateral

Aid Review (MAR) on which the Dutch assessment bases its conclusion, was conducted six years ago and itself was based on information that was already outdated at the time.

**7. *Financial management: UNIDO given a medium score (3 = satisfactory, with neutral expectation of positive change) in this category, based on faulty and outdated information***

- The financial information provided in the scorecard on UNIDO is confusing and **partly incorrect**. A full report on the financial situation of UNIDO is provided on a regular basis to the policymaking organs of the Organization. In addition, the UNIDO Annual Report provides all financial statements. In case of queries, the Secretariat is fully available for providing correct information.
- The PBC always urges the Members to pay their dues and provide more voluntary contributions. This is general procedure, not a sign of a deteriorated financial standing of the Organization.
- UNIDO follows IPSAS and has reliable internal control mechanisms as pointed out by the assessment.
- The reports, observations and recommendations of the external auditor are taken extremely seriously and fully acted upon. This has also been clearly recognized by the German Bundesrechnungshof during the current IDB, as well as by other auditors in the past.
- For the outdated arguments on the MTPF, please see I.1 above.
- On this basis, we do not understand why UNIDO only scores 3 in financial management, as the scorecard does not provide any further points for additional achievement.
- **The information used in the Dutch assessment to describe UNIDO's financial management is also clearly outdated.** It may be repeated that the British Multilateral Aid Review (MAR) on which the Dutch assessment bases its conclusion, was conducted six years ago and itself was based on information that was already outdated at the time.

**8. *Anti-corruption measures: UNIDO given a high score (4 = good) in this category.***

- UNIDO appreciates the acknowledgement of the priority given by the Organization to fighting fraud and corruption. As an industrial development organization, promoting CSR, a zero-tolerance policy in this context is also a signal to and applies to dealing with partners.
- It should further be noted that UNIDO has fully embraced the thorough due diligence processes of the UN system with regard to mandatory ethical conduct of business partners, which is assessed for every single business partnership.

## **II. Relevance for the Dutch policy in the areas of aid, trade and investment**

We were surprised by the limited number of programmes and marginal examples used for describing UNIDO's overall agenda of work. It was also not clear which sources were used for drawing the **highly incomplete and therefore faulty picture** of UNIDO's programmatic and policy advisory activities, as well as the geographical reach and systemic impact.

We are particularly concerned that important decisions may be taken, based on partial or faulty information, just when the importance of industrial development as a central driver of development is being restored to the very Centre stage of the global development policies around the newly proposed SDGs to be adopted by the UN in September 2015.

Moreover, we observe that the Dutch Foreign Trade and Development policies seem to have considerable numbers of important complementarities with UNIDO's work, possibly in all policy fields mentioned in the Minister's agenda.

To provide a small overview of how we consider the relevance of **UNIDO and industry in the SDGs**, we are pleased to attach a short briefing note on this matter. In the following paragraphs, we summarize some major points with regard to the different fields of Dutch development policy, where UNIDO considers itself to have a major role in the UN system:

### **1. Food security:**

- With the development of agro-industrial capacities in developing countries being a major programme component, UNIDO partners with FAO and IFAD among other organizations in major food security programmes. Long-term eradication of hunger and malnutrition will require adequate agro-industrial capacities and technologies.
- However, food security also requires the consideration of industrial food safety standards. This is a major field of work for UNIDO, with major investments by the European Union to allow developing countries in engaging in trading their food products with the Union in a more systematic and sustainable manner.
- In this field, UNIDO also partners with major corporations, including the Dutch Metro Group, to inspire global supplier networks to source their products responsibly and to support smaller producers in reaching the necessary product standards. We consider this a major field of "*Aid for Trade*".
- Lastly, an important determinant of food security is the ability to afford sufficient and appropriate food, which is dependent on the income earning capacity of the population. Through its promotion of employment creating and income generating industrial activities, UNIDO makes a significant contribution to this element of food security.

### **2. Water:**

- UNIDO's global "resource efficient and cleaner production" programme transfers green industrial technologies and methodologies, along with the necessary policy advice and institutional capacities, to developing countries. The Organization's development impact in this context has been recognized in many forums and by donors and beneficiaries alike over the past decades.

- In this context, UNIDO implements comprehensive water management programmes to assist developing countries and countries with economies in transition with the transfer of best available environmentally sound technologies and environmental practices to improve water productivity in industry and prevent the discharge of industrial effluents into international waters (rivers, lakes, wetlands and coastal areas) thereby protecting water resources for future generations.
- Specific programmes include the promotion of sound management of resource use at priority industrial hot spots, as well as the promotion of the large marine ecosystem approach to reduce the degradation of transboundary river basins and marine and coastal environments. These programmes minimize use, maximize productivity, and promote zero discharge, through demonstration of best practices, application of clean technologies, and capacity building.
- The recently introduced “Green Industry Platform” is a global multi-stakeholder engagement platform that aims to tackle specific environmental problems through industrial engagements and technologies.
- In addition, the implementation of projects related to the Minamata Convention on mercury as well as the Stockholm Convention on persistent organic pollutants also serves to protect water bodies, including ground water sources.
- Similarly, UNIDO is a leader in the sustainable discharge of e-waste, which also has a strong impact on ground water quality and the overall protection of water bodies.
- Multi-stakeholder partnerships, such as the “PAGE” also cover water-related emission issues. Moreover, as mentioned in the Ministry’s assessment, UNIDO has started a major strategic partnership with **Heineken** in the field of improving industrial water management in Africa and beyond, just to mention one of many partnerships in the field of clean technologies and green industries.

### **3. Security and the rule of law:**

- UNIDO advances international private and commercial law through its industrial standardization and norm-diffusing activities. These programmes support industries to adopt specific WTO or ISO standards and norms that are required to access global marketplaces.
- This not only refers to hard law and regulations but also to soft laws and business conducts, including corporate social responsibility (CSR). Through such gradual introduction of legal standards into industrial activities of countries, the rule of law can be enhanced which may eventually result in higher degrees of societal stability, human security and enduring peace.

### **4. Sexual and reproductive health and rights (including HIV/AIDS):**

- UNIDO has been engaged for several years in a close collaboration with UNAIDS, WHO and other health-related organizations to advance the local production of generic drugs and medical appliances. Rather than sourcing all medication from industrialized countries, a more local production and sourcing of such goods could considerably strengthen the sustainability of national health services as well as drug supply.
- Together with WHO and UNAIDS, UNIDO is playing a leading role in supporting the implementation of the African Union Commission’s Business Plan for implementing the



Pharmaceutical Manufacturing Plan for Africa (PMPA) adopted by African Heads of State in 2012 with a view to scaling up investment in Africa's pharmaceutical manufacturing capacity, especially for generic essential medicines.

## **5. Gender equality:**

- Based on the recently updated gender policy, UNIDO has issued a series of major mainstreaming guides, which are used by project managers in their formulation and implementation of all programmes of UNIDO. These guides include, among others (and in addition to specific gender-related trainings):
  - Guide on Gender Mainstreaming: Trade Capacity Building Projects
  - Guide on Gender Mainstreaming: Agribusiness Development Projects
  - Guide on Gender Mainstreaming: Energy and Climate Change Projects
  - Guide on Gender Mainstreaming: Environmental Management Projects
  - Guide on Gender Mainstreaming: Montreal Protocol Projects
  - Gender Marker User Guide
  - Gender Assessment of UNIDO Publications
  - Gender Mainstreaming Checklist for Projects
  - Gender Analysis Questions
  - Gender Categorization Tool
  - Gender Mainstreaming the Project Cycle
  - ToR Template for Gender Expert for Project Design
  - ToR Template for Gender Expert for Project Implementation
  - Gender Charter
- In addition, UNIDO is currently developing a comprehensive gender mainstreaming strategy that will be issued during the forthcoming 16th session of the General Conference in December 2015.
- Programmes, specifically targeting gender equality and the economic empowerment of women, include entrepreneurship development activities, rural development programmes, CSR-related programmes, and targeted SME financing schemes, among others.

## **6. Climate:**

- The application of energy-efficient production processes and technologies, along with the enhanced utilization of renewable energy sources, provides an opportunity for developing countries and countries with economies in transition to follow a low carbon path, powered by innovative, smart and locally relevant energy solutions.
- In this context, UNIDO's energy-related programme portfolio includes the promotion of energy efficiency policies, technologies and practices, as well as renewable sources of energy for the facilitation of productive activities in rural areas and in industrial processes. For example, UNIDO has implemented projects to promote renewable-based energy development for productive uses in Africa and Asia. The aim of the projects is to contribute to poverty alleviation and economic growth by providing access to affordable modern energy sources in rural areas.
- UNIDO is also a major implementer of the Montreal Protocol for the protection of the ozone layer, for which the organization has been commended by many countries and the Secretariat of the Protocol, and which requires continued industrial cooperation and

technology transfer. Recent findings show that the mechanisms of the Montreal Protocol are a major opportunity for early achievements in mitigating climate change. UNIDO thus considers this as a major climate-related contribution.

- Moreover, UNIDO has an established convening role on sustainable energy issues, including in the “Sustainable Energy for All” initiative of the UN Secretary-General. UNIDO is also the founder of the Vienna Energy Forum, a leading global event on climate change issues organized every second year since 2009. The Forum has succeeded in attracting growing participation of climate scientists, practitioners, policy-makers, and civil society. The last Forum, held on 18-20 June 2015, attracted more than 1,700 participants from around 60 countries, including numerous ministers, high-level dignitaries, and senior representatives of international and non-governmental organizations, academia, civil society and the private sector, who took part in more than 40 solution-oriented high-level panels and multi-stakeholder sessions in the Forum and in side events on the margins of the Forum.
- UNIDO is now considering how to best address the issue of “retrofitting industries” in response to the climate crisis, the mandate given in SDG-9, and the possible agreement in Paris. A comprehensive policy review for this universal issue will be considered after the full adoption of the post-2015 development agenda.

#### **7. Private Sector Development (including CSR):**

- PSD and CSR-related measures are, as rightly noticed by the Ministry, at the core of the industrial development agenda of UNIDO, in accordance with the Organization’s global mandate. Accordingly, the partnership activities described above, including the new PCP approaches, need to be seen in this context.
- It is surprising that major regional collaboration programmes in several regions between several governments, the EU and UNIDO in the field of trade capacity building would be considered by the Ministry as “small and fragmented”. Through these activities, the necessary institutional capacities of countries are built that will allow them to determine their own path to development, including through industrial production and trade. Such infrastructure includes the systematic building of globally accredited metrology institutions, standardization organizations, food security laboratories, related academic institutions, and industrial associations, just to mention a few.
- As such, private sector development activities of UNIDO are highly integrated, and partnership-oriented, with a major impact on the ability of beneficiary countries to participate in the global marketplace. Cleaner production and industrial retrofitting/upgrading programmes can have a major positive effect on the environmental footprint of industry. They also have a major impact on the availability of decent jobs, income levels in a society, overall levels of prosperity, and hence stability of countries and peaceful societies.

#### **8. Humanitarian aid:**

- While not a humanitarian agency, UNIDO believes in the UN system-wide policy of addressing more systematically the “transition from relief to development”. Economic and industrial activity is usually a core component for ensuring economic rehabilitation and societal stabilization through increased job opportunities. Industrial development can therefore provide opportunities to gradually move towards more sustained peace

and security. It can also provide a powerful approach for the reintegration of refugees into societies as demonstrated in various programmes, in collaboration with UNHCR and other partners.

- Such approaches, building human security through industrial solutions, are UNIDO's contribution to ending the need for humanitarian aid, and to allowing societies to gradually rehabilitate.
- Major programmes are implemented in this context in Iraq, Liberia and DRC, just to mention a few, in close collaboration with major industry and government partners. We urge donors to invest more into such activities that allow countries in crises to gradually transition from relief to development, and allowing them for a swifter stabilization and peacebuilding process.

\*\*\*\*\*