

Independent Thematic Evaluation **UNIDO's Partnerships with Donors**



Independent Evaluation Division

Independent Thematic Evaluation
UNIDO's Partnerships with Donors



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Annexes are available online at www.unido.org/Resources

¹ Italy, Japan, Norway, Switzerland, European Union, Global Environment Facility (GEF), Finland, USAID-UNIDO Partnership In Tunisia, World Bank

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Abbreviations and acronyms

AGR	UNIDO Agri-Business Development Department
BIT	UNIDO Business, Investment and Technology Service Department
DC	Development Cooperation
ENE	UNIDO Energy Department
ENV	UNIDO Environment Department
ETR	UNIDO Department of External Relations
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GC	Governing Council
GEF	Global Environment Facility
GCF	Green Climate Fund
IATI	International Aid Transparency Initiative
IEV	UNIDO Independent Evaluation Division
IFI	International Finance Institution
ILO	International Labour Organization
IRPF	Integrated Results and Performance Framework
ISID	Inclusive and Sustainable Industrial Development
ITPO	UNIDO Investment and Technology Promotion Offices
JIU	Joint Inspection Unit of the United Nations
M&E	Monitoring and Evaluation
MLF	Multilateral Fund for the Implementation of the Montreal Protocol
MOPAN	Multilateral Organization Performance Assessment Network (MOPAN)
MOU	Memorandum of Understanding
MTPF	Medium-term Programme Framework
NGO	Nongovernmental organization
NORAD	Norwegian Agency for Development Cooperation
ODA	Overseas Development Assistance
OECD-DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
PCP	Programmes for Country Partnership

PRM	Department of Partnerships and Results Monitoring
QCPR	Quadrennial Comprehensive Policy Review of the UN System
RBM	Results Based Management
RM	Resource Mobilization
RPF	Department of Regional Programmes and Field Representation
SDGs	Sustainable Development Goals
SDR	UNIDO Strategic Donor Relationships Division
SECO	Swiss State Secretariat for Economic Affairs
SME	Small and Medium Enterprise
TC	Technical Cooperation
TCB	UNIDO Trade Capacity Building Branch
ToC	Theory of change
ToR	Terms of Reference
UN	United Nations
UNDAF	UN Development Assistance Framework
UNDAP	UN Development Assistance Plan
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNEP	United Nations Environment Programme
UN-Habitat	United Nations Human Settlements Programme
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollars
VC	Voluntary Contribution
WTO	World Trade Organization
XBTC	Extra-budgetary technical cooperation

Glossary of evaluation-related terms

Term	Definition
Baseline	The situation, prior to an intervention, against which progress can be assessed.
Effect	Intended or unintended change due directly or indirectly to an intervention.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results.
Impact	Positive and negative, intended and non-intended, directly and indirectly, long term effects produced by a development intervention.
Indicator	Quantitative or qualitative factors that provide a means to measure the changes caused by an intervention.
Lessons learned	Generalizations based on evaluation experiences that abstract from the specific circumstances to broader situations.
Logframe (logical framework approach)	Management tool used to facilitate the planning, implementation and evaluation of an intervention. It involves identifying strategic elements (activities, outputs, outcome, impact) and their causal relationships, indicators, and assumptions that may affect success or failure. Based on RBM (results based management) principles.
Outcome	The likely or achieved (short-term and/or medium-term) effects of an intervention's outputs.
Outputs	The products, capital goods and services which result from an intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes.
Relevance	The extent to which the objectives of an intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donor's policies.
Risks	Factors, normally outside the scope of an intervention, which may affect the achievement of an intervention's objectives.
Sustainability	The continuation of benefits from an intervention, after the development assistance has been completed.
Target groups	The specific individuals or organizations for whose benefit an intervention is undertaken.

Executive summary

Introduction and approach

UNIDO's partnerships with national governments and multi-donor partnership institutions have been important in enabling UNIDO to strengthen performance and achieve intended development results in inclusive, sustainable industrial development (ISID). Guided by the Lima Declaration (GC.15/Res.1) and the 2030 Agenda for Sustainable development, UNIDO has pledged to further strengthen existing partnerships and forge new ones with donors and other relevant organizations to deliver results more effectively and efficiently. Of importance are UNIDO's funding partners. These include both national governments that are UNIDO Member States, multi-donor Trust Funds and also non-Member States that provide funds for technical cooperation interventions, usually on activities that are tied to partner interests and focus areas.

Evaluation purpose and objectives

The purpose of the thematic evaluation of UNIDO's partnerships with donors is to "Independently assess UNIDO's partnerships with its major donors to help UNIDO further improve its performance and results". Its objectives are to: (i) Assess the performance of UNIDO's partnerships with key donors in terms of relevance, effectiveness and efficiency; and (ii) Identify good practices from different modi operandi of management of funding partnerships within the organization, and from comparable organizations, and (iii) Develop findings and recommendations for future improvement of partnerships management at UNIDO.

Evaluation scope

This thematic evaluation focuses particularly on funding partners (traditional donors and multilateral donors) that provide voluntary contributions to UNIDO, hereafter referred to as 'funding partners'. These vital contributions

have been growing over the years and are the main source of finance for UNIDO's technical cooperation work to promote ISID. The funds provided through funding partners allow UNIDO to deliver more and more results on the ground. However with most contributions being ear-marked to particular projects or programmes, this constrains UNIDO to work towards the organization's mandate and intended corporate level results in a flexible and predictable way. The main period of reference was from 2006 to 2015.

Methodology

The evaluation approach was developed to reflect the performance of past funding partnerships (summative evaluation) and consider recent and emerging forms of funding partnerships (formative evaluation). Consequently, the methodology included mixed methods and Theory of Change approach with two components, each addressing one of the evaluation objectives.

The first objective was addressed through donor case studies of Finland, Italy, Japan, Norway, Switzerland, the Global Environment Facility (GEF) and the European Union (EU). In order to explore examples of recent shifts in partnerships, the evaluation carried out brief assessments of UNIDO's relationship with the USA (mainly in relation to its project funding in Tunisia) and a recent partnership agreement with the World Bank that brings potential of new modalities. The second objective was addressed through a comparator study that analysed the good practices in partnership management with donors and resource mobilization of five organizations: FAO (Food and Agriculture Organization of the United Nations), ILO (International Labour Organization), UNDP (United Nations Development Programme), UNEP (United Nations Environment Programme) and UN-Habitat (United Nations Human Settlements Programme). The methodology followed the standard evaluation criteria (relevance, effectiveness and efficiency), excluding impact as this was beyond the scope of the

evaluation, and with two special criteria for partner relationships management (both strategic and operational).

Evaluation findings

Strategic context

Trends in declining core contributions are shared across most entities in the UN system. In contrast UNIDO's voluntary contribution funds have been increasing; also following similar trends seen in other UN organizations. Most voluntary contributions are earmarked to specific programmes or projects. Funding partners' decisions relating to resource allocation are increasingly motivated by thematic, geographical and political priorities, country level-priorities, and their own requirements to report on the performance of funds allocated, which has led to increased demand for transparency and accountability.

Relevance

UNIDO's work in ISID is appreciated by funding partners and viewed as relevant. There is a strong level of alignment between the mandate of UNIDO and that of its funding partners. The technical expertise of UNIDO and its ability to work with private sector actors, in strengthening competitiveness of specific manufacturing sectors and ultimately its contribution to job creation and sustainable and inclusive industrial development is consistently valued by funding partners. Recognized practical competitive advantages of UNIDO for funding partners are its responsiveness, flexibility and positive track record in project execution, as well as ease of transactions in procuring UNIDO's services compared to other more regulated institutions.

Funding partners perceive that UNIDO's relevance is strengthening, particularly in relation to its responsibility for Sustainable Development Goal (SDG) 9 and contributions to other relevant SDGs. This presents opportunities for UNIDO to grow its profile,

which is currently limited to representatives within donor organizations who work directly with UNIDO.

Results

All sources of data through the evaluation provided good evidence of UNIDO's effectiveness in delivering programmes and projects. Funding partners appreciate the positive results and confirm that UNIDO's ability to deliver results is a prime reason for positive partnerships. UNIDO's work on norms, standards, policy dialogue and innovative approaches to inclusive and sustainable industrial development are particularly valued but not always costed in design, which can limit the reach of these activities. Aspects of design relating to monitoring and evaluation as well as gender have also been weaknesses that constrain effectiveness, though performance in these areas is improving. Short term results in UNIDO's projects and programmes are perceived positively by funding partners, but there is demand for UNIDO to expand its scope through more strategic investment in thematic, multidiscipline or regional programmes, to consider cost-efficiency through decreasing programme transaction costs and to widen scope of impact through replicating successful results. Most funding partners would like UNIDO to provide more evidence of strategic achievements and on demonstrating longer term contribution to corporate results, the objectives of ISID, and eventually relevant SDGs. Funding partners would appreciate more visibility and recognition of their contribution to results achieved through projects funded by them and managed by UNIDO.

Relationships

Overall relationships between UNIDO and funding partners are positive. UNIDO is generally seen as a professional and dedicated partner that is focussed on delivering results. The current partnership arrangements are operating smoothly from the perspective of

the funding partners and no major changes are required. However, there are indications that the staffing reductions associated with UNIDO reforms have now reached and in some cases exceeded the optimum in efficiency gains. Some funding partners noted a decline in the level and quality of servicing by UNIDO, which they suggested could be attributed to lower staffing, and raised concerns about UNIDO's capacity to respond to emerging opportunities for growth. The evaluation team also found that UNIDO investment in relationship management is uneven across funding partners.

One particular aspect of strategic partnership relations that requires consideration is improved funding partner management. Some Member States are highly engaged in UNIDO's mandate and make significant voluntary contributions to UNIDO in addition to the contributions to the regular resources. However, non-Member States receive the same or even better terms as Member States, in terms of Project Support Costs. This has acted as a disincentive for several Member States to continue with core contributions and in turn, constitutes a risk to voluntary contributions.

Yet, both the core and voluntary contributions are highly valuable and appreciated within the organization and the results being achieved with both are positive. More can be done to acknowledge the core contributions of members as well as the voluntary contributions of both Member and non-Member States. Further, funding partners' thematic, geographic and political priorities vary substantially. Other preferences may relate to dimensions like the level of engagement at the project level or specific reporting requirements.

Conclusions

The evaluation evidence demonstrates positive partnerships performance overall. UNIDO is favourably perceived as a relevant and good value-for-money partner who

can deliver results on the ground for its key funding partners. In general there are positive partnership arrangements and relationships with country donors and other funding partners. Reductions in voluntary funding have been largely due to constrained financial resources of donors or political reasons, while increases have been due to alignment with donor priorities and positive reputation and merit, particularly in project delivery. Nevertheless, with increasing voluntary contributions overall and UNIDO being perceived as a valuable and proficient partner, there is potential to seize greater opportunities if UNIDO positions itself correctly and provides the necessary capacity to manage the relationship with funding partners adequately.

This positive performance is illustrated by the following analysis based on the standard evaluation criteria of relevance, effectiveness, efficiency, sustainability and also the criteria on relationships (strategic and operational). The analysis highlights two key areas with lower performance and future risks to UNIDO's funding partnerships and voluntary contributions. Firstly, there are concerns regarding the extent to which UNIDO contributes to long term sustainable results in relation to corporate results towards ISID objectives and the global targets for SDG 9. In particular, funding partners would like to see UNIDO focus more on translating short-term and project-level results in knowledge and wider impact. Secondly, strategic relationships are facing challenges as funding partners shift priorities. If UNIDO is perceived as not adequately addressing funding partner needs or responding to new opportunities, questions are raised by funding partners and their stakeholders as to the value of contributing to UNIDO.

One consistent response from funding partners was that UNIDO requires a comprehensive partnership strategy and system to guide how funding partnerships are approached and managed at an organisation-wide level.

CRITERIA	SOURCES OF EVIDENCE						EVALUATION ASSESSMENT
	Document review	Case studies	Previous evaluations	Donor survey	Staff survey	Staff interviews	
Relevance	●	●	●	●	●	●	●
Effectiveness (short-term results)	●	●	●	●	●	●	●
Sustainability (long term results contributing to ISID)	●	●	●	●	●	●	●
Efficiency	●	●	●	●	●	●	●
Relationships (strategic management)	●	●	na	●	●	●	●
Relationships (operational management)	●	●	●	●	●	●	●

● Satisfactory ● Partially satisfactory ● Unsatisfactory na = Not assessed

Source: Evaluation analyses across evidence sources (2017)

Within the scope of the evaluation, the lack of a comprehensive strategy has led to gaps and unevenness in resources and effort allocated to donor partnership management, incomplete intelligence flows, and insufficient recognition of funding partners' contributions. These have presented constraints to growth in voluntary contributions for UNIDO. A partnership strategy, the UNIDO Strategy for Industrial Development Partnerships 2017 – 2020 is [at the time of this evaluation] in draft form. The strategy has a broad focus of partnerships (e.g. including implementing and thematic partners), but does not yet cover all funding streams through funding partners. It addresses the importance of funds mobilization at a strategic level, but does not yet include a coherent approach to corporate management of funding partnerships. As a consequence, to maintain and strengthen strategic relationships, UNIDO requires a client-oriented approach towards its key funding partners that offers tailor-made 'products' and modalities to its most important funding partners. The allocation of resources available for relationship management (at HQ and in liaison offices) must be aligned with the needs of funding partners and the level of voluntary contributions. These gaps are also exacerbated by a low level of strategic staffing at UNIDO for managing partnership with national funding partners. Much of resource mobilization is left to project managers and whilst current efforts are appreciated by funding partners, it is insufficient to address

more strategic partnership requirements. As a result, UNIDO is not fully seizing the available opportunities for improved long term funding partnerships.

Recommendations

1. Develop a coherent organization-wide partnership strategy and systems.

UNIDO needs to expand its partnership strategy in a way that will clarify its approach to its relationships with funding partners. The systems that support the strategy will need to be clearly defined at operational levels across the organisation. It needs to increase efforts to tailor management of funding partners to provide best value both to partners and UNIDO. This would assist UNIDO Directors, Managers and staff to assign a more consistent and cost-effective approach to funds mobilization. It would also assist in aligning responsibility for managing funding partnerships across the organisation in a more streamlined and effective way. UNIDO also needs to be more aware of and address reputational risks to funding partnerships at an early stage (e.g. through clearer communication pathways, dedicated staff to follow up on any issues arising, regular documented and synthesised reviews).

2. Review and amend the cost and resource management structure for managing funding partnerships.

Adequate and equitable resourcing using a client-based approach is required to support strategic donor relations and funds mobilization activities. Achieving sufficient resourcing will require improving realistic assessment of direct management costs, altering cost recovery structures and systems, and minimizing cross-subsidization of non-members. Financial, implementation and results reporting should also be improved in line with funding partner requirements. UNIDO needs to provide greater recognition and incentives to key funding partners (e.g. initially to the top five to seven funding partners). Consideration is required on how to incentivize and strengthen long term partnerships with Member States and other funding partners through amendments to cost recovery rates. This will require a proactive and strategic investment in the future growth by investing in staff in partnerships management, funds mobilization and strategic planning for Technical Cooperation programmes.

3. Expand the scale and impact of programmes.

Shift toward larger programmes (e.g. thematic, regional and multidiscipline) in order to reduce transaction costs and with a view to increasing the quality and scale of results. This shift should capitalize on UNIDO's strength in developing strategic technical programmes, and their ability to be flexible and responsive in programme delivery. The value of UNIDO's work with funding partners needs to be promoted through demonstrating existing results and capability to replicate and scale up successful projects in a cost-effective way.

4. Place stronger focus on the long term results and wider impact.

The UNIDO Integrated Results and Performance Framework (IRPF) provides a pathway to improve demonstration of long term results. Project and programme-level results need to be linked to UNIDO corporate results and the relevant Sustainable Development Goals. The information generated through the IRPF needs to be captured and analysed through a strengthened monitoring, evaluation and reporting system at project, portfolio and corporate level. All initiatives should be linked through their design frameworks and monitoring and evaluation systems towards corporate results. More can be done to capture and promote successful programmes and approaches, demonstrating how they are generating impact and how partnerships are contributing to long term impact.

5. Take a more proactive approach to raising UNIDO's and funding partners' visibility through promotion.

UNIDO needs to enhance focus on marketing and promotion of its development role and operations, and its products, capability and results. In doing so UNIDO should consistently recognize the contributions of funding partners. Investing in activities with more proactive and substantive dialogue with funding partners will provide opportunities for UNIDO and partners to jointly develop and promote work that is of particular interest to current and potential partners. This should occur at all locations where UNIDO works with funding partners and across all levels of the organization. UNIDO can also more effectively promote the different opportunities for funding partnerships, particularly opportunities for larger programmes, for investment in normative products that could have a global impact as well as the opportunity to activate thematic Trust Funds with associated accountability mechanisms back to funding partners.

1. Introduction

1.1. Context

The United Nations Industrial Development Organization (UNIDO) was founded in 1966 by a group of Member States that shared a vision of how industrial development could contribute to reduce poverty. UNIDO's partnerships with national governments and multi-donor partnership institutions have been playing essential roles in enabling UNIDO to strengthen its performance and achieve its intended development results in inclusive and sustainable industrial development (ISID).

Guided by the Lima Declaration (GC.15/Res.1) and the 2030 Agenda for Sustainable development, UNIDO has pledged to further strengthen existing partnerships and forge new relationships with donors and organizations with complementary mandates and skills. Through partnerships with representatives of the public and private sector, financial institutions, academia and civil society, UNIDO seeks to continuously improve its services to Member States and increase its efficiency and effectiveness in delivering initiatives to promote ISID and achieve corporate level results. UNIDO has been directly engaged in the development of the Sustainable Development Goals (SDGs) that were launched in September 2015, and it plays a particular role in SDG 9 Industry, Innovation and Infrastructure and contributes significantly to goals 8 Decent Work and Economic Growth, 1 No Poverty, and 13 Climate Action and etc. The development of the UNIDO Medium Term Programme Framework (MTPF) 2016-2019 provides a new strategic direction towards implementation of the ISID approach, the contribution to the 2030 Agenda and a new pilot approach, the Programmes for Country Partnership (PCP) approach. The PCP entails a custom-built partnership formula that is aligned with the national industrialization

Box 1: Partnerships within UNIDO Integrated Results and Performance Framework (IRPF)²

UNIDO's approach to partners covers both tiers of performance management:

Tier 1. Programme Effectiveness reflects the results reported by UNIDO's countries of operation with the support of partners to promote ISID. Performance indicators measure performance of UNIDO's technical cooperation results.

Tier 2. Organizational Performance measures UNIDO's quality of governance and corporate performance including management of stakeholder relationships.

priorities, development plans and ISID objectives. The MTPF aims to enhance synergies among development partners, whilst maximizing the development impact of UNIDO's interventions.³ The MTPF builds on the findings of an Independent Strategic Evaluation of the UNIDO MTPF 2010-2013. A key recommendation of the evaluation was to introduce an integrated results and performance framework (IRPF). The initial IRPF in the MTPF 2016-2019 and an updated IRPF that was released in October 2016 include performance indicators for UNIDO's operations in a two-tier format (see Box 1).

1.2. Building partnerships at UNIDO

As with many UN organizations, partnerships can be forged through direct relationships with Government donors or can be through multi-stakeholder platforms such as the European Union (EU), the Global Environment Facility (GEF), or other specific stakeholder relationships. Leading up to the Lima Declaration in the 15th Session of UNIDO General Conference in December 2013, UNIDO has already been building its commitment to strengthening relationships with partners.

² Source: UNIDO Integrated Results and Performance Framework 2016

³ Medium Term Programme Framework (MTPF) 2016-2019.

In the Industrial Development Board (IDB) meeting in 2005⁴, the Board requested the UNIDO Director-General to maintain a continuous dialogue with Member States in order to actively sustain the common resource mobilization effort. In 2010, the IDB confirmed that “The Organization ... will continue to develop partnerships with organizations, with complementary mandates and skills. Likewise, it will seek to further build up its own expertise and tools required in order to continuously improve the services it provides to Member States and increase the results achieved. It is anticipated that, with an increasing visibility in these areas, voluntary contributions from a variety of donors and other sources will continue to increase.”⁵

UNIDO’s draft Strategy for *Industrial Development Partnerships 2017-2020* that was released as this evaluation reached completion, outlines that “UNIDO’s partnerships are anchored in principles of: ownership, additionality, neutrality, transparency, integrity, and compliance with environmental, social and governance standards”. The draft Strategy is implemented by UNIDO’s Department of Partnerships and Results Monitoring (PRM), responsible for coordination and facilitation of partnerships, and for oversight of the rollout of PCP approach.

1.3. Understanding UNIDO Funding Partners

UNIDO operates with a wide range of partners, some are funding partners (donors) and others are technical partners such as institutes or specialist organizations, or operational partners such as government agencies and private sector representatives. Funding partners are essential to provide the flow of funds for UNIDO to survive and to fund technical cooperation activities at programme country level, but they also often

contribute other benefits. Similarly, technical or operational partners can contribute to resource mobilization.

UNIDO is mainly funded through two sources: 1) assessed contributions and 2) voluntary contributions. The assessed contributions are annual payments by the Member States based on a scale approved by UNIDO’s governing body. These contributions finance UNIDO’s regular budget which pays for the core functions and expenses that are fundamental to the existence of the Organization such as staffing, Headquarter and field office infrastructure and other activities related to its institutional mandate. Voluntary contributions are finances that are provided to UNIDO through specific partnership agreements, made with Member States as well as other contributors. These agreements are often ear-marked to specific programmes or projects.

1.4. Voluntary funding supports technical cooperation

As mandated in Part B of Annex II of the UNIDO Constitution, only six per cent of the regular core budget from assessed contributions may be used for funding technical cooperation activities. Virtually all funding for UNIDO technical cooperation activities therefore needs to be mobilized from other, voluntary external sources. Almost all these external sources are earmarked, which requires the development and approval of a project proposal describing the project activities and clear accountability for expected results. However, the UNIDO Funds Mobilization Guide notes that it is expected that increasingly more funds will become available that are programmable by UNIDO, mostly under Trust Funds especially set up for well-defined programme activities and/or priority areas, e.g. market access/trade facilitation and rural energy for productive use.

4 UNIDO IDB 25/2005

5 UNIDO IDB 38/2010

Funding from Government Partners does not necessarily fall into specific thematic programmes but responds to mutual interests defined by both the partner and UNIDO. These funds are allocated based on either Administrative Agreements or Framework Agreements, depending on the project or programme to be financed. In December 2013, when the Lima Declaration reconfirmed UNIDO's mandate, the thematic programmes were realigned to new themes: (i) creating shared prosperity; (ii) advancing economic competitiveness; and (iii) safeguarding the environment. Funding will gradually be realigned to these thematic areas. While these ear-marked contributions are important, their tied nature constrains the flexibility and predictability of funding to work towards the organization's mandate and intended development outcomes.

1.5. Evaluation of partnerships⁶ with donors rationale

In order to achieve the Lima Declaration pledge, UNIDO needs to acknowledge the changing global context as well as identify new opportunities and challenges facing international partnerships in industrial development. At the same time, UNIDO has to consider its own strategic arrangements and operations to effectively work with partners and to strengthen its development results. Within this context, it is timely for UNIDO to evaluate its current approach to funding partnerships with national government and multi-national funding institutions at the operational and strategic levels. Consequently, the conduct of this thematic evaluation was approved by the UNIDO Executive Board in March 2016.

⁶ Note: Partners for this evaluation cover country donors and multi-donor institutions. Private sector and government partners are covered through other evaluations.

2. Evaluation methodology

2.1. Objectives and scope of the evaluation

This evaluation covers a ten year period from 2006-2015. The evaluation focuses on **voluntary contributions**, that is, partners that choose to contribute resources to UNIDO whether they are, or are not, Member States. The voluntary contributions may contribute to non-core operations such as specific projects with funding earmarked for that purpose only or can also contribute to core funding through contribution to technical specialists and normative work. For all voluntary contributions, there is an agreed contribution to core costs through an overhead charge. The evaluation does not focus on the assessed contributions of Member States, but does acknowledge that the relationship between UNIDO and each partner could have effects on both forms of funding. In line with recent trends and reflecting UNIDO's relationships with governmental donors and multi-donor funding platforms, as well as new partnerships with client countries and multi-national funding institutions, the term "funding partners" is used throughout the report. In this evaluation, partnership refers to the long-term relationship between UNIDO and a funding partner, including both governmental and institutional funders.

The evaluation purpose and objectives are shown in Box 2. The evaluation was conducted in accordance with the UNIDO Evaluation Policy⁵ by the Independent Evaluation Division (IEV). It was carried out as an independent in-depth evaluation. In order to increase the relevance of the evaluation to the future directions of UNIDO, the evaluation did not follow a traditional summative approach, that is looking only at past performance; it also included theory-

based and formative evaluative approaches that involved examining a theory of change within UNIDO based on recent strategic documents and shifts in funding partnerships.

These evaluative approaches are designed to assist in generating recommendations that are in line with current institutional and operational development within UNIDO. In line with its objectives, the evaluation had two main components. The first component focuses on an overall assessment of performance of the funding partnerships, whereas the second focuses on the learning from different funding partnership *modi operandi* and comparators. The evaluation used a participatory approach, whereby key stakeholders were consulted and informed throughout the evaluation process.

Box 2: Evaluation purpose and objectives⁷

Evaluation purpose: Independently assess UNIDO's partnerships with its major donors to help UNIDO further improve its performance and results.

Evaluation objectives:

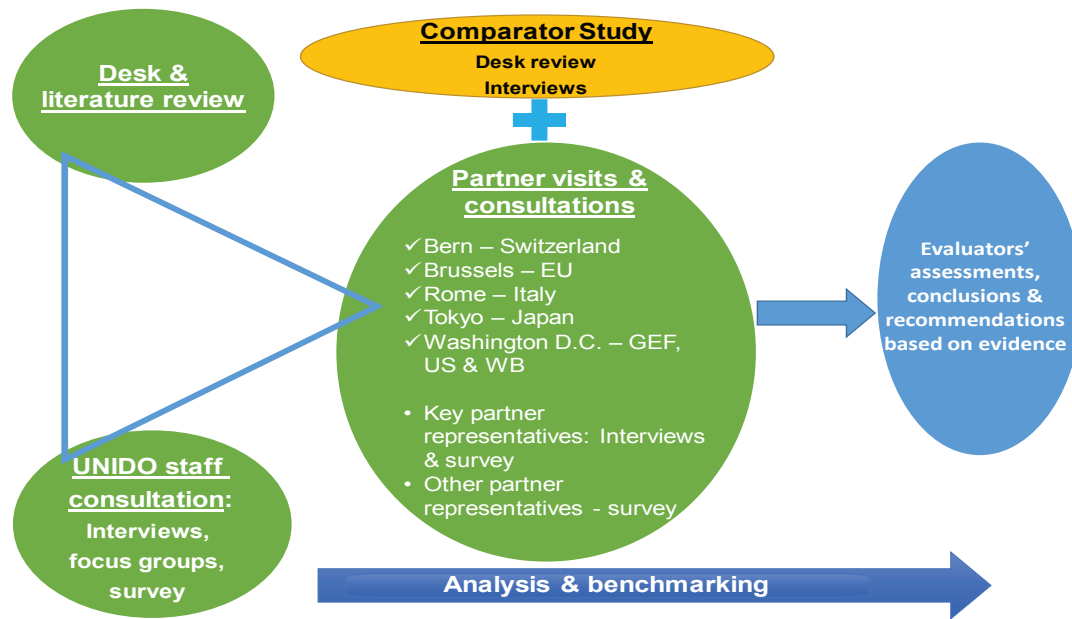
1. Assess the performance of the UNIDO's partnerships with key donors in terms of relevance, effectiveness and efficiency.
2. Identify good practices from different *modi operandi* of management of funding partnerships within the Organization and from comparable organizations and develop findings and recommendations for future improvement of partnerships management at UNIDO

Evaluation approach:

For this evaluation to generate important lessons and be useful for decision-making, it included information from on-going portfolios and gave importance to the most recent trends and information from current funding partners and UNIDO staff.

7 Source: Thematic Evaluation of UNIDO's Partnerships with Donors – Inception Paper, 2017

Figure 1. Evaluation methodology⁸



2.2. Evaluation methodology

The evaluation used mixed methods and a Theory of Change approach to inform the evaluation analysis and triangulate information to reach final assessment. It had two components, each addressing one of the evaluation objectives. The first objective was addressed through case studies of funding partners. Initially, due to the limited financial resources and time frame, the evaluation focussed on the partnerships between UNIDO and the four largest governmental donors namely, Japan, Italy, Switzerland and Norway, and the two biggest institutional voluntary contributors⁹, namely the GEF and the EU over the evaluation scope of ten years.

During the course of the evaluation, additional funding partners were consulted both through a survey of funding partners and individual interviews. The following funding partners were included in the evaluation process due to the level of interest for their relationship with UNIDO and to explore recent shifts in partnership modalities.

Finland was given focus due to its unique partnership in providing lightly tied funding through three thematic Trust Funds. This approach allows UNIDO to continue to be accountable for the funds from Finland but have more flexibility in allocation of funds, as long as there is a clear link to the agreed outcomes for the funds. United States of America (USA) is a non-member of UNIDO but has been substantially increasing its voluntary contributions. This is of interest to understand the motivation of funding partners who do not wish to be members but contribute to UNIDO technical cooperation. The World Bank is UNIDO’s most recent strategic partner. The involvement of the World Bank with UNIDO is via an institutional-level agreement with a particular focus on the PCP pilot countries such that resources are leveraged in partnership between UNIDO, the World Bank and national governments and other partners. This heralds a more complex, resource mobilization approach, and although at early stages is noted in this evaluation as an important approach for UNIDO.

⁸ Source: Thematic Evaluation of UNIDO’s Partnerships with Donors – Evaluation Team’s analysis

⁹ UNIDO’s partnership with the Multilateral Fund for the Implementation of the Montreal Protocol (MLF) was covered in an independent thematic review by the Independent Evaluation Division (ODG/EVQ/IEV) in 2010 and was a reference for this evaluation.

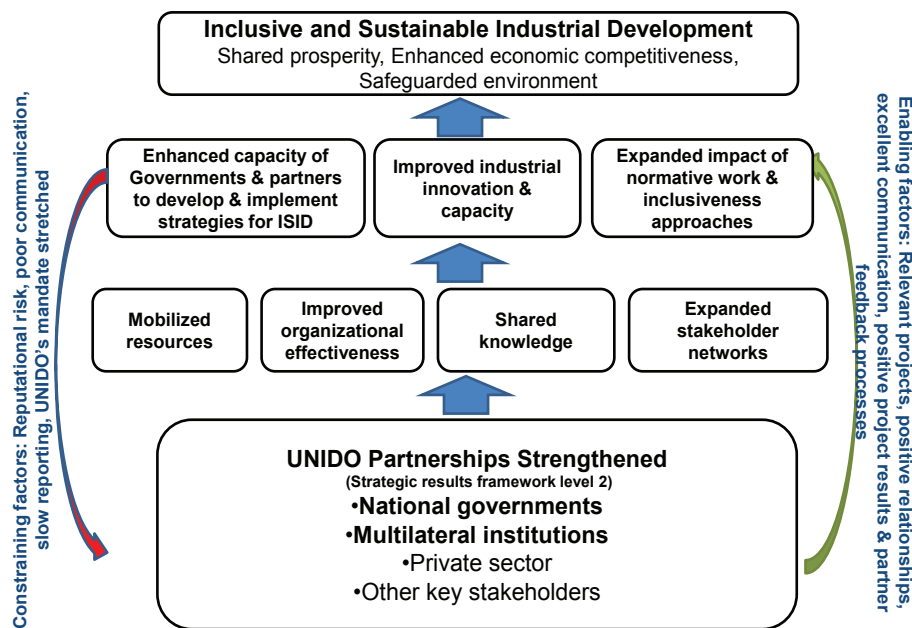
Furthermore, UNIDO's performance was also compared with similar development agencies to cross-validate evaluation data and stakeholder perceptions. The second evaluation objective was addressed through a comparator study that analysed the good practices in management of partnerships and funds mobilization of five organizations: FAO, ILO, UNDP, UNEP and UN-Habitat.

It is evident from UNIDO's Lima declaration (2013) and the draft UNIDO Strategy for Industrial Development Partnerships 2017-2020 that the intention of UNIDO's new approach to partnerships management (including both traditional funding partners and other partners such as private sector) is to leverage additional resources to contribute to their core work in inclusive and sustainable industrial development in Member States. However, there are other benefits that are also achieved through partnerships

with funding partners. Partnership theory suggests that partnerships must be built on common understanding and mutual benefit.¹⁰ At the same time, there is little evaluative evidence and documented best practice around partnership management, due to their inherent complexity.¹¹

UNIDO does not currently have a comprehensive partnership strategy or overarching Theory of Change (TOC) for its approach to develop and manage funding partnerships that can be used to inform the evaluation analyses.¹² Therefore a theory-based framework was used based on known partnership theory and existing evaluation frameworks for partnerships for global corporate approaches, as well as initial work through the evaluation inception process. Figure 2 provides a simplified TOC that guided the evaluation.

Figure 2. Theory of change of Partnerships¹³



10 Glasbergen, Biermann, & Mol, (eds). Partnerships, governance and sustainable development: Reflections on theory and practice. Edward Elgar Publishing, 2007.

11 Kelly, L & Roche C, Australian Council for International Development. January 2014. Partnerships for Effective Development

12 The draft UNIDO Strategy for Industrial Development Partnerships 2017-2020 has a more broad focus of partnerships (e.g. including implementing and thematic partners), but which but does not yet cover all funding streams through partners. It addresses the importance of resource mobilization at a strategic level, but does not provide a coherent approach to funding partnerships.

13 Source: Thematic Evaluation of UNIDO's Partnerships with Donors - Inception Paper, 2017 (adapted)

It focuses on Relevance (common objectives), Results (both short term and long term) and Relationships (appropriate according to the differing needs and activities) as the three key parameters that would drive leverage of resources, and other benefits from the partnerships towards the four areas of UNIDO's operations and ultimately towards the corporate ISID goal.

2.3. Evaluation criteria and key questions

The evaluation included assessment of three core international standard evaluation criteria: relevance, effectiveness and efficiency. The evaluation included sustainability as it relates to long term results and added criteria for partner relationships management, both at strategic and operational levels.

Key overarching questions that guided the evaluation are shown in Box 3.

Box 3. Key Evaluation Questions

1. How relevant are UNIDO's partnership arrangements to the needs and strategic intentions of key voluntary contribution donors?
2. How effective have UNIDO's partnerships been in achieving their intended objectives?
3. Has UNIDO provided efficiency and value for money to voluntary contribution donor partners in the operation of their partnerships?
4. What good practices are evident from the different *modi operandi* of UNIDO's management of partnerships with voluntary contribution donors?
5. What can be learned from other comparable organizations and to improve future partnerships management?
6. What are the factors that affect increase or decrease in partnership funding?
7. What do partners perceive as the main requirements for strengthening partnerships with UNIDO?

2.4. Evaluation data collection and analysis

The evaluation was conducted independently from November 2016 to April 2017 under the overall responsibility of UNIDO Independent Evaluation Division (IEV). The evaluation was implemented in five phases which were not strictly sequential, but conducted in parallel and allowing opportunity for further probing and triangulation of results from varying information sources. These phases were:

- i. Inception phase
- ii. Desk review and data analysis
- iii. Interviews, focus groups, survey and literature review
- iv. Visits to case study countries
- v. Data analysis and report writing

Desk review of documents and databases: including independent evaluation reports, performance rating of programmes and projects and relevant studies on managing partnerships with donors, including funding agreements and progress reports and corporate publications.

Stakeholder consultations: These were conducted through structured and semi-structured interviews and focus group discussion. Key stakeholders and numbers contacted are shown in Box 4. An electronic survey was undertaken to collect a variety of perspectives from a wider group of funding partners and information from UNIDO staff working closely with donors. Response rates were 24% and 35%, respectively.

Comparator study: A review of comparator organizations was conducted involving five organizations (FAO, ILO, UNDP, UNEP, UN-Habitat) based on their similar profile in relation to funding partners, reliance on voluntary funding and/or mandate. The study included document analysis and interviews with staff and heads of Departments/ Divisions responsible for donor liaison and resource mobilization.

Box 4. Profile of key stakeholders consulted¹⁴

Representatives of national Ministry of Foreign Affairs/Permanent Missions	26
Representatives of other national Ministries/Government Agencies	17
Other national stakeholders	16
Representatives of multilateral partners	16
Representatives of comparator organizations	9
UNIDO Senior Management	6
UNIDO HQ staff	25
UNIDO regional/country staff	11
TOTAL INTERVIEWEES	126
Survey responses – partners (24% response rate)	9
Survey responses – UNIDO staff (35% response rate)	59
TOTAL SURVEY CONTACTS	68

Analysis: In addition to standard evaluation analysis, attention was placed on the thematic focus of funding partnerships in terms of relationships, both at the strategic and operation levels because there was distinctly different feedback from funding partners and staff for strategic and operational matters. The Theory of Change provided a basis for understanding the relevance, results and relationships of the funding partnerships and their contribution to UNIDO's corporate ISID objective. Benchmarking of performance was carried out to validate initial evaluation findings.

Limitations and scope boundaries: The evaluation did not assess the impact of funding partnerships on beneficiaries of UNIDO programmes and projects, as this type of analysis would not be possible with the limited resources and timeline.

In this respect evidence was gathered from available information on the performance of the UNIDO portfolio through independent evaluations. These results, plus input from UNIDO staff and funding partners were considered in terms of the long term results, as a proxy to considering impact and

sustainability. The survey was able to cover only a 50% sample of the largest donors as time and resource constraints prevented full coverage.

14 Source: Thematic Evaluation of UNIDO's Partnership with Donors - Evaluation Team's analysis

3. Evaluation findings

3.1. Synthesis of findings

The following sections draw together evidence from the different sources of information throughout the evaluation. The sections cover strategic context of voluntary contributions; managing relationships with funding partners; the relevance; results (short and long term); and relationships with funding partners. Finally, several good practices in managing funding partnerships are presented from both within UNIDO and comparator organizations.

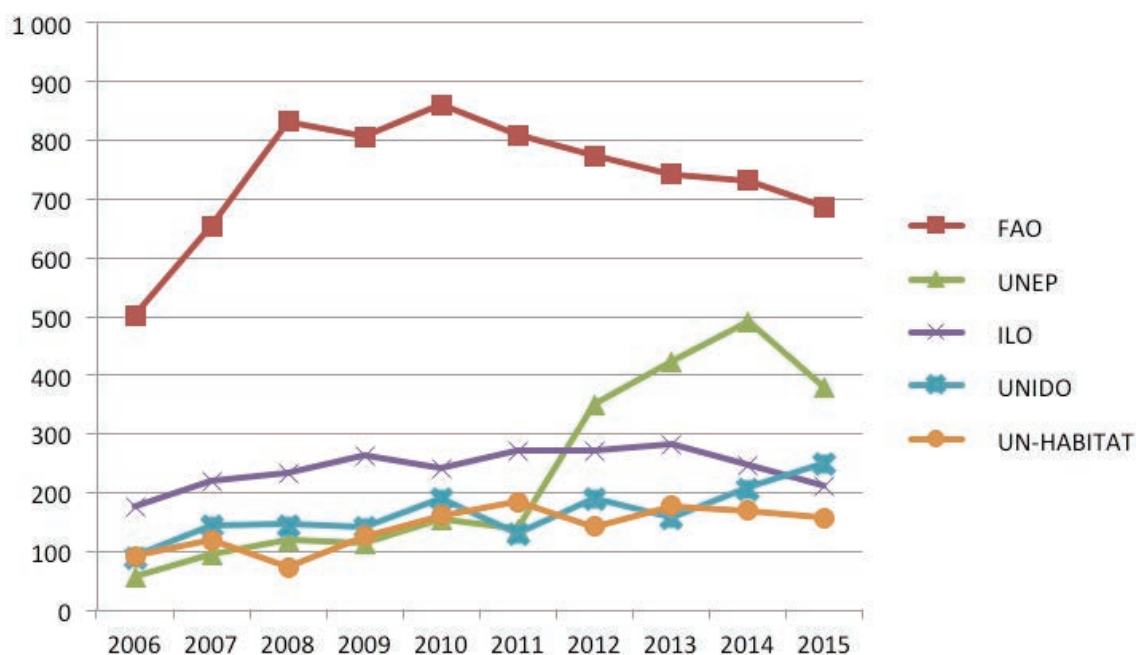
The findings demonstrated that overall UNIDO is favourably perceived as a relevant and good-value-for-money partner who can deliver results on the ground for its key funding partners. Reductions in some donors' contributions have been largely due to constrained financial resources of donors or political reasons. Across the UN system, funding is increasingly scarce and

the funding environment is characterized by increasing demand among funding partners for transparency, accountability and strong alignment with national priorities.

UNIDO's overall voluntary funds have been increasing, which has been based on merit as UNIDO is seen as proficient and capable of seizing new and relevant opportunities, particularly in relation to connecting with both country governments and the private sector as a neutral broker of development initiatives in line with the objectives of ISID.

However, the previous absence of a coherent partnership strategy that covers the whole organisation and is linked to operational systems to standardize interactions between funding partners and UNIDO has caused gaps and unevenness in managing funding partnerships. This has constrained the ability of UNIDO to respond to funding partner requirements, and thus in the long term risks donors' favourable perceptions of UNIDO that motivate them to make contributions.

Figure 3. Voluntary contributions (non-core) to UNIDO and other UN agencies, 2006-2015¹⁵



¹⁵ Source: UNDESA 2017, Report of the Secretary-General on QPCR: Funding Analysis.

**Box 5. UNIDO Good Practice Example:
Securing thematic and lightly earmarked
investments from Finland**

Since 2014 UNIDO has commenced a funding partnership with Finland who provides voluntary contributions through three “lightly tied” thematic Trust Funds: Trade Capacity Building, Food Security through Agribusiness, and Business Partnership in the forestry sector.

The approach allows UNIDO to continue to be accountable for the funds from Finland but have more flexibility in allocation of funds, as long as there is a clear link to the agreed outcomes for the funds. This provides invaluable flexibility for UNIDO to work towards its corporate results, as well as a more efficient way for Finland to support its priorities with lower transaction costs.

This funding partnership has managed to create and improve business partnerships between Finnish private companies and South African organizations and companies to achieve the thematic priority outcomes, particularly in relation to forestry, which optimizes mutual benefits for target groups, Finland and UNIDO.

In addition, UNIDO can strengthen acknowledgement of the diversity and strengths of different funding partners in their relationship management. In general, the organization is placing attention on short-term and project-level results and these are perceived as successful, but there is an increase in demand by funding partners for evidence that short term result are transformed into wider knowledge and development impact towards ISID.

Funding partners are aware of capacity limitations within UNIDO due to relatively low core contributions and do recognise the improved efficiency within the organization. However, they also raised the concern that staffing constraints in UNIDO constitutes a potential barrier to further growth. At the same time, funding partners perceive new

opportunities for UNIDO as the development interest shifts more towards public-private partnerships and building bi-lateral business to business between funding partners and UNIDO’s countries of operation.

3.2. Strategic context of voluntary contributions

Voluntary contributions in UNIDO are increasing. Voluntary contributions are the main funding sources for technical cooperation programmes and projects, normative work and research activities of the Organization. Since 2006, the overall voluntary contributions to UNIDO have increased steadily despite global economic crisis and declining assessed contributions (Figure 4).

Across UN entities, some traditional donors have reduced their overseas development assistance (ODA) in recent years due to a range of factors including financial pressure from the global financial crisis and shifts in country priorities.¹⁶ For example, ODA contributions of many of the major European donors in particular have been directed to addressing refugee crises affecting their own countries.

Moreover, new entities like the Green Climate Fund (GCF) or the Asian Infrastructure Investment Bank (AIIB), require traditional donors to reallocate available and in many cases shrinking resources among ever more actors. This includes larger NGOs who are increasingly improving their accountability; in many cases are innovative; and thus are increasing their capacity to attract funding partner resources for particular interests. The trend of voluntary contributions and assessed contribution to UNIDO in the last decade is more or less in line with that of the whole United Nations system in the same period (Figure 5).

¹⁶ OECD-DAC, 2011. Multilateral Aid Report.

Figure 4. Voluntary and Assessed Contributions to UNIDO, 2006-2015¹⁷

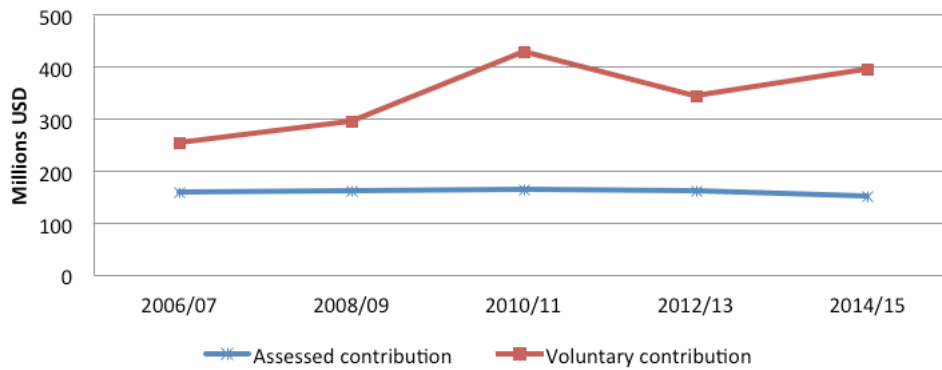
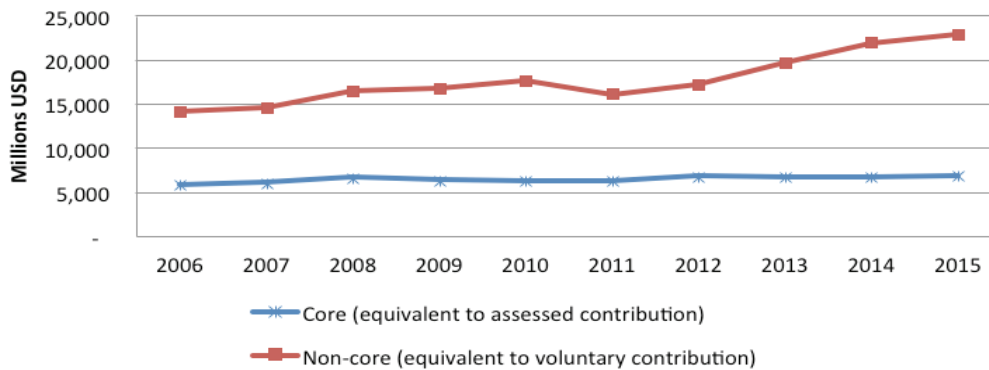


Figure 5. Contributions to the United Nations System, 2006-2015¹⁸



Voluntary contributions to UNIDO. Of the seventeen UNIDO funding partners that provided information to the evaluation through the survey and interviews, more than half (nine) indicated that they had decreased voluntary funding due to financial constraints in their own countries, four have increased voluntary contributions due to a shift of availability of funds for industrial development and interest in UNIDO’s mandate.

Two reported being negatively influenced by negative perceptions of UNIDO by other funding partners and one by the departure of other Member State partners from UNIDO, whereas one noted that they had been positively influenced by good reports of UNIDO from another funding partner.

Additionally, most noted that the funding pattern has been influenced substantially by changing priorities and political influences.

3.3. Findings from case study funding partners

In order to probe into the partnership relevance, results and relationships for UNIDO within the current context, the evaluation carried out a series of six case studies. Initially, the six largest funding partners for UNIDO over the last ten years were selected as shown in Table 1. As noted in the methodology, the case studies were developed through both face to face and phone interviews as well as review of relevant strategic, project and evaluative evidence.

17 Source: UNIDO Annual Reports from 2006 to 2015.

18 Source: UNDESA 2017, 2017 Report of the Secretary-General on QCPR: Funding analysis

Table 1: Voluntary contributions of case study funding partners during the period 2006-2015 (USD)¹⁹

Donor	2006-2010	2011-2015	2006-2015
EU	64,485,099	110,848,512	175,333,611
GEF	147,897,000	271,458,370	419,355,370
Italy	66,689,784	24,230,335	90,920,119
Japan	20,789,081	54,034,469	74,823,550
Norway	27,295,523	19,324,724	46,620,247
Switzerland	17,678,233	44,372,055	62,050,288

Based on the initial case study process, three additional funding partners were contacted to gain particular insights: Finland, as a voluntary contributor of lightly-tied funding into thematic Trust Funds, USA as a non-Member State that is increasing its voluntary contributions, and the World Bank as the most recent partner to sign an institutional partnership agreement with UNIDO that is designed to leverage resources. A short summary of the case study reports and of the additional contacts is provided in the paragraphs below.

Italy

UNIDO's partnership with Italy began in 1985, when UNIDO became a specialized agency. Italy is the highest bi-lateral donor to UNIDO, and third largest donor overall, with voluntary contributions between 2006-2015 totalling USD 90.92 million. In the 2016-2017 biennium, Italy is the fourth UNIDO largest donor in terms of assessed contribution, after Japan, Germany and China. The Ministry for Foreign Affairs and International Cooperation (MOFA) has been a long term partner of UNIDO and there has been a wide scope of partnership activities.

The Ministry for the Environment, Land and Sea also partners with UNIDO on specific initiatives. A unique feature of the partnership is the UNIDO Investment and Technology Promotion Office (ITPO) in Rome, established in 1985 and with its core funding mandated

by national law²⁰. Alignment between the two partners' priorities has been consistent with a strong focus on industries that are of competitive strength to Italy, and in countries that have relevance in terms of historical ties or countries that are sources of migration to Italy.

Private sector engagement is a new and important priority for the recently formed Italian Agency for Development Cooperation. Italy's contributions to UNIDO have declined in recent years, with the 2011-15 average annual contribution of USD 4.9 million, much lower than USD 13.3 million for the years 2006-2010. The representatives interviewed stated that the decline relates to the fiscal tightening as a response to the economic downturn, which has resulted in a shift towards contributing larger amounts to fewer agencies to reduce transaction costs.

Italy appreciates UNIDO as a partner that responds well to its key development cooperation interests and achieves mutual benefits. Italy sees UNIDO as capable in terms of technical expertise and management, efficiency of operations, and accountable to ultimately achieve good results. Representatives appreciated UNIDO's flexibility in responding to opportunities and adaptability to the changing context of international developments and ongoing reforms of the UN system. Monitoring and reporting are considered to be generally acceptable; however more presentation of outcomes would be appreciated.

¹⁹ Source: UNIDO Annual reports 2006-2015.

²⁰ Government of Italy Law 228 (2012): Yearly contributions to UNIDO.

The partnership arrangements, processes and systems for cooperation operate smoothly from the perspective of the Government of Italy, although a slight deterioration has been noted in recent months which was attributed to decreasing staff levels in the Strategic Donor Relationships Division (SDR) at UNIDO. Strengths of the Italy-UNIDO partnership are the legal basis for the core funding of the ITPO, that operates as a proxy presence of a UNIDO office in Rome; and on-going dialogue at all levels allowing adaptability of the cooperation programme as contexts change.

UNIDO needs to keep pace with changes in the Italian Government's approach to development cooperation to maintain its relevance. This will involve stronger strategic liaison at national level in priority countries as well as better coordination at national level. There is a likelihood that MOFA will move towards larger programmes in future rather than individual project agreements. Other suggestions for improvement were more information in formats that can be easily shared with the Italian Government demonstrating the impact of their contribution; strengthening the financial system to adequately track implementation if funds have not yet been liquidated; and reinstatement of the annual review meeting to reinvigorate partner relations.

Japan

The partnership between Japan and UNIDO was formalized in 1985. Japan is a regular and substantial contributor of voluntary funding. Over the ten years of the evaluation (2006-2015) Japan has been the second largest Member state contributor after Italy, with voluntary contributions amounting to USD 74.8 million. Contributions have increased over time from USD 20.8 million during 2006-2010 to USD 54 million from 2011-2015. Moreover Japan is the biggest assessed contributor at UNIDO.

The funds provided by the Government of Japan via the Ministry of Foreign Affairs (MOFA) and the Ministry of Economy, Trade and Industry (METI) are negotiated in multi-project umbrella agreements specifying allocations to projects and priority countries. This includes funding for an ITPO located in Tokyo. There is a strong focus on industrial development where there can be synergy with Japanese industrial interests. The scope of funding for UNIDO is related to the annual performance review that MOFA conducts. UNIDO has performed very well in recent assessments which are made public, and is one of only two agencies that received the highest rating of "A" assessment over the last two years.

There is strong alignment between Japan and UNIDO's priorities due to close and regular discussions. Japan appreciates UNIDO's technical capacity in private sector development, technology exchange, public-private partnerships and renewable energy, as well as the opportunity to involve Japanese companies. Japan seeks active involvement in all stages of the project cycle, and frequent dialogue in relation to results achieved.

Current partnership agreements and processes are appropriate for Japan. However there is some concern about the gradual decrease in staffing for SDR and the high level of pressure on staff was noted. The Tokyo ITPO plays an important role in communication and coordination. Japanese representatives interviewed perceive that results achieved by UNIDO are strong, however better in terms of outputs than outcomes. UNIDO is considered to be a good partner in relation to accountability and credibility.

There is an interest in seeing more information, stories and publications in relation to longer term results, as well as information that can easily be shared with media and Government representatives. The initiatives in media liaison that are being spear-headed through the ITPO Tokyo are appreciated as a way to build awareness of

Japan's international investments. Japan is aware of the efforts that UNIDO has made to reforms and increased efficiency and this has been a factor in UNIDO being rated a Class "A" partner in their internal assessment. UNIDO is not seen as the lowest cost organisation but reasonable in terms of costs due to the level of benefit that is achieved through UNIDO's expertise and ability to generate normative products that are replicable.

Overall, the Japan-UNIDO relationship is positive at both strategic and operational levels. There are some improvements that would ensure the ongoing success of the relationship including more substantive and concise dialogue; sufficient staffing for SDR; increasing charges to non-members for services provided; and improving outcome reporting.

Norway

UNIDO has partnered with Norway since 1985. Norway is currently the fourth highest government contributor to UNIDO and a regular contributor of voluntary funds. This has comprised USD 46.6 million during the period 2006-2015. Contributions have declined from 27.3 million during 2006-2010 to 19.3 million during the years 2011-2015. UNIDO receives contributions both from the Ministry of Foreign Affairs and the Norwegian Agency for Development Cooperation (NORAD).

These are negotiated on a project-by-project basis, although there is a Framework Agreement for NORAD signed in 2010 that covers extra-budgetary contributions. Increasingly, proposals for investment are sourced through country embassies in partnership with national governments and other development partners. The gradual decline in funding provided to UNIDO over the last nine years has been largely associated with a decline in funding availability for international development activities within Norwegian agencies, as well as funding being directed towards refugees seeking asylum in

Norway in recent years. This has also led to a shift towards a more programmatic approach to funding development cooperation.

Norwegian representatives appreciate UNIDO's technical capacity in private sector development, standards development, and renewable energy, as well as opportunities for involvement of Norwegian companies. They have been advocating for UNIDO to place more attention on strengthening results-based management and on gender in its work, which has helped UNIDO to develop its gender policy and framework. The Norwegian representatives displayed overall satisfaction with results and view UNIDO as capable to deliver results, but with some limitations.

In particular, more information is required on aggregated results and impact at corporate level. The formal design quality review processes within UNIDO are appreciated, as is the opportunity to conduct joint evaluations. Portfolio meetings which usually occur twice per year are valued and important to setting mutual priorities, which ensures strong alignment. However, representatives find that there is insufficient coordination within UNIDO on partnership management. For example, they receive requests from different parts of UNIDO for funds and find this is counterproductive. A more coordinated approach at the strategic level is required.

Norwegian representatives interviewed were generally satisfied with partnership agreements and processes, however noted increasing delays recently due to insufficient staffing, and recent shifting of staff to roles that they may not be best suited to. Improvements suggested included greater investment in SDR; a more strategic approach to resource mobilization; lessened pressure on project managers to be resource mobilizers; strengthened reporting on outcomes including capturing relationships between expenditure and outcomes; more interactive and substantive dialogue that is not politically focussed; broadening partnerships to work with universities in Norway; and charging

non-members for services to cover overheads including staffing. There may be interest within Norway to contribute to Trust Funds with lightly tied funds in future, but UNIDO would need to make a stronger pitch on how the funds would be used and accounted for.

Switzerland

UNIDO's partnership with Switzerland has been ongoing since UNIDO's foundation in 1966. Switzerland is the third largest Member State contributor, with voluntary contributions totalling USD 62.5 million between 2006-2015. Its contributions have been gradually increasing in recent years, with the total for 2011-2015 of USD 44.4 million being more than double the 2006-2010 amount of USD 17.7 million. There is strong alignment between Swiss and UNIDO priorities. The standard modus operandi are agreements for specific projects, which is seen as practical for Switzerland. However, the current framework agreement is from 1995 and in need of revision. Switzerland is also interested in moving towards multi-country programmes in future.

On the whole, Switzerland finds partnership with UNIDO to be relevant, and is generally satisfied with project performance and value for money. Project performance is viewed as strong in terms of outputs but in need of strengthening in terms of outcomes and sustainability. Aspects of partnership management that were valued by representatives of Switzerland include independent evaluations, effective country offices and communications officers (where these are present). One concern was that Member States subsidise non-members in terms of financing UNIDO core costs. Other important concerns related to the appropriateness and timeliness of reporting (both financial and on results), which should be improved to meet Switzerland's needs. Similarly, there were some instances where regularity and quality of communication was not sufficient. These were often linked to staffing constraints and frequent changes of

staff at UNIDO for the last few years, which have led to communication gaps, delays in project start-up and implementation, and the donor's impression of decreased efficiency. There was rising concern that UNIDO has reached its implementation capacity and is not well set up for growth. Switzerland does not view the PCP approach as important.

The key lessons learned from the partnership are the importance of ongoing communication, keeping the partner satisfied and ensuring visibility of contributions, and the importance of trust in the relationship. Important suggestions for improvement are establishment of annual partnership meetings at a strategic level; strengthening of country offices and staff capacity; increased multi-partner collaboration; greater focus on leveraging and scalability of results; improvement of partner communication systems; and improvement of reporting on results and financial management.

European Union

The EU has partnered with UNIDO since 1993 and is currently the third largest contributor after the GEF and Multilateral Fund for the Implementation of the Montreal Protocol (MLF), having significantly increased contributions over the last ten years. Voluntary contributions were USD 175.3 million between 2006-2015, comprising an increase from 64.5 million between 2006-2010 to 110.8 million between 2011-2015. The main modality for voluntary contributions is trust fund agreements for specific projects, which fits the decentralized development cooperation approach of the EU focusing on the country level. The EU is moving towards larger projects with lower transaction cost, which aligns with UNIDO's intentions. The UNIDO Brussels office which opened in 2006 has played an important role in relations with the EU. Awareness of the PCP approach was low but interest was high among those aware.

The partnership has strong mutual alignment of priorities, and the EU particularly values the technical expertise and implementing partnership of UNIDO. They view that performance in achieving results is good. Communication with UNIDO was seen by the EU as important and currently adequate.

Operational performance is also seen as sufficient as confirmed by the EU's 2008 and 2015 assessments of UNIDO's compliance to the Financial and Administrative Framework Agreement. UNIDO's good practices according to the EU include the UNIDO Open Platform and country offices. Challenges for the partnership have included delays in project design and implementation, which is due to both EU and UNIDO processes, and similarly high transaction costs of reporting and compliance due to EU requirements.

Some areas for improvement were ensuring visibility of EU contributions; a greater focus on outcomes and impact in evaluations; pursuing fewer but larger projects; strengthening of UNIDO's marketing capacity; more frequent informal reporting to the EU; and improvements in the quality and timeliness of formal reporting.

Global Environment Facility (GEF)

The relationship between the GEF and UNIDO commenced in the 1990s when UNIDO acted as an Executing Agency of GEF projects implemented by UNDP. This expanded with UNIDO becoming an implementing partner in 2000 for projects relating to persistent organic pollutants (POPs). The partnership has since further broadened to a wide range of topics and activities. UNIDO contributes to the strategic development of the GEF through regular contact with its Secretariat and through quarterly meetings of the Technical Advisory Groups (TAG) and task forces.

The partnership is guided by the standard GEF Memorandum of Understanding, last updated in August 2014 and the Financial Procedures Agreement with the International Bank for Reconstruction and Development (IBRD) as the GEF Trustee, last updated also in 2014. GEF funds are the largest contributor of non-core funds to UNIDO, and contributions have dramatically increased in the last five years.

Voluntary contributed funds were USD 147.9 million from 2006-2010, increasing to USD 271.5 million from 2011-2015, resulting in a total of USD 419.4 over the study period. It has been UNIDO's willingness and capability to expand to other areas of operation (specifically International Waters (incl. the Transfer of Environmentally Sound Technology (TEST) methodology, Industrial Energy Efficiency and Renewable Energy for Productive Uses, Climate Change Adaptation, Food Security and Sustainable Cities and projects related to chemicals such as e-waste and mercury), as well as their increasing ability to deliver workable proposals that has contributed to the broadening of the partnership's scope and the increase in funding.

The alignment between the two organizations' programming approach has been increasing as both UNIDO and the GEF learn more about their mutual interests. UNIDO's relevance to GEF is increasing as UNIDO is seen as an agency that can contribute substantially to emerging approaches such as the 'circular economy'.

UNIDO has an internal GEF Coordination Team (PTC/PRM/EPD)²¹ which is valued, and communication and reporting are generally viewed to be effective by the GEF. Supporting the GEF policy work is one specific task of the team. In this context, UNIDO has been leading and coordinating a GEF Agency Working Group cooperating with the GEF Secretariat to revise the associated project cycle management guidelines and

21 The establishment of an internal GEF coordination office is mandatory for GEF implementing agencies.

procedures. The work has been presented at the GEF Council meeting in May 2017. This leadership and contribution are appreciated by the GEF.

UNIDO is appreciated as a partner for implementation, technical capability and for policy dialogue. Mutual benefits have been achieved through the partnership resulting from the compliance requirements of the GEF for its implementing agencies. In building compliance with the various GEF policies and standards including the fiduciary standards, Environmental and Social Safeguards, and Gender policies, UNIDO achieved full compliance as a GEF Implementing Agency in 2015. This has resulted in benefits e.g. of greater mainstreaming of gender in UNIDO's projects and operations, improved standards in project management leading to better project performance, and easier access to other funds with similar requirements, in particular the Green Climate Fund (GCF) where UNIDO strives to become accredited.

Data on approval recommendations on UNIDO project designs from the Scientific and Technical Advisory Panel (STAP) demonstrate that UNIDO projects are increasingly technically compliant to GEF's requirements without requiring revisions (Table 2). This means they can be approved through the pipeline more quickly, resulting in mutual cost savings.

Project implementation performance is considered by the GEF to be generally good, but with some concerns about sustainability. Some delays in implementation have occurred, which is an area for continuing improvement of project designs.

The GEF considers that UNIDO provides generally reasonable value for money, though several key informants suggested that the transaction costs of the partnership for UNIDO may not cover full costs. The GEF are increasingly interested in partnerships on implementation platforms focusing on scaling up rather than isolated projects, which will be important for the GEF-UNIDO partnership in future. Another suggestion to enhance the GEF-UNIDO partnership was that more high-level interactions at the Directors level would be beneficial to ensure that the two agencies are aligned at the global level.

Table 2. UNIDO's project approval recommendation rate by GEF Scientific and Technical Advisory Panel (STAP) (2009 to present)²²

Batch²³	Consent	Minor revisions	Major revisions
Batch 1	37.5%	50.0%	12.5%
Batch 2	62.5%	25.0%	12.5%
Batch 3	62.5%	25.0%	12.5%
Batch 4	68.8%	18.8%	12.5%

²² Source: GEF Scientific and Technical Advisory Panel (STAP) database.

²³ 'Batches' of projects have 16 in each, with Batch 1 being the earliest and Batch 4 the latest (as specific dates of approval were not available).

Finland

The partnership between Finland and UNIDO was formalized on 21 June 1985. The scope of voluntary contributions from Finland was relatively small for a long time of USD 495,296 between 2006-2010 until 2014, when Finland increased their contributions sharply to Euro 4.2 million for 2014 and 2015, now significant in UNIDO's portfolio of voluntary contributions. In 2014, UNIDO received the third highest amount for Aid for Trade funding from Finland. Finland provides contributions to three "lightly tied" Trust Funds where resources are allocated on a thematic basis rather than as specific projects, as stated in the 2014 funding agreement. The relationship has a strong focus on Aid for Trade and private sector engagement, strengthening further following a recent evaluation of Finland's Aid for Trade approach in 2016, which strengthens UNIDO's relevance to Finland. The engagement of Finnish companies in the development work of UNIDO is particularly valued. Finland also appreciates UNIDO's perceived high profile in trade development.

Overall, UNIDO's partnership arrangements and agreements with Finland are suitable. Finland is generally satisfied with the results that UNIDO achieves, and appreciates the technical capacity of UNIDO staff. They are satisfied with value for money provided by UNIDO but question the Member States' subsidisation of non-members. Key areas for improvement are reporting on the aggregate results achieved through voluntary contributions, as well as providing greater visibility of Finnish contributions. Regarding financial reporting, there was an issue in 2016, where Finland was under-recognised for the scope of its contribution as funds in the Thematic Trust Funds had not yet been allocated to specific technical cooperation activities and so were not included in the record of voluntary contributions.²⁴

This is due to UNIDO's financial reporting practice which is not based on income, and needs to be urgently addressed. Communication from UNIDO overall is satisfactory, with some areas for improvement in the regularity and substantive content of dialogue between Finland and UNIDO; and greater focus on strategic donor relations.

USAID-UNIDO partnership in Tunisia

The relationship between UNIDO and USA has been dormant for many years since the USA left UNIDO membership in 1996. In 2012, the United States Agency for International Development (USAID) co-funded a UNIDO project in Tunisia, together with several donors, with a voluntary contribution of USD 1.5 million relating to youth employment through job creation and entrepreneurship development.

The following points were noted by USAID respondents interviewed by the evaluation team, mainly in relation to this specific project in Tunisia.

This project has re-established lines of communication and partnership with UNIDO. Good performance of the project and professionalism of UNIDO personnel have led to a new programme with funding amount increased by eight times to USD12 million from USAID. The focus of the project on Micro Small and Medium Enterprises and economic development is an area of shared interest between UNIDO and USAID's current strategic directions.

UNIDO staff in relation to the Tunisia programme management were found to be highly professional and processes have been straightforward, effective and efficient. The relevant staff at USAID have been kept well-informed of progress and have found that both the results achieved and the reporting on results has been excellent. Visibility is an important factor and attribution to USAID

²⁴ Although Finland contributed Euro 4.2 million to UNIDO in 2014 and 2015, the total amount of Finland's voluntary contribution was officially recorded as USD1.8 million during 2011-2015, and USD737,250 in 2014 and USD90,042 in 2015.

in the project materials and activities was given prominence.

In this regard, the staff interviewed considered UNIDO to be good value for money compared to private sector consultancy firms that are used as executing agencies for similar projects that they have been involved with. They also considered the 13% overhead charge to be competitive. Overall the quality and frequency of interactions, the level of staff's technical knowledge and practical expertise were reported as positive. Within the scope of the current agreement, the partnership is considered to be performing very well and is on track in relation to deliverables and expected outcomes.

World Bank

As noted in the methodology, the recent strengthening of engagement between UNIDO and the World Bank signals a new form of strategic partnership that is expected to result in increased co-funding into UNIDO activities. This process is at an early stage but is an important focus in UNIDO at the time of the evaluation and needs to be acknowledged in consideration of funding partnerships and the strategic direction of UNIDO in relation to ISID and its contribution to SDG 9.

Following an existing Memorandum of Understanding between the two institutions dated 1973, a joint letter was signed on June 7, 2016 by the UNIDO Director General, and the Vice President of the World Bank's Operations Policy and Country Services. The joint agreement was designed to strengthen cooperation between both organisations in support of the 2030 Agenda for Sustainable Development and provide developing countries with the support, knowledge and financial resources needed for SDG 9 implementation. UNIDO intends to assist countries in implementing World Bank financed initiatives and projects in support of inclusive and sustainable industrial and economic development through capacity building services across a variety of sectors,

ranging from renewable energy to agrobusiness development. UNIDO's technical assistance interventions on initiatives financed through country government, supported by the World Bank financing will be designed in such a way as to trigger stronger impact on the ground.

On December 5, 2016 a new Standard Agreement format was approved by both organisations that would speed up arrangements to facilitate the provision of technical assistance to client countries. The aim is to help the two organizations support client countries in achieving the SDGs. The interview with the World Bank confirmed the recognition of other partners that UNIDO is valued for its technical expertise. It is also seen to have potential as a catalyst to encourage different development agencies to pool or align resources to achieve bigger impact.

However, even in this early stage of the partnership, the World Bank noted the low level of resources in partnership management, particularly strategic donor relations as well as general communications that is contributing to delays and gaps in setting up the partnership for implementation, and the needs to revisit the cost structure of UNIDO services to realistically recover their full costs. The potential for this and other similar partnerships is substantial if the modality is finalized and the response is in line with partner expectations.

3.4. Managing relationships with Funding Partners

Funding partners have varying and shifting interests. The case studies demonstrate that funding partners have their own unique characteristics and requirements. At UNIDO funding partners contribute to technical cooperation interventions under three main priority themes: poverty reduction, trade capacity building and energy and environment. Major multi-donor funding partners mainly fund one or two thematic

areas, for example, the EU support relates to Poverty Reduction and Trade Capacity Building; and the GEF and the MLF finance mostly Energy and Environment programmes. The bi-lateral funding partners take different approaches to their funding priorities. Interviews with funding partners confirmed two different approaches to voluntary contributions. Most funding partners require high visibility and accountability to report to their own decision-makers and citizens, such as Japan, Switzerland and the EU, so tend towards bilateral funding of specific projects and a requirement for higher levels of engagement, specific accountability for impact and profile in acknowledgement. A desire for higher levels of acknowledgement by UNIDO was expressed by several funding partners, particularly the EU and also to some extent Switzerland. Alternatively, a minority will contribute to trust funds such as Finland through an approach that considers contribution to impact, thereby giving UNIDO more flexibility in the use of the resources compared with project specific funding (see Box 6).

Across the different case studies interviews, funding partners noted a range of different interests. Several clear shifts were noted including a greater geographical focus on countries of interest. Some funding partners wish to restrict funding to Least Developed Countries (LDC) such as Finland and Norway (although Norway is decreasing their scope of focus) or Middle-income countries (MICs) such as the Swiss State Secretariat for Economic Affairs (SECO) whereas others have specific countries of interest such as Italy and Japan. A special interest in Africa was noted by most funding partners. Most also mentioned that there is increasing decentralization of resources to country or regional decision-making. This was reported by the UN Joint

Inspection Unit (JIU) report on Resource Mobilization functions and confirmed by the comparator organizations that have recognized these trends and decentralized resource mobilization activities accordingly. Planning of resource allocation is increasingly determined by requests and plans from the country and/or regional level that then aligns with national policy directions.

Where UN Development Assistance Frameworks (UNDAFs) are in place, funders place particular importance on alignment with the UNDAF. It is then important for UNIDO to be able to connect at each level (headquarters, regional or country) with funding partners to better understand their priorities and requirements. This indicates that UNIDO has to remain closely engaged with funding partners to respond to their changing priorities and interests.

Changing approaches to global partnerships and resource mobilization in the UN system. More broadly in the UN system, approaches to resource mobilization have shifted in recent years, and now “Resource mobilization is no longer looked upon in purely transactional terms; it is perceived as attentive nurturing of a lasting relationship with donors as partners, requiring effective communication strategies and continuous dialogue and back-end servicing.”²⁵ This ‘partnership agenda’ approach rather than a more direct fundraising approach is also in line with the overall development cooperation context, as evidenced by the principles of the 2011 Busan Partnership for Effective Development Cooperation (Ownership of development priorities by developing countries; Focus on results; Partnerships for development; and Transparency and shared responsibility)²⁶ and SDG 17 to “Strengthen the means of implementation and revitalize the global

25 United Nations Joint Inspection Unit (JIU), 2014. An Analysis of the Resource Mobilization Function Within the United Nations System.

26 Busan Partnership for Effective Development Co-Operation Fourth High Level Forum on Aid Effectiveness, Busan, Republic of Korea, 29 November-1 December 2011.

partnership for sustainable development”.²⁷

In response to the Busan Partnership, the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC) adopted principles to reduce the proliferation of multilateral channels, of which one is: “Provide core or un-earmarked contributions to multilateral organisation, where relevant and possible.”²⁸ The Addis Ababa Action Agenda of 2015 also calls for new and innovative approaches to financing for development that operate at country, regional and global levels and across UN entities, along with strengthening global partnerships.²⁹ Finally, the UN General Assembly stressed – in the recently adopted the QCPR resolution – the need for adequate quantity and quality of voluntary funding which is less earmarked (see Box 6). In addition to the Lima Declaration, these resolutions provide UNIDO with leverage and a basis for a renewed approach to partnerships.

UNIDO reflects and acknowledges funding partnership shifts; appreciates wider benefits of partnerships. The above shift was reflected in the understanding across UNIDO staff of its relationships with funding partners. A total of 80% of staff respondents to the evaluation survey indicated that they believe that funding partners are full development partners; only 10% believing that funding partners only provide funds. In terms of partnership benefits, 68% of staff members believe that funding partners are also technical partners where expertise is shared. In addition to receipt of funds, staff perceive substantial other benefits in relationships with funding partners as shown in Figure 6. This indicates that UNIDO is making efforts to work with funding partners in line with the Busan Agreement and the Lima Declaration.

Box 6. Quadrennial Comprehensive Policy Review (QCPR) of the UN System Resolution 2016: Adequate voluntary contributions, less earmarked³⁰

The General Assembly,...

25. Recognizes that the integrated nature of the 2030 Agenda requires a more sustainable funding approach, and stresses the need for adequate quantity and quality of voluntary funding to continue to support the United Nations operational activities for development, as well as the need to improve funding practices to make voluntary funding more predictable, flexible, effective and efficient, less earmarked and better aligned with the national priorities and plans of programme countries, as reflected in the United Nations Development Assistance Framework, or equivalent planning framework, as well as with the strategic plans and mandates of United Nations funds, programmes and specialized agencies, in order to enable the United Nations development system to work at all levels in a coherent, coordinated and, where appropriate, integrated manner, reducing duplication and increasing impact...

27 UN-DESA, 2016. Sustainable Development Goal 17. <https://sustainabledevelopment.un.org/sdg17>

28 OECD-DAC, 2011. Multilateral Aid Report.

29 United Nations, 2015. The Addis Ababa Action Agenda of the Third International Conference on Financing for Development.

30 Source: General Assembly resolution 71/24; Quadrennial comprehensive policy review of operational activities for development of the United Nations system

Figure 6. Benefits of partnerships with funding partners to UNIDO³¹

Availability of funds for programmes & projects	93%
Wider development outcomes and impacts in terms of replication, scaling up, knowledge sharing and learning	83%
Increased performance of UNIDO programmes and projects (in terms of relevance, effectiveness, efficiency and sustainability of results)	76%
Advances such as new or improved technologies, knowledge, skill set & networking	70%
Increased UNIDO standards in project management (such as design, implementation, monitoring & evaluation, Results-Based Management)	59%
Increased UNIDO standards in fiduciary management (such as financial management, procurement, internal control)	44%

UNIDO’s management of funding partnerships spans the organization.

UNIDO’s relationship management with donors spans three different departments as well as other important offices that engage in specific support to donor partnerships. The Department of External Relations (ETR), particularly the Strategic Donor Relations (SDR) Division, the Department of Partnerships and Results Monitoring (PRM), and the Department of Regional Programmes and Field Representation (RPF) are all engaged in working with funding partners as well as other partners (Fig 7).

In addition to the structure that is designed to support UNIDO’s partnerships with donors, there are a range of institutional processes in place. These include Technical Cooperation Guidelines (2006) that focus on ensuring accountability and efficient use of funds across the organization and an online Funds Mobilization Guide (2006) that outlines how funds raised are channelled and managed within the organization.

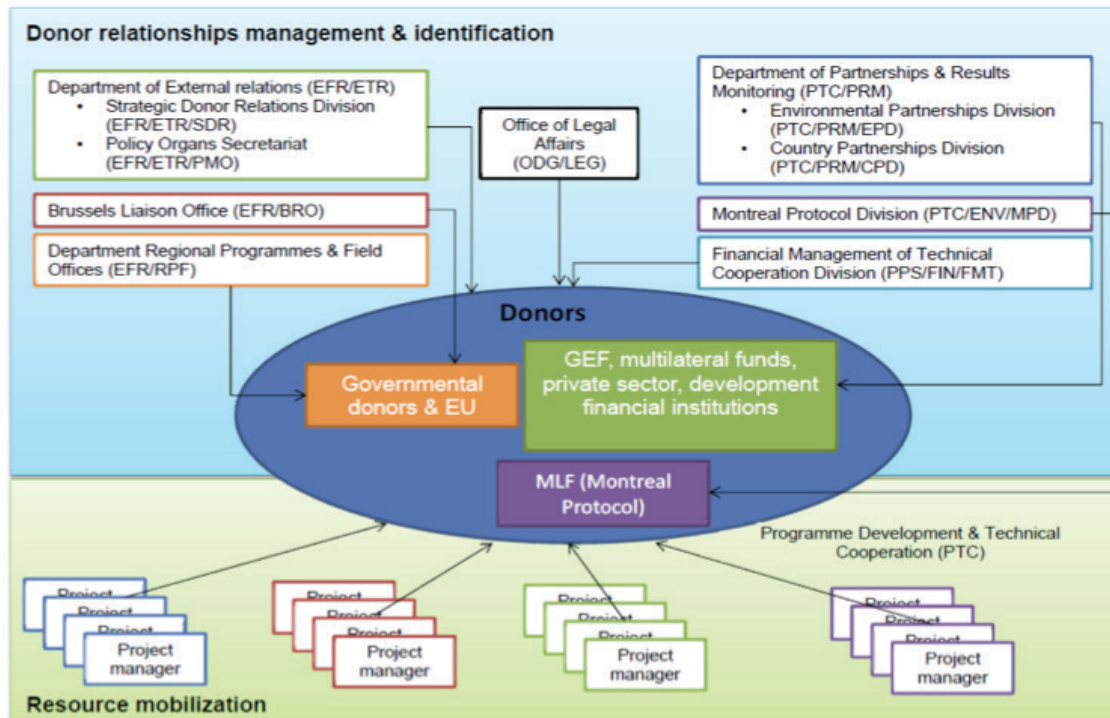
A draft partnership strategy has been prepared internally that focuses on the pilot Programmes for Country Partnership (PCP) approach and internal work has also been carried out on analysing patterns of partnership funding.³²

The strategy introduces principles for partnership of ownership, additionality, neutrality, transparency, integrity, and compliance with environmental, social and governance standards. It specifies the PRM as the responsible unit for implementing the strategy, including preparing operational guidelines for different types of partnerships, facilitating the coordination of partnerships across the organisation, monitoring partnership performance and results, developing the capability of staff to management partnerships, and sharing knowledge about partnerships. A guide for engaging with Member States and donors is under development, but does not yet cover all funding streams through partners. While this work is important, it has not yet yielded a contemporary, coherent strategy that guides partnership management and funds mobilization activities. As with other comparator organizations, funds mobilization is now a responsibility of all levels of the organization. Within UNIDO, project managers play a substantial role in funds mobilization. While this increases the opportunities for identifying funding opportunities, it can also result in duplication and competition for funds within the organization.

³¹ Source: Evaluation survey of UNIDO staff

³² The UNIDO Strategy for Industrial Development Partnerships 2017-2020 (DRAFT).

Figure 7. Donor relationships management and resource mobilization function at UNIDO³³



To funding partners, this leads to the perception of an un-coordinated organizational approach to partner servicing. This concern was also noted in the comparator study and other UN Agencies are now placing more attention on co-ordinating funds mobilization efforts across the organization, using collaboration with funding partners to generate information on interests and priorities that is then shared across the organization to take a more streamlined approach to funds mobilization and management of relationships with funding partners.

3.5. Relevance – Is UNIDO doing the right things?

Strategic relevance across all funding partners. UNIDO is seen by all funding partners as aligning with their mandates and vice versa. Interviews with funding partners consistently reaffirmed the importance of UNIDO’s mandate in relation to ISID. It is worth noting that the terminology of ISID is appropriate in terms of content but is not well-

known or widely used by funding partners.

Instead, UNIDO’s relevance was explained by funding partners and staff predominantly as the importance of connection with the private sector in improving resource efficiency, reducing environmental impacts of industry, technological advancement for economic development, enhancing knowledge and norms in the industrial sector to become more competitive within sustainability principles and most frequently, the generation of employment for vulnerable communities.

UNIDO’s capacity and expertise attracts funding partners. With funding constraints there is a focus amongst funding partners on efficiency and value for money. In all of the case studies, the technical expertise of UNIDO was noted as an important factor that influenced the decision to provide funds. Across its thematic areas, the technical capability of the Organization is well-regarded and seen as being an important

33 Source: Director General’s Bulletin - UNIDO Secretarial Structure 2016.

niche in ODA. Furthermore, UNIDO is seen as having practical competitive advantages in its responsiveness, flexibility and positive track record in project execution. Its expertise in working with private sector actors is consistently valued and its relative affordability and the ease of transactions (procurement by funding partners for the delivery of services), compared to organizations that fall under the World Trade Organization (WTO) regulations was seen as attractive for most funding partners interviewed. The reputation of UNIDO in delivering relevant programmes and projects is confirmed by a review of independent project evaluation reports by the UNIDO Independent Evaluation Division³⁴ where it was found that the relevance of 96% of projects was rated satisfactory. This was consistent with feedback from the GEF and other funding partners that support environmental projects that find UNIDO's deliverables to be of high quality in areas such as chemicals management, renewable energy and resource efficiency improvement.

Relevance is strengthening further and creates new opportunities for UNIDO.

The priorities of funding partners are shifting. Bilateral donors increasingly wish to demonstrate to their national decision-makers and citizens that investing in ODA brings benefits to the country. This is leading to a heightened interest in “economic diplomacy”, where contributing to ODA also generates a benefit for the donor in term of economic opportunities. Companies based in key bilateral donor countries such as Italy, Norway, Japan and Switzerland are contracted to deliver technology, goods or services which can stimulate economic opportunities and jobs both in the donor country and the recipient country. Another emerging area of interest for donors,

particularly the multi-donor institutions such as the GEF and EU, is the “circular economy” concept, where opportunities are found in industry to increase resource efficiency, improve environmental outcomes and generate economic added value³⁵. UNIDO is seen as being well-placed to engage and deliver technical cooperation in this area. In addition, nowadays UNIDO is considered more relevant due to its leading role in SDG 9. Its complementary role in other SDGs, in particular in the area of environment and energy, was also seen as important.

Considerations affecting relevance.

UNIDO was seen as not capitalising sufficiently on its high relevance. In the case study countries, UNIDO was considered to have limited visibility compared to other agencies. While Ministries of Foreign Affairs understand what UNIDO can offer, often politicians and other Ministries either are unaware of UNIDO or do not have a clear or accurate understanding of what UNIDO can deliver in line with national priorities.

This creates challenges for MOFA representatives to secure budget allocation for UNIDO. This was confirmed through the comparator study where the other agencies are making a concerted and increasing effort to “market” themselves to potential funding partners – not through promotional materials but by better visibility and ongoing dialogue. The staff survey also raised the need for UNIDO to enhance its profile and take more opportunities for strategic dialogue with funding partners. Another point raised in the case study consultations was that while the term ISID captures all the key aspects that are seen as relevant by donors and reflects funding partners’ priorities (in particular the term “inclusive”), the terminology does not have sufficient traction or attractiveness globally.

34 Based on UNIDO 2016 independent project evaluation ratings database and synthesis of finding and lessons from independent evaluations in the period 2012-2015

35 World Economic Forum, Ellen MacArthur Foundation and McKinsey & Company, 2014. Towards the Circular Economy: Accelerating the scale-up across global supply chains.

Box 7: Relevance – Is UNIDO doing the right things?³⁶

UNIDO is seen by funding partners as highly relevant to their development priorities. Relevance is increasing particularly in relation to UNIDO's role in SDG 9 and in its ability to act as a "neutral broker" between governments, private sector and vulnerable communities and environments.

Suggestions received to address this included increasing the marketing of ISID as an approach, shifting more to linking UNIDO with SDG 9 promotion or creating a more easily identifiable "by-line" that is more attractive and that demonstrates UNIDO's outcomes in jobs and economy. Several Member States mentioned the increasing priority of human security and migration as increasing priorities that UNIDO could support but others felt that this may not be core business and would stretch UNIDO too far. Two Member States mentioned that UNIDO may be compromising relevance by stretching its mandate too far and that it should focus more on core competencies. In general this was not supported by other donors who see UNIDO's capability to connect between industrial development and humanitarian and environmental concerns as its unique niche.

3.6. Effectiveness – Is UNIDO doing things in the right way?

The evaluation question relating to effectiveness is 'how effective have UNIDO's partnerships been in achieving their intended objectives?' It considers the extent to which UNIDO is aligning with the theory of change for funding partnerships. It also considers the extent to which funding partners engaged in the evaluation are satisfied with UNIDO's performance in delivering results. Understanding this is an important factor that influences donor decisions to maintain ongoing partnerships with UNIDO.

UNIDO's efforts generate good programme and project results. All sources of data through the evaluation provided good evidence of UNIDO's effectiveness in delivering programmes and projects. IEV's review of independent project evaluations between 2012-2016 showed that the effectiveness of 91% of the projects and programmes were rated satisfactory and that strong performance is seen across all technical departments.

Funding partners value positive results. The importance of results is reflected in the funding partners' decision-making process; for instance, Japan's and the GEF's annual performance reviews include a summary of performance for key projects and programmes. In Japan, the reviews are critical in the allocation of the government's budget resources; in GEF, these are used in public information relating to the performance of GEF so are important for UNIDO's profile. Strong indications of good performance are the GEF Annual Report for 2016 which affirms a self-rating of UNIDO's performance, using its rating instrument based on the percentage of projects performing at 'moderately satisfactory' rating or above. In 2016, UNIDO was rated 'moderately satisfactory' in 96% of its overall 'implementation progress' across 104 projects and 98% in demonstrating 'progress towards Global Development Objective' across 107 projects. UNIDO's performance was considered by GEF to be a high-level of achievement which is also consistent with the perspectives of UNIDO representatives who work closely with GEF. Furthermore in terms of technical performance for Project Identification Forms (PIF) and CEO Endorsement Documentation submitted by UNIDO to GEF, there has been a distinct improvement of quality over time. Approval recommendation data through the Scientific and Technical Advisory Panel (STAP) for 48 projects between the years 2009-2017, divided into four batches of 16

³⁶ Source: Evaluation case study interviews synthesis

projects in sequence of date of submission (exact dates were not available) show that there was an improvement in the quality of PIFs, with the percentage of projects being approved with no changes increasing from 38% to 69%, those requiring minor revisions falling from 50% to 19%, and those requiring major revisions remaining constant at 13% across the batches. The remaining proportion of major revisions were those thought to be caused by contextual factors such as changes of political situation in the country or technological progress rather than of poor quality, therefore out of UNIDO's control.

A further example is the Government of Japan that has in the last two years released publicly its classification of agencies that it supports using a system of performance review. UNIDO is one of the only two agencies to achieve the highest "A" rating for two consecutive years. The survey of funding partners and several of the case studies did indicate that results are not always even across all projects and programmes. For nine survey respondent funding partners, only two strongly agreed that "UNIDO projects and programmes have performed well in achieving their intended results", two agreed and four neither agreed nor disagreed, indicating a variety of results. The comments in relation to this question included: "The answer depends very much on project implementer and situation. Over the last years and months we have had very different experiences, from very good to not acceptable. There, it is not possible to give a clear answer."

UNIDO's ability to interact with the private sector is a main asset in achieving results. UNIDO is considered to be a leading development organization that has the capacity to connect with the private sector.³⁷ Many organisations by their mandate are not able or encouraged to collaborate directly with

the private sector. The ability of UNIDO to act as a neutral broker in relationships and projects involving both the public and private sector is a key feature in many projects and programmes. Activities such as the ITPOs are seen as filling a niche that other UN agencies are less able to achieve. Similarly, there are few UN agencies that work within donor countries in a way that benefits both the country and recipient countries of development cooperation. In this regard, UNIDO is not only effective at the project level but is also effective as a development partner in terms of the ability of the organisation to bring benefits to the partnership.

Box 8: Effectiveness – Is UNIDO doing things in the right way?³⁸

*"UNIDO does great stuff, but must increase its normative effect. **Your projects and programs need an integrated normative component.** UNIDO is "doing" things on the ground, but please share your experience and influence normative processes as well!"*

Work on norms, standards, policy dialogue and innovative approaches to development are particularly valued but not always adequately costed in project/programme design. The high reliance on voluntary funding for UNIDO operations means that many of the activities are bounded by specific project agreements and related deliverables. However, it is the expertise of UNIDO in developing pro forma standards and policy through normative work that is mentioned by many funding partners as important in terms of recognisable and wider impact. Although the comments in the funding partner survey raised the value of normative work, in reality not many donors provide funds to UNIDO to do them separately from projects or programmes. Of the survey respondent donors, 65% contribute to

37 UNIDO's cooperation with private sector is regulated by the 'UNIDO Policy on Business Partnerships' (DGB/(P)/125 June 2013), which is currently under revision. These partnerships were also the subject of a previous thematic evaluation "UNIDO's Public Private Partnerships", published in 2014.

38 Source: Evaluation survey of UNIDO donors

specific projects and programmes, 21% to normative work and learning activities and 14% to strategic thematic work. Funding partners would appreciate UNIDO paying more attention to normative work in projects and programmes so that their investment can achieve longer term value.

3.6.1. Considerations affecting effectiveness

Funding partners are increasingly concerned about wider impact and sustainability. Most funding partners interviewed find project reporting in relation to accountability for deliverables to be satisfactory but believe that there is insufficient identification/understanding, measurement and promotion of their contribution to corporate results and progressing ISID. This was confirmed by the synthesis of project evaluations where 24% were assessed as being over-ambitious in design, 33% lacking in sufficient logic in tracking and monitoring causal chains to achieve best results and 43% considering insufficiently gender in design³⁹. This relatively high level of concern from both funding partners and UNIDO staff, yet the acceptable level of efficiency in projects suggests that this may be an issue that is emerging and needs to be explored in more detail by the Organization. The value of work carried out by UNIDO in projects is neither sufficiently shared more widely with development partners nor captured as development intelligence into a knowledge management system within the Organization. This is seen as a missed opportunity for increased impact. One respondent to the funding partner survey explained it as “Results are being delivered. But were the results of the proposal the right ones? UNIDO need to influence results and normative processes higher up in the chain of results.”

Box 9: Effectiveness – Is UNIDO doing things right?⁴⁰

UNIDO’s results are impressive but are often under-recognised and do not sufficiently demonstrate contribution to corporate results and to ISID objectives.

UNIDO could increase its profile and promote its successes for wider benefit.

The low level of visibility of results and the Organisation itself was considered a barrier to growth and potential breadth of achievement. Although performance and accountability are positive, UNIDO does not fully capture and promote its capabilities within the new global context so its profile is not sufficiently high with decision-makers for resource allocation. Comments during the case study visits included “UNIDO is not well-known, not like UNICEF or UNDP”; “Our citizens do not understand what UNIDO does or why it is important to them. Therefore there is no influence on decision-makers to give money to UNIDO”; “UNIDO is well-known in the Ministry for Foreign Affairs.”⁴⁰

There are actually opportunities to connect with other Ministries that may have interest in supporting UNIDOs but they do not know about UNIDO.” In comparison to other agencies, UNIDO lacks a marketing strategy to existing and new funding partners to better promote their successes, value proposition and the mechanisms for providing funding to UNIDO.

39 Note: this data is based on projects that were closed by 2015 so designed at least three years prior to the evaluation. Anecdotal evidence is that gender performance is increasing, although there were continuing concerns about realistic designs and causal chains monitoring as well as early implementation effort.

40 Source: Evaluation Case Study interviews synthesis

3.7. Efficiency – Does UNIDO provide value for money?

Varying views on UNIDO's value for money. The feedback received during the case study visits with funding partners indicated that UNIDO's efforts to reform have been acknowledged and are seen to have contributed positively to efficiency. There was a general positive response to UNIDO's level of efficiency through the case study visits although most cited delays in project start up and delays in financial reporting as factors affecting efficiency. The feedback from funding partners through the survey was less positive with one of the responses indicating that they do not agree that UNIDO offers value for money and four providing a neutral response. Less than half of the nine survey respondents were satisfied with UNIDO's value for money. The concerns raised, related to UNIDO's reduction of resources to donor relations, delayed financial processes and poor demonstration of real results to funding partners.

Operational efficiency relatively satisfactory. According to the independent evaluations of UNIDO projects, efficiency was rated as satisfactory in 79% of all projects. Lower efficiency was observed where there were implementation delays, particularly during the start-up periods. This confirms the feedback from funding partners. This and other concerns of funding partners appear to be shared by staff with almost one third of respondents being dissatisfied with financial and annual reporting and the response time to funding partners.

Management of funding partnerships is considered largely cost-efficient. The efficiency and affordability of preparing and signing agreements with UNIDO was considered an advantage of UNIDO in securing funds, particularly supplementary budget funds that require an organization to be responsive to funds availability and be ready to accept funds when they become available. Several funding partner, particularly

the EU and USAID noted that UNIDO has a strategic advantage in UNIDO's status as a UN agency. This provides UNIDO with a cost advantage for funding partners in comparison to organisations that need to follow World Trade Organization (WTO) regulations. Securing the services of a WTO-regulated organization requires more complex and expensive processes; in comparison, UNIDO was seen as an affordable option for working with an agency with private sector knowledge and expertise. Both the EU and USAID felt that this was a substantial cost advantage for funding partners and one that UNIDO could do more to promote. For all funding partners throughout the case studies, the format of partnership agreements and establishing partnership arrangements was considered to occur smoothly and with a high degree of responsiveness from the Strategic Donor Relations Division. At the operational level (project level) the picture is more diverse. A minority of project managers are not sufficiently responsive to partners. Overall however, UNIDO is seen as a partner that is relatively easy to do business with and have a relatively low transaction cost.

3.7.1. Considerations affecting efficiency

Capacity for growth. Several funding partners expressed an interest in making available additional resources to UNIDO. However, these donors also indicated that there was rising concern that UNIDO has reached its implementation capacity and is not well set up for growth. Limited staff capacity across the organization is currently a major constraint and in some areas, staff members are overloaded leading to communication gaps and delays. For instance, some project managers report difficulties in supporting the needs of funding partners as well as managing project implementation. Donors reported that this has negative implications for their willingness to expand their work with UNIDO in future. The solution to preparing for growth raised by funding partners was for UNIDO to be more transparent about the real costs of

personnel for technical support at senior level and for normative work. Personnel costs and overheads need to be accurately accounted for in programmes and projects and these costs communicated clearly to funding partners.

Sub-optimal membership cost/fee structure. The current membership fee/cost structure is causing impression that Member States cross-subsidize non-Members as the project support costs contributed by non-Members do not fully cover the core expenses necessary for implementing projects (e.g. UNIDO staffing, financial and procurement services, office costs and etc.). Furthermore, some non-members have lower overhead percentage than that of Member States (e.g. EU, GEF⁴¹). The differential costs for multi-donor programmes does reflect to an extent the volume of funds being channelled to UNIDO, however, there are also higher staff allocations to such programmes. This is resulting in some dissatisfaction among Member States and leading them to question the value of membership, which could have negative implications for UNIDO core funding in future.

UNIDO has been exploring the opportunities for a transparent “value-for-money” approach to overhead charges. Feedback from funding partners is that apportioning actual costs of core resources to projects would be acceptable and more rigorous accounting of the value of normative products. The comparator organizations confirmed that where communications and evidence of costs allocated are transparent, funding partners are willing to cover the necessary overhead costs. This would also be in line with the recently adopted QCPR resolution which reaffirms the principle of full cost recovery, proportionally from core and non-core resources, thereby avoiding the use of core

or regular resources to subsidize activities financed by non-core or extra-budgetary resources (General Assembly resolution 71/24, para. 35).

UNIDO’s new policy adopted in December 2016 outlines the cost recovery rates for extra-budgetary contributions: 13% for actual direct programme or project expenses, and 7% for indirect costs. It also outlines exceptions that “Programme/project activities funded through the funding agreements with other entities, and respective amendments thereof, such as MLF, GEF, EU, as authorized by the Director General, would follow the specific regime as outlined in the signed funding agreements.”⁴²

Box 10. Efficiency – Value for money⁴³

UNIDO’s reform achieved gains in efficiency but stretched staff resources are now resulting in inefficiency and decreased servicing of funding partners. The cost/fee structure for funding partners requires amendment.

Increase economies of scale and scale of impact. A more proactive approach to mobilizing resources under thematic funds or programmes such as those supported by Finland, which would reduce project overheads, would be welcomed. However, such changes need to be clearly discussed with funding partners and financial management processes would need to be improved to allow for better tracking of funds allocation and use in relation to specific activities as well as contribution to corporate results. Most of the comparator organizations have thematically based funds in place that allow lightly earmarked funds to be contributed. These have been successful in mobilizing some flexible funds, though lower than expected amounts for all organizations due to political and economic changes in donor countries.

41 It is however recognized that donors contributing to the EU and GEF include both UNIDO’s Member States and non-Member States.

42 UNIDO DGB/2016/14 23 December 2016. Director General’s Bulletin: UNIDO Programme Support Costs Recovery Policy.

43 Source: Evaluation Case Study interviews synthesis

3.8. Sustainability – Does UNIDO make a long term difference?

Sustainability mechanisms are important.

Feedback from the funding partners indicated that there is increasing requirement for themselves, and also UNIDO to place more effort on demonstrating how investments result in long term change and how investments leverage further results are upscaled. Normative work is appreciated as contributing to changing norms and behaviours for ISID and for widening impact beyond project work. There is also strong appreciation of UNIDO's work in building country level contacts and the capacity of networks and business to business relationships. This is seen by donors as a mechanism for achieving greater results and sustainability of interventions beyond project completion.

Satisfactory results but could be improved.

The evaluation synthesis of UNIDO projects indicates that 85% of projects do pay attention to sustainability. On review of the evaluation reports, there appear to be two main reasons for the moderately satisfactory ratings. The two relate back to the performance rating for effectiveness where two key factors affecting effectiveness are over-ambitious designs and insufficient logic in tracking and monitoring causal chains to achieve best results; this was rated only 64% in project evaluations from 2012-2016. There is a common theme in projects that insufficient attention is paid to consideration of the potential of long term benefit in the early stages of project design so that it can be built into the project operations from commencement. This includes assessment of potential risks to sustainability from the beginning of the project and building in risk mitigation and local ownership to ensure that benefits attained continue to be supported and advanced beyond UNIDO's period of engagement. Of positive note are the technical improvements and increased

capacity of the target groups participating in the projects. There are good practices in ensuring that any introduction of equipment includes mechanisms for on-going operations and maintenance. The introduction of new practices is a key way of achieving lasting results through behaviour change.

Stronger evidence of long term change could enhance resource mobilization.

There was widespread anecdotal information through funding partner and staff interviews that UNIDO is achieving more in terms of long

Box 11. Sustainability – Does UNIDO make a long term difference?⁴⁴

There are many success stories in UNIDO that have the potential to demonstrate the long term difference being achieved – not enough decision-makers of funding partners are aware of this.

term results and transformational change than is being reported. The current structure of reporting relates strongly to compliance in line with project deliverables. This is believed by some to be missing some of the good results that are being achieved both within and beyond project implementation. The weaknesses in monitoring and results-based management are confirmed by the synthesis of evaluations that 34% of all projects were rated as moderately unsatisfactory or unsatisfactory for Monitoring and Evaluation (M&E). There were several reasons for low ratings of M&E. These included insufficient attention to baseline studies and establishing monitoring processes, incomplete datasets and indicators that track outputs but not progress towards project objectives. Yet, the implication of poor tracking of results is that where positive, as well as negative, results are achieved, they are not adequately represented. Better quality data and regular synthesis would contribute to knowledge management and better substantiation of results.

44 Source: Evaluation Case Study interviews synthesis

3.8.1. Considerations affecting sustainability

Strengthening of results-based Management (RBM) is required to accelerate long term results. Funding partners are placing a stronger focus on Results-Based Management and especially tracking and reporting of outcomes, impact, sustainability and leverage at aggregate and corporate level. There is an increasing interest to capture learning from investment in projects and programmes to contribute to knowledge management. There are other development agencies that are considered to be doing a better job of harnessing knowledge, drawing and synthesising knowledge products from projects. If UNIDO does not follow these trends, it is expected to impact negatively on funding partnerships and funds mobilisation.

The steps towards strengthening tracking of wider results through the strengthening of RBM within UNIDO and the new Integrated Results and Performance Framework (IRPF) are welcomed by the funding partners. More consideration of an RBM approach will strengthen consideration of sustainability in design. It will also shift attention from project management only into more strategic contribution towards long term results. The PCP approach is seen to be heading in the right direction but there is much that needs to be learned and shared with funding partners so it is particularly important to consider RBM approaches in relation to the pilot implementation.

Demonstrating impact has potential to attract resources. It is expected that with better capture of long term results, UNIDO will be able to better explain and demonstrate where it is achieving positive results in long term change towards ISID. There is also a strong interest amongst funding partners to have more information on successful projects

and how they could be replicated or scaled up as a means to create wider impact from previous investments. They also indicated that additional resources could be available when stronger justification can be presented to decision-makers.

3.9. Benchmarking UNIDO's performance

In order to calibrate UNIDO's performance and validate the above findings and the positive perceptions of UNIDO's funding partners, a benchmarking exercise was carried out to compare UNIDO's performance in relation to the standard project evaluation criteria with other similar agencies. Table 3 demonstrates that UNIDO compares well with other development agencies with similar mandates, which validates the largely positive view of overall implementation performance arising through this evaluation.

3.10. Funding Partner Relationships – Strategic

UNIDO is lagging behind in partnership management approaches. The Joint Inspection Unit (JIU) of the United Nations analysis of voluntary resource mobilization across UN System Organizations in 2007 recommended that UN Agency Executive Heads should ensure that the resource mobilization strategy developed for their respective organizations includes a centralized coordinating entity and that the roles, responsibilities and any delegated authorities for resource mobilization are clearly specified in appropriate administrative instruments.⁴⁵

⁴⁵ United Nations Joint Inspection Unit (JIU), 2007. Voluntary Contributions in United Nations System Organizations: Impact on programme delivery and resource mobilization strategies.

Table 3: Benchmarking project performance⁴⁶: Percentage of projects with ratings of moderately satisfactory or higher by independent project evaluations⁴⁷

#	Key evaluation criteria	UNIDO 2012-2016	UNEP 2012-2015	IFAD 2013-2015	GEF-funded projects by implementing agencies				
					UNIDO 2015	UNEP 2015	IFAD 2015	UNDP 2015	World Bank 2015
1	Relevance	96%	99%	90%					
2	Effectiveness	91%	86%	83%					
3	Efficiency	79%	86%	59%					
4	Sustainability	85%	77%	71%					
5	Overall outcome rating * = 1+2+3				85%	87%	80%	84%	68%
6	M&E during implementation	64%	67%	40%	62%	70%	40%	69%	43%

Lessons from the comparator study are that there has been a substantial shift to win-win approaches in development of funding partnerships that then leads to and is supported by resource mobilization, rather than having a primary focus on resource mobilization or donor relations.

The UNIDO principle of additionality that “Partnerships are based on the principle that by working together and combining resources and comparative advantages, additional and more effective results can be achieved”⁴⁸ aligns with this, though the interviews with partners do not support that this is being operationalized.

In the comparator organizations, investments in partnership management are usually aligned to an organisation-wide strategy and streamlined approach, with most organizations having decentralized structures that are then actively supported and advised by Headquarters level units. In UNIDO, the funding partner relationship function is spread over the organization but not under the guidance of a specific and explicit strategy and operational approaches, though principles and overall objectives of partnerships are articulated in the draft partnership strategy.

There are also practical gaps in UNIDO’s approach that hinder strategic management of funding partnerships. In particular, the lack of a comprehensive central register of funding partners (both Member States and others) and their key contacts both at the Permanent Missions and relevant Ministries in capital cities (e.g. Ambassadors, Permanent Secretaries, policy and technical staff, etc) to facilitate strategic engagement.

Coherence and coordination is uneven in support to funding partners. Donor relations and funds mobilization functions within UNIDO are insufficiently coordinated and resourced in a coherent manner. Relationship management is deteriorating as it is not sufficiently coordinated across the organization. Both funding partners and UNIDO staff consistently note that strategic donor relations are under-staffed and under-funded. This is an increasing reputational risk for UNIDO in maintaining its level of funding. The low level of coordination in UNIDO has led in some circumstances to donors being approached by different UNIDO staff for similar funding requests and also results in counterproductive competition for resources in-house.

46 Source: UNIDO 2016 independent project evaluation ratings database; UNIDO 2015: Synthesis of finding and lessons from independent evaluations in the period 2012-2015; IFAD 2016: Annual Report on Results and Impact of IFAD Operations Evaluated in 2015; GEF 2016: GEF Annual Performance Report 2015; UNEP 2016: 2014-2015 Evaluation Synthesis Report

47 Note: * Overall outcome rating, which is used by the World Bank and GEF, is a composite rating based on relevance, effectiveness and efficiency

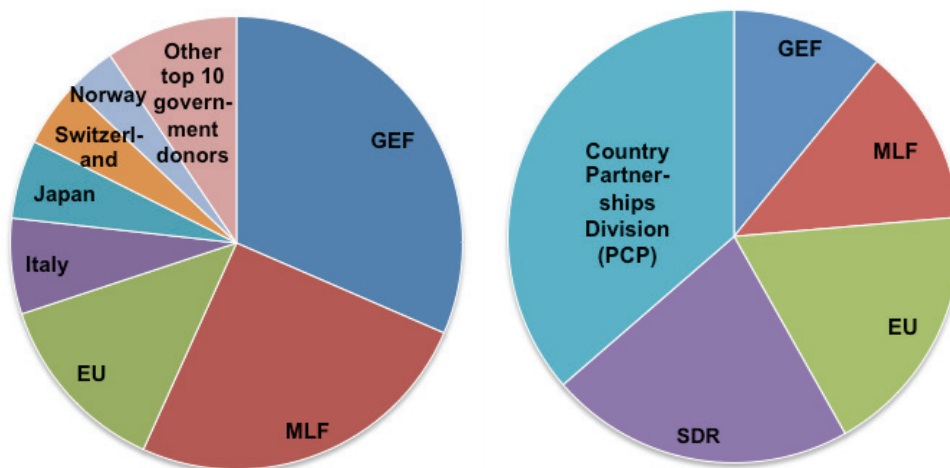
48 The UNIDO Strategy for Industrial Development Partnerships 2017-2020.

Funding partners that have a dedicated UNIDO liaison or ITPO office are better served than others. This does not mean that an UNIDO office is required in each country, but the level of focus could be made more evenly allocated by appointing dedicated officers that support all key donors in an institutionally streamlined manner. This would also assist with the reported gaps in funding partner support that occur when there is a change of staff. The extent of visits by senior UNIDO officials has also been uneven. They have been appreciated by funding partners as a signal that UNIDO is seeking to address their interests but some funding partners felt that UNIDO had been absent from some senior level deliberations at critical periods. An analysis of staffing for management of partnerships with UNIDO's key funding partners demonstrates the unevenness in support to different partners relative to their contributions. The Strategic Donor Relations Division (SDR) covers all partnership management apart from GEF, MLF, EU or PCP countries, which are supported through specific offices. Thus, SDR is comparatively understaffed compared with the staff allocation, particularly in relation

to expectations of functions in relation to liaison activities in addition to the work on funding agreements (Figure 8).

However there are some aspects of partnership management such as the financial staff that were not included in this analysis as they service all partners including the member states and multilaterals or project managers that support donor relations in relation to specific investments. Staff representatives indicated that this level of staffing of the SDR is sufficient only to perform the required functions in development and administration of funding agreements, and does not allow resources for more proactive engagement at a strategic level with donors. Comparator organizations tend to take a more strategic and planned approach to engage with partners. They maintain a central repository of information on each donor that can inform coordination and action plans to ensure these engagements are relevant and do not duplicate ways that other units of the organization are working with them. UNIDO has no central database of funding partners or mechanisms for collecting information to inform stakeholder management.

Figure 8. Percentage of resources contributed by UNIDO major funding partners [left] compared with the staffing allocation⁴⁹ for partnership management [right].⁵⁰



49 Note: Staffing allocation refers to current number of staff and long-term consultants, as of May 2017

50 Source: UNIDO Annual Reports from 2006 to 2015, UNIDO Secretariat Structure on intranet, estimate from Montreal Protocol Division

Forming and recognising mutual benefits of partnership. Principles of multi-stakeholder management are applied in the organisation-wide strategies that allow the agencies to be clear about their value proposition with each funding partner. The funding partners in the case studies noted the connection between core funding (membership) and voluntary funding. If they are satisfied as UNIDO members, they are more likely to contribute voluntarily; similarly for those who are contributing to voluntary contribution (or proposal-based funding) there was an appreciation of the need to contribute to real costs towards core operations as it relates to supporting their specific projects.

This was particularly raised by the GEF and USAID, noting that UNIDO could improve its own understanding of the real costs of core activities and apply those to respective operations. Similarly the benefit that the funding partner brings to the relationship was raised in most interviews and that there was not sufficient acknowledgement in UNIDO of the mutual benefits of funding partnerships.

In the staff survey, there was some recognition of the benefits that funding partners have contributed to the organization. In addition to provision of funds, the main benefit seen by UNIDO staff from funding partnerships was the role that funding partners play in improving UNIDO performance and results. Switzerland was noted for contributing to improved consideration of longer term results and wider impact; EU as strengthening fiduciary management; and GEF as contributing to improved performance in environmental and social safeguards, gender mainstreaming, fiduciary standards and project management.

In the UNIDO staff survey, 10% of respondents did not consider funding partners to contribute any benefit to the organization other than funding, and 21% did not agree that voluntary funding has a role in supporting core operations. Furthermore, during

interviews with staff, the understanding of funding partner's interests and the need to demonstrate value was varied.

3.11. Funding Partner Relationships – Operational

UNIDO's expertise and professionalism is the key to effectiveness. UNIDO is seen as contributing significantly to development results through its technical expertise. In almost all interviews the high standard and professional approach of UNIDO staff received positive comments. Comments from funding partner representatives used words such as exceptionally committed, hardworking, knowledgeable, capable, strategic, amongst others in relation to the calibre of project managers, donor relations officers and senior staff. Conversely, where several less positive stories emerged of poor communication by UNIDO staff or lack of attention to funding partner requirements, the erosion of trust and good will was obvious. This signals a strong link between good relationships with funding partners and effectiveness in programme and project implementation, as indicated in the Theory of Change.

Flexibility and adaptability contributes to good relationships. The flexibility and responsiveness of UNIDO to funding partner interests and requirements is a strength that was frequently cited by funding partners during the case study visits. Linked to the professional approach of the majority of staff, is the ability of staff to understand context and how project operations need to respond to changing conditions and priorities.

For funding partners with field country offices, the relationship between the UNIDO staff and the country representatives is important. Interviews with representatives of the case study funding partners display substantially different profiles even in the same country, depending on the projects and activities. For instance, in Ethiopia, the relationship with Italy is very strong but even that included variability in quality of communications

depends on both the projects and the staff involved. Other examples are the UNIDO presence in Egypt or Viet Nam which received positive feedback from funding partners while UNIDO's presence in Nigeria and Morocco was seen as less strong.

Country presence is important and neutrality of UNIDO and the ability to broker relationships is an important skill.

The field country networks of UNIDO were reported through the case studies covers both strengths and weaknesses. Where country offices are available, they are very much appreciated and relationships are stronger and communication is generally easier. However, there are some countries where UNIDO is not present and consequently they do not have a sufficient profile within the UN – Delivering As One approach. Also lack of country presence can lead to more vested interests of national project staff being evident and communication being more problematic. The capability of country offices vary with

some funding partners being satisfied while others less so. The ITPO offices act as a de-facto country presence and this helps to strengthen partnerships. The evaluation of ITPOs has been positive and the offices are seen to help broker relationships between the funding partners and country operations. There is cautious interest by most funding partners in the UNIDO PCP approach as being in line with the trend towards national-led ownership of development initiatives.

Continuous and appropriate dialogue at each level is important.

Donors are very diverse in terms of thematic priorities, administrative requirements and communication needs. Relationship management at UNIDO does not currently pay sufficient attention to these differences and requirements. The case study countries and the staff survey indicate the importance of not only annual reports and reviews but also on-going dialogue. For the staff survey 38% said that improving dialogue with funding partners was the most important requirement for strengthening relationships, with a particular focus on strategic donor relations and financial reporting.

The communication via SDR was considered particularly important because UNIDO project level staff are stretched. For technical staff, there was feedback that the organization may be better served to provide more support (information and guidance) to those who do not have effective resource mobilization skills. The survey of funding partners also indicated the importance of increasing dialogue, especially with national ministries with complementary mandates to UNIDO.

Box 12. UNIDO Good Practice Example - Decentralized offices for partnership management

The UNIDO Investment and Technology Promotion Offices (ITPOs) and donor liaison offices that work with partner governments and private sector are highly appreciated by partners. In Italy, Budget Law 228 was passed in 2012 to allocate ongoing annual funding to the ITPO in Rome. The Government of Japan recently extended its funding for the ITPO Tokyo office from three years to six years. In addition to providing strong project outcomes in technical business to business connections, the offices support relationship management between UNIDO and the national Ministries. The EU liaison office in Brussels facilitates regular contact between UNIDO and the EU keeping on top of priorities and needs, as well as training UNIDO staff on EU and European Commission (EC) requirements.

The high level of dialogue and coordination has contributed to increased voluntary contributions from EU to UNIDO and is also seen as an important mechanism for wider policy dialogue between UNIDO and its strategic funding partners in Europe.

4. Lessons learned through comparator study

The lessons learned outlined below have been drawn from the interviews of comparator organizations as noted in the methodology section and key documentation related to their policies and practices. The study has synthesized evidence of good practices related to relevance, results and relationships to allow comparison with evaluation findings within UNIDO, which is included below the findings in this section.

Overall, the comparator organizations are clearly responding to key changes in the global development context and changing political and economic contexts of funding partners. Key overarching contextual shifts common across the organizations and UNIDO include increasing scarcity of ODA from traditional donor partners, and increasing demands for transparency and accountability that are resulting in donors having preferences for earmarked contributions. Most of the comparator organizations have both partnership and resource mobilization strategies in place. Voluntary contributions are mainly earmarked, though the organizations share goals in terms of reducing the level of earmarking as well as broadening the donor base. Where non-earmarked funds are secured, these are mainly through thematic trust funds.

Structures for donor liaison vary between the organizations but are increasingly decentralized, with some form of coordination function at headquarters (HQ) level. Most have two separate units, one that is responsible for partnership management and liaison at the strategic level, and another that has responsibility for coordinating resource mobilization activities. These tended to be coordinated when together within the same division, and more fragmented when within different divisions.

Relevance. Comparator organizations consistently emphasized the importance of demonstrating alignment between their mandate and that of their funding partners. Their engagement with funding partners is designed to consistently affirm that the organization is relevant to their interests and requirements (e.g. timeliness, reporting on results and meeting formats).

Good practices in ensuring relevance in partnerships were:

- ▶ Leveraging on funding partners' interests through engagement in thematic and partner-led activities such as networks and forums. This engagement based on mutual interest was found to be effective in maintaining good relations and later contributing to resource contributions in partner-led identified areas of mutual thematic interest.
- ▶ Maintaining a central repository for information on funding partners (e.g. past contributions/engagement, communication and reporting requirements, interests and priorities, etc). Comparator organizations emphasized that this is important to ensuring engagement with each donor is relevant to their interests and requirements. On a practical level, it informs coordination and messaging in communications with partners. It also facilitates high-level resource mobilization by allowing organizations to suggest resource mobilization targets and mechanisms for contributions based on countries' interests and income.
- ▶ Liaising with funding partners on an ongoing basis, including regular partner meetings to review portfolio and set intentions at both operational and strategic levels. These ensure continued continuing relevance in relation to partners' requirements (e.g. of reporting/communication protocols and approaches).

Relevance comparison: UNIDO does not have a central database for funding partners and hence communications are fragmented. UNIDO has held a number of thematic events which have been appreciated in general, although some funding partners found that these events need to be more substantive and allow time for dialogue rather than being only presentation of success stories. Seeking additional opportunities for dialogue was a consistent theme from both UNIDO funding partners and staff.

Results. Comparator organizations indicated that they tailor their communication and reporting on results to individual requirements of donors. They noted that due to scarcity of funds from many funding partners caused by economic conditions, there are increased requirements for demonstrating accountability and the larger scale outcomes and impacts achieved with the funds contributed.

The good practices in this regard were:

- ▶ Investments in performance management and accountability systems have benefits for partnership management and resource mobilization as donors can more easily convince their own decision-makers (and taxpayers for country donors) that funds will be well spent.
- ▶ Value can be added to the individual reporting to donors through independent assessments such as the Multilateral Organization Performance Assessment Network (MOPAN) network and International Aid Transparency Initiative (IATI). Donors are aware of and able to easily understand the comparative performance of organizations. Good performance in these assessments translates to contributions because it reduces the burden of individual donors conducting their own assessments of performance.

- ▶ Visibility of the acknowledgements of funding partners' contributions is important for donors, including for thematic contributions.
- ▶ Thematic information circulated to funding partners in accessible formats is important to encourage lightly earmarked contributions. However donors' internal requirements and demands for accountability continue to constrain their willingness to contribute un-earmarked voluntary funds. As a result of this and political and economic changes in donor countries, thematic contributions for the organizations that have mechanisms for this have had a lower uptake than expected.

Results comparison: Through interviews with UNIDO's funding partners, there were distinct variations in how donors wished and were able to engage with UNIDO. Several were interested in the thematic Trust Funds; others indicated that it would be extremely unlikely that they would contribute to these collective funds. However, there was potential flexibility in lightly earmarked funds and larger programmatic activities where specific donor contributions could be acknowledged. UNIDO has found that being able to comply with GEF requirements has widened its capacity for access to other funds like the GCF so it is worth for UNIDO to engage with the independent assessment processes of MOPAN and IATI.

Relationships. All comparator organizations demonstrated that they place a high level of importance on the management of ongoing relationships with funding partners. They all have a form of partnership strategy and guidelines that span the organization but do not allow resource mobilization activities to be conducted in isolation of an institutional framework and process.

Examples of good practice include:

- ▶ Demonstrating value through consistent dialogue on good performance achieved,

and accountability and transparency, rather than through overt fund-raising.

- ▶ Ongoing liaison at strategic and operational levels is important for good funding partner relationships and resource mobilization. Some of the organizations use annual or quarterly meetings to set agreed intentions for voluntary contributions to increase the predictability of contributions. Some also have liaison offices that allow ongoing contact on areas of mutual interest, which allows organizations to be aware of new opportunities for collaboration as soon as they arise.
- ▶ Strong coordination between strategic and operational level partnership and resource mobilization activities is important to ensure consistent messaging, minimize duplication, capitalize on opportunities. It is important that there is a structure in place that is clear to funding partners so that they know who they can speak to when they would like to collaborate or need assistance.
- ▶ Coordinated marketing of capability throughout the organisation with defined roles and pathways, and consistent messaging is important to ensure funding partners have relevant and up-to-date information – “promotion is everyone’s business but not all promotion is everyone’s business”.
- ▶ Clear communication on the importance of voluntary core and non-core funds, and accountability on how they are utilised encourages donors’ willingness to contribute these funds. Investments in reporting systems that allow expenditure of core contributed voluntary funds to be easily itemised have helped some organizations to better communicate to donors on how these funds are utilized.

Relationships comparison: UNIDO delegates much of the resource mobilization activities to project managers to handle independently, while has two different departments to manage the relationships with funding and strategic partners (e.g. Department of External Relations and Department of Partnerships and Results Monitoring). This often creates fragmentation, duplication and/or mixed messages, as well as limiting the identification of opportunities to collaborate with multiple partners and UNIDO departments. More can be done to achieve a more coherent process throughout the Organization, including a more strategic approach to presenting UNIDO’s value proposition and consistent messaging.

Table 4. Summary of comparator organizations approaches to partnership management and resource mobilization⁵¹

Shading	Description					
	Fully in place					
	Partially in place (e.g. informally, or insufficiently)					
	Not in place					
	FAO	ILO	UNEP	UNDP	UN-Habitat	UNIDO
Partnership Strategy/ Policy	Organization-Wide Strategy on Partnerships (2012)	Development Cooperation Strategy (2015-17)	No- but principles included in Medium Term Strategy	Partnership Policy	Partnership Strategy, 2011 (currently being revised)	"The UNIDO Strategy for Industrial Development Partnerships 2017 – 2020" (DRAFT)
Resource Mobilization Strategy	Resources Mobilization and Management Strategy (2011)	Resource Mobilization Strategy (2004) – to be revised	Global Funding Strategy (2014) – set to be revised in 2017	Resource Mobilization Strategy and Action Plans (Internal)	Resource Mobilization Strategy and Action Plan (2013)	
Partnership/ Resource Mobilization Guidelines	Yes – originally in 2012 and revised in 2015	Development Cooperation Manual (2015)		Resource Mobilization Toolkit		Funds Mobilization Guide (2006) guides how funds are channelled & managed but not how to generate funds
Thematic funds	Multi-partner support Mechanism (FMM)	Regular Budget Supplementary Account (RBSA)	Environment Fund	Funding Windows	Habitat Foundation	Thematic trust funds (some supported by Finland)
Decentralized partnership management/ Resource Mobilization (RM)	Yes - regional/ country level	Yes – regional/ country level	Yes – technical branches and country level	Yes – mainly country /regional offices	Yes – both technical branches and regional/ country	Yes – mainly programme managers
HQ level Coordination structure/s	Central units for partnerships and RM within same division	Central units for partnerships and RM within same division – also separate units for traditional/ emerging partners	Central units for partnerships and RM within same division	Central units for partnerships and RM within same division	Units for partnership management and RM, each in different divisions	Department of External Relations, Department of - Partnerships, Project Managers who are key resource mobilizers are in different departments
Annual donor meetings	Yes	Yes	Yes	Yes	Yes	Variable – with some donors

51 Source: Partnerships with funding partners thematic evaluation: Comparator Study Report.

5. Conclusions

The evaluation evidence demonstrates positive performance in UNIDO’s partnerships overall in terms of the key evaluation questions and criteria. Most funding partners indicated that UNIDO’s relevance is strong and increasing in relation to their own priorities; and that delivery of projects and programmes is generally of high quality and good value for money (Figure 9). In general there are positive partnership arrangements and relationships with country donors and other funding partners. The operational-level management of partnerships is performing better compared with the strategic level. However, there are two key areas with lower performance and future risks that were consistently highlighted across the different streams of evidence as shown in Figure 9 and detailed in the paragraphs below.

Long term effectiveness contributing to corporate results. As shown in Figure 9, although short term results are positive there are concerns regarding the extent to which UNIDO contributes to long term sustainable results in relation to corporate results and ISID objectives. Although performance and accountability are positive, donors believe

that UNIDO pays too much attention to short-term and project-level results that are successful but not transformed into knowledge and wider impact. Much of the concern with sustainability among donors was linked to dissatisfaction with monitoring and evaluation, and particularly outcome reporting. UNIDO also does not fully capture and promote its capabilities within the new global context so that its profile is not sufficiently high with decision-makers for resource allocation.

Strategic management of funding partnerships. In addition, there are increasing signs that strategic relationships with funding partners are facing challenges as governmental partners shift priorities and UNIDO does not adequately address their needs or respond to new opportunities. In comparison to other agencies, UNIDO lacks a coherent partnership strategy and system. This is resulting in gaps and unevenness in management of relationships with funding partners and constraining the ability of UNIDO to consistently respond to funding partner requirements. Similarly, there is potential for growth in voluntary funding but UNIDO is not adequately connecting with funding partners to identify and seize

Figure 9. Summary of evidence⁵² in relation to evaluation criteria⁵³

CRITERIA	SOURCES OF EVIDENCE						EVALUATION ASSESSMENT
	Document review	Case studies	Previous evaluations	Donor survey	Staff survey	Staff interviews	
Relevance	●	●	●	●	●	●	●
Effectiveness (short-term results)	●	●	●	●	●	●	●
Sustainability (long term results contributing to ISID)	●	●	●	●	●	●	●
Efficiency	●	●	●	●	●	●	●
Relationships (strategic management)	●	●	na	●	●	●	●
Relationships (operational management)	●	●	●	●	●	●	●

● Satisfactory
● Partially satisfactory
● Unsatisfactory
na = Not assessed

52 Source: Evaluation analyses across evidence sources (2017)

53 The case study assessment rubric aims to provide a comparable analytical framework for evaluation criteria across all case studies. The assessment was assigned by evaluators based on the relative extent of positive, neutral and negative terms used by partners during interviews, with an understanding that different countries may use different terminology.–

the available opportunities for improved long term partnerships with existing and new partners. While all funding partners valued some aspects of UNIDO's relationship management, many also identified areas for improvement that would increase their satisfaction, such as more timely reporting, greater responsiveness in financial reporting and improving relevance and substance of meetings. Most stakeholders identified that the marketing/promotions and donor relations functions are insufficiently resourced at UNIDO. Other constraints relate to the unclear communication pathways and responsibilities for resource mobilisation within UNIDO, incomplete intelligence flows and strategic response to funding partner requirements. Limited staff time and effort allocated to relationships with funding partners and to respond to their technical requirements constitutes a major constraint for further UNIDO growth. Relationship management at UNIDO does not currently pay sufficient attention to the differences in donor priorities and requirements. This is associated with sub-optimal cost structures and insufficient allocation of resources to provide services to funding partners.

Finally, while UNIDO is generally seen as delivering good value for money, it does not provide sufficient, visible acknowledgment of its Members States and key funding partners. The Member States are generally highly engaged in UNIDO's mandate but are facing resource limitations. Non-Member States receive the same terms as Member States with regards to project support costs, so there is insufficient incentive for Members to remain within UNIDO. Yet, their contribution is highly valuable and valued within the Organization and the results being achieved with the funds from both assessed and voluntary contributions are positive. More can be done to acknowledge the contribution of funding partners.

Liaison offices and ITPOs are valued by funding partners and contribute to achievement of results as well as resource mobilization. However, in some cases it was not clear that the benefits of individual offices outweigh the costs, so this needs to be an area for caution.

For governmental partners that have reduced their voluntary funding, this was found to be largely due to constrained financial resources of donors or political reasons. Nevertheless, voluntary funding is increasing overall and there are opportunities to increase and enhance funding partnerships, including building a greater base of lightly earmarked and thematically based funding. Donors' decisions to increase voluntary contributions are based on perceived merit and opportunities presented by organizations. UNIDO is seen as a valuable and proficient partner, with the potential of seizing available opportunities if it positions itself correctly and builds and maintains ongoing relationships with funding partners. It is also acknowledged that partnerships are highly complex, and that UNIDO's approach and *modi operandi* are heavily influenced by the demands and interests of funding partners, which change over time. Voluntary contributions from partners are often opportunistic, and provide funding for specific intended purposes.

6. Recommendations

1. Develop a coherent organization-wide partnership strategy, structure and systems.

UNIDO has recently generated a draft partnership strategy that makes progress in clarifying its approach and relationships with partners. Yet, more work is required to ensure that it is comprehensive – covering the whole organization as well as both traditional and emerging partners.

The strategy needs to align responsibility for partnerships across the whole organization in a more streamlined and effective way. It also needs to increase efforts to tailor partnership management to donor context and requirements, to ensure relevance and provide best value both to partners and UNIDO. It should include mechanisms for internal partnership management and coordination, and to capitalise on and support decentralized partnership management. The strategy should focus on building good partnerships that can be expected to lead to funds mobilization, rather than funds mobilization only.

The strategy should be supported with an information repository containing up-to-date information on donors (e.g. their requirements, preferences for modes of engagement, and history of engagement/contributions).

This approach and information repository would assist UNIDO Senior Management, Directors, Managers and staff to take a more consistent and cost-effective approach to resource mobilization. UNIDO also needs to be more aware of and address reputational risks to partnerships at an early stage (e.g. through clearer communication pathways, dedicated staff to follow up on any issues arising, regular documented and synthesised reviews).

2. Review and amend the cost and resource management structure for funding partnerships.

UNIDO currently has positive relationships with most funding partners but there are concerns about the cost structure, and also in some cases, financial reporting. Adequate and equitable resourcing using a client-based approach is required to support strategic donor relations and funds mobilization activities.

This includes adequate financial and human resources for partnership management, funds mobilization, strategic planning for Technical Cooperation programming. Achieving sufficient resourcing for these activities will require improving realistic assessment of direct management costs; altering cost recovery structures and systems and minimizing cross-subsidization of non-Member States by Member States. Financial, implementation and results reporting should also be improved in line with partner requirements. UNIDO needs to provide greater recognition and incentives to key partners (e.g. initially to the top five to seven partners through visits of senior staff to strategic events, preferential costing, development of special features for most critical partnerships in line with their requirements, etc.).

Consideration is required on how to incentivize and strengthen long term partnerships with Member States and funding partners through amendments to cost recovery rates. This will require a proactive and strategic investment in the future growth by investing in staff in partnerships management, funds mobilization and strategic planning for Technical Cooperation programmes, which could be supported by financial gains in reforming the cost structure.

3. Expand the scale and impact of programmes.

Shift toward larger programmes (e.g. thematic, regional, multi-disciplined and etc.) in order to reduce transaction costs, with a view to increasing the quality and extent of results. At the same time, UNIDO can capitalize on its strength in technical programming to build larger scale programmes based on lessons learned from smaller projects.

UNIDO also needs to capitalize on its flexibility and responsiveness in programme delivery, which are appreciated by partners. The value of UNIDO's work with partners can be promoted through demonstrating existing results and capability to replicate and scale up successful projects in a cost-effective way.

4. Place a stronger focus on the long term results and wider impact.

The UNIDO Integrated Results and Performance Framework provide a pathway to improve demonstration of long term results. The information generated through the IRPF needs to be captured and analysed in relation to corporate results, as well as contribution to ISID and the Sustainable Development Goals.

Strengthening of monitoring, evaluation and reporting at project, portfolio and corporate levels is critical to enable demonstration of results. More can be done to capture and promote successful programmes and approaches, demonstrating how they are generating impact and how results and impacts generated will be sustained. In addition, more strategic development of normative products (e.g. norms, standards, guidelines, and standard operating procedures that can be replicated across countries, etc.), to achieve wider benefits in technical cooperation should support the programmatic approach. These normative activities would increase the benefits of investment in technical work by generating products that could be adopted beyond the direct project that they were designed for

and be replicated by development partners, governments and private sector partners in other locations and situations.

5. Take a more proactive approach to raising UNIDO's visibility through promotion, including acknowledgement of partner contributions.

There needs to be an enhanced focus on marketing UNIDO's products, capability and particularly successful programmes and projects and approaches, demonstrating how they are achieving results and impact. This will require improved information by UNIDO regarding its development role and operations (e.g. brochures, fact sheets, feature articles on key initiatives, promotion of successful results, etc.).

Promotion of UNIDO's results achieved and capability should consistently recognize the contributions of partners. There also needs to be increased promotion of the different opportunities for funding partnerships, particularly focussing on the opportunity to activate thematic Trust Funds with associated accountability mechanisms back to funding partners. UNIDO also needs to provide more proactive dialogue with funding partners everywhere (in Vienna, in the field, and in partner countries), and across all levels of staff of the Organization.



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

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