



Industrial Development Board

Fifty-first session

Vienna, 3–6 July 2023

Item 14 of the provisional agenda

Evaluation and internal oversight activities

Evaluation activities

Report by the Director of the Office of Evaluation and Internal Oversight

The present report provides information on the activities of the evaluation function in accordance with decisions IDB.44/Dec.3 and IDB.48/Dec.10, and updates the previous report contained in IDB.50/26.

I. Background

1. The Office of Evaluation and Internal Oversight (EIO) is responsible for three core oversight functions in UNIDO: evaluation, internal audit and investigation. Its mandate is to provide independent and objective assurance, advice, investigation and evaluation to add value to and improve the efficiency and effectiveness of UNIDO's operations, internal control framework, risk management, results-based management and governance processes. EIO is also the focal point for coordinating the activities of the Joint Inspection of the United Nations (JIU) and serves as the Secretariat to the UNIDO Independent Oversight Advisory Committee (OAC).
2. The **evaluation function** is governed by the EIO Charter¹ and the UNIDO Evaluation Policy². It is further guided by the Evaluation Manual.
3. EIO's oversight role and its independence were reinforced by the promulgated UNIDO Secretariat Structure 2022 (document DGB/2022/19).
4. Currently, the EIO evaluation function's budgeted posts comprise four Professional and one General Service staff, including the Chief of the Unit. One of

¹ Director General's Bulletin DGB/2020/11 as approved by the Industrial Development Board in decision IDB.48/Dec.10.

² Director General's Bulletin DGB/2021/11.

For reasons of sustainability, this document has not been printed. Delegates are kindly requested to refer to electronic versions of all documents.



the Professional posts is currently vacant and one Professional staff is being reassigned out of EIO as the rotational gender officer for a year without replacement.

II. Key achievements during the reporting period

5. **EIO's enhanced policy framework and performance, which are critical components of UNIDO's governance and accountability structures, continued to enhance the Organization's credibility with its key partners and donors.** For example, in 2022, EIO contributed to UNIDO's achievement of a "fully compliant" status with the Minimum Fiduciary Standards of the Global Environment Facility (GEF), in an external assessment conducted by KPMG Finland on GEF's behalf. Additionally, EIO contributed to UNIDO successfully meeting the requirements of the United Kingdom's Department for Business, Energy and Industrial Strategy, resulting in a €70 million funding agreement.

6. **EIO risk and evidence gaps' assessment methodology** and audit and evaluation universe were enhanced and aligned with the UNIDO medium-term programme framework 2022–2025 and the programme and budgets 2022–2023, and to reflect UNIDO's strategic objectives in all five results areas. This provided a strong basis for ensuring alignment of EIO work with strategic areas of UNIDO for a more effective selection and coordination of independent evaluations, and for optimizing complementarities and reducing potential duplication of efforts among all assurance providers, i.e. the internal audit function, the evaluation function, the External Auditor, and the JIU.

7. **EIO served as an agile advisor in a period of uncertainty and rapid change:** In 2022, EIO remained agile and proved that its services are, and continue to be, a key for informed decision-making, innovation, and change, in particular, following the Organization's restructuring. According to management, the audit engagements added value to decision-makers by providing the basis for timely action, and management action plans in key risk areas. In this regard, the key achievements were the approval of the UNIDO information security policy and the establishment of the function of an Information Security Officer. This was, inter alia, the result of EIO's efforts to identify the risks associated with the absence of an information security function, to closely follow up on relevant audit findings, and to provide advice during the drafting of the policy.

8. **EIO contributed to further strengthening and institutionalizing the follow-up process to recommendations and Management Action Plans (MAPs):** EIO provided support to Senior Management by preparing and issuing seven distinct EIO summary notes on previous audit and evaluation engagements, reflecting on challenges, gaps and issues of relevance and priority to the Organization. These summaries were shared concurrently with all Managing Directors and lead managers in December 2022. They were requested to report to the Leadership Board on the status of implementation of all agreed MAPs periodically through the Managing Director of the Directorate of Corporate Services and Operations, in his role as senior-level focal point (SLFP) for monitoring the implementation of recommendations and MAPs from all assurance providers.

III. Overview of EIO evaluation work

9. During the reporting period, EIO further adjusted its work plan to the context of the coronavirus disease (COVID-19) pandemic to ensure that evaluation activities continued to provide evidence-based information at strategic and project levels.

10. The following independent **strategic and country-level evaluations** were conducted:

(a) **Independent evaluation of Programme for country partnership (PCP) in Peru.** The evaluation found that the required preconditions contained in the PCP

framework for undertaking a PCP in Peru were not in place most of the time. Gender mainstreaming figured to a varying extent in PCP-related interventions while youth is practically absent. Due to the uneven consideration of gender and marginally addressing human rights and social inclusion in the PCP design, related results are very limited. While environmental safeguards were a focus for the PCP's main counterpart in Peru, there were less explicit in recognition of the importance of social safeguards for PCP projects. In the context of an unclear industrial strategy and a changing political environment, PCP Peru added some value by filtering, highlighting and giving continuity to priorities through technical assistance and policy advice. PCP Peru succeeded in leveraging the positioning of UNIDO in the country as a reference in industrial development policies, to developing and sustaining a prioritized industrial project portfolio with a focus on industrial parks, quality standards and resource efficiency. However, the expected strength of PCP Peru related to the establishment of partnerships for upscaling technical cooperation services and impacts was not yet achieved. UNIDO's support roles to the government in stimulating synergies and in mobilizing resources of donors and private investors remain challenging.

(b) Independent evaluation of UNIDO's Programme for country partnership (PCP) framework. While this evaluation is still ongoing, preliminary findings point out that where national ownership was strong and visible, the PCPs helped to increase national attention on industrialization interventions as demonstrated by increased involvement, pledges of financial support and coordination mechanisms. The confusion between the PCP and traditional country programme (CP) continues to be an area of concern that has created a sense of categorization among Member States. This evaluation confirmed that in comparison to other programmatic approaches used by UNIDO, and when clear and strong government ownership is in place, the PCP features are sound for contributing to more robust multilateral stakeholder partnerships across various United Nations agencies and development banks in addition to Member State governments and agencies. The key features of the PCP approach are relevant for any UNIDO cooperation with Member States: (1) strong host government ownership at the highest political level; (2) multi-stakeholder partnership cutting across host government, United Nations entities, development partners, financial institutions, the business sector, academia and civil society; (3) financial resources mobilized and coordinated across development assistance, public finance and business sector investments; (4) strong diagnostic framework that identifies main opportunities and bottlenecks for advancing inclusive and sustainable industrial development; (5) a prioritized number of sectors critical to the national industrial development agenda; and (6) the existence of a strong foundation of a theory of change and results framework to support the achievement of agreed targets. The evaluation found clear evidence to conclude that the PCP approach, when prerequisites and conditions are met, was instrumental in promoting better alignment between UNIDO's interventions and Member State priorities and goals. To scale it up to all Member States, there is a need to revisit and redesign the PCP approach and harmonize all country programming under one single approach. UNIDO can do this best by leveraging the positive features of PCPs and incorporating them into regular CPs, providing a pathway for greater adoption of these features across all partnerships and programmatic approaches of UNIDO. It was also found that, to successfully continue the PCP and country programming, a coordination function at UNIDO Headquarter would need to be re-established, to provide guidance, ensure internal and external coordination, aggregate information at regional and global level, and oversee and report on UNIDO country programming status and results.

11. In addition, **12 independent project evaluations** were managed, quality assurance was provided and evaluation reports were issued during the reporting period.

12. All UNIDO independent evaluation reports are available on the UNIDO website (www.unido.org/resources/evaluation).

13. Due to the COVID-19 pandemic, the planned on-site evaluation training, as a contribution to building and strengthening national evaluation capacities in the Member States, had to be postponed. Therefore EIO developed an online evaluation training that will be launched for wider use by both staff and external partners in the last quarter of 2023.

14. EIO confirms that in performing its evaluation activities during the reporting period, it functioned independently and objectively without any interference and/or influence from any internal or external parties. However, limitations due to operational budget and human resource constraints should be noted as a recurrent issue.

IV. Implementation status of Management Action Plans (MAPs)

15. Recommendations' acceptance and status of implementation by management from project evaluations continued to be monitored by the Office.

16. The introduction of agreed MAPs, based on findings and recommendations from all strategic evaluations, including thematic and country-level evaluations, assessing systemic, cross-cutting and/or corporate-level areas, has been implemented since 2021. This has increased management commitment and ownership in addressing identified areas for improvement. So far, a total of 16 MAPs were agreed upon with the responsible management, of which 5 MAPs were closed. 11 MAPs were considered ongoing. The level of implementation will continue to be monitored.

V. Cooperation with the United Nations and other evaluation bodies

17. Throughout the reporting period, EIO's evaluation function was actively involved in the activities of the United Nations Evaluation Group (UNEG). Among others, EIO participated in several UNEG working groups, Evaluation Practice Exchange events and the UNEG Annual General Meeting in January 2023.

18. EIO participated in strategic evaluations led by other organizations, such as the ongoing evaluation of the European Union's cooperation with the United Nations, the evaluation of the Partnership for Action on the Green Economy, and the SDG Synthesis coalition, led by the United Nations Development Programme Evaluation Office.

VI. Strengthening the governance of the evaluation function

19. The EIO internal oversight function keeps providing the OAC with an overview of its activities during its regular meetings, and sharing its work plans with the OAC for advice before issuance.

20. A midterm review of the EIO Strategy was conducted in the first quarter of 2023 to ensure that EIO's functions continue to meet the needs for oversight, accountability, and learning in the new organizational context, and to keep contributing to a more efficient, effective, and impactful Organization.

VII. Outlook

21. Based on a risk and evidence gaps reassessment the revised EIO evaluation work plan 2023 was approved in early 2023. It took into consideration EIO strategic objectives, key changes in the internal and external environment, new UNIDO strategic priorities, management concerns and ongoing challenges.

22. Two new strategic evaluation engagements are ongoing, namely a synthesis of evaluations from 2018 to 2022, and an evaluability assessment of UNIDO's contribution to SDGs. Additionally, the updated EIO evaluation work plan 2023 also foresees two other strategic evaluations that will be launched in the third quarter of this year, respectively on partnerships with the private sector and on knowledge management.

23. EIO will continue its briefings to Member States to foster dialogue, present evaluation activities, and the updated work plan and share key findings from strategic evaluations.

24. EIO will continue exploring the possibilities for the establishment of a sustainable and predictable evaluation operational funding or similar mechanism, to further strengthen the operational independence of the evaluation function. One proposal is to merge the endowment of evaluation funds allocated as part of the overall projects and programmes budgets. The proposed funding mechanism would facilitate the creation of synergies and the increase of the operational capacity of EIO.

25. To foster learning and accountability, and to strengthen results-based management approach, EIO is reviewing the UNIDO evaluation procedures to ensure that all technical cooperation projects have at least one evaluation conducted, which could be a self-evaluation or an independent evaluation.

26. Independent project evaluations will be conducted by EIO on selected projects, on the following basis:

(a) When required by donors, which would be reflected in the project document at the time of project design and formulation; or

(b) When selected by EIO during its periodic risk and evidence gap assessment.

27. For all projects for which there is no independent project evaluation, a self-evaluation must be conducted under the full responsibility of project management by the end of the project.

28. Within the current resource limitations, the evaluation function is not in a position to cover fully all identified high-priority evidence-gaps areas through its work plan. Due to financial constraints, the vacant post of evaluation officer is not likely to be filled in the coming months.

29. As ever, the impact of internal oversight and evaluation, through its effective independent, credible and objective functions assisting the Organization in achieving its goals, depends ultimately on the continuous support received from UNIDO's senior management and its Member States.

VIII. Action required of the Board

30. The Board may wish to take note of the information provided in the present document.