



## ADAPTATION FUND

1<sup>st</sup> December 2020

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Adaptation Fund Board

***Accreditation Panel Recommendation on the Fast-Track Accreditation of the United Nations Industrial Development Organization (UNIDO) as a Multilateral Implementing Entity (MIE) of the Adaptation Fund***

Having reviewed the fast-track accreditation application of the United Nations Industrial Development Organization (UNIDO), the Accreditation Panel recommended that UNIDO be accredited as a Multilateral Implementing Entity (MIE) of the Adaptation Fund.

A summary of the review is presented in Annex I below.

***Accreditation Decision:***

Having considered the recommendation of the Accreditation Panel and following the fast-track accreditation process approved by Decisions B.32/1, the Adaptation Fund Board decided to accredit the ***United Nations Industrial Development Organization (UNIDO)*** as a Multilateral Implementing Entity (MIE) of the Adaptation Fund for five years, as per paragraph 38 of the operational policies and guidelines for Parties to access resources from the Adaptation Fund. The accreditation expiration date is 30/11/2025.

***Decision B.35-36/2***

# **ANNEX I: REPORT OF THE ACCREDITATION PANEL ON AN ASSESSMENT OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO) FOR FAST-TRACK ACCREDITATION AS A MULTILATERAL IMPLEMENTING ENTITY (MIE) OF THE ADAPTATION FUND**

## **BACKGROUND**

The United Nations Industrial Development Organization (UNIDO), headquartered in Vienna, Austria and with a field network comprising of 20 regional and 29 country offices, is a specialized United Nations agency whose mandate is to promote industrial development for poverty alleviation, inclusive globalization and environmental sustainability.

Following an invitation from the Adaptation Fund Board as a multilateral development organization, UNIDO applied for accreditation in December 2019. It provided documents in the workflow as part of its initial application and additional documents during the Panel's review in response to questions they had developed during the initial review. The Panel also considered other information in UNIDO and other relevant websites.

## **THE APPLICANT – UNIDO**

UNIDO was formally established on 17 November 1966 by the United Nations General Assembly (UNGA) Resolution 2152 (XXI) as an autonomous body within the UN until 1979 when it became one of 15 specialized agencies in the UN system, through UNGA Resolution 3362 (S-VII), and adopted its new constitution in 1985. It was given the mandate to promote and accelerate the industrialization of developing countries emerging from decolonization. As of April 2019, 168 States are Members of UNIDO

Its current mission derives from its Fifteenth General Conference held in Lima, Peru in December 2013, known as the *“Lima Declaration”*. The Declaration expanded UNIDO's mandate to include *“inclusive and sustainable industrial development”* (ISID) which is at the core of Sustainable Development Goal 9: *“Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”*.

UNIDO is governed by a biennial Conference of its Members, and by the Industrial Development Board and its Committees. The Secretariat is headed by a Director-General. UNIDO employs some 666 staff and draws annually on the services of some 1,462 international and national experts – approximately half of whom are from developing countries – who work in project assignments throughout the world.

UNIDO undertook several far-reaching reforms from the 1990s to 2004 by adopting stringent Business Plans. In 2019, the Multilateral Organization Performance Assessment Network (MOPAN) performed its first review of UNIDO and identified a number of strengths, among them a vision – ISID – that enjoys solid support among member states; strong technical expertise, and strong evaluation quality. The assessment also identified areas for further improvement, some of which have persisted over a number of years, chief among them being the financial resources challenge with ramifications for programmes and organizational effectiveness. UNIDO also demonstrated very strong performance in its 2018 UN-SWAP results: exceeding 41% of the requirements, meeting 35%, and approaching 24%, meaning it did not miss any of the requirements. Compared with other entities, UNIDO "met" or "exceeded" 13 out of the 17 performance indicators (76%) outperforming both the UN system (57%) and entities with a technical focus (34%).

## **ASSESSMENT FOR FAST TRACK ACCREDITATION**

By virtue of its accreditation with the GCF (in July 2020), UNIDO's application to the AF is being assessed pursuant to the AF Board's approval of a Fast Track Accreditation process for implementing entities that had been accredited by the Green Climate Fund (GCF) within a period of four years prior to the submission of the accreditation application to the Fund, and which meet the eligibility criteria contained in paragraphs 23-32 of the Operational Policies and guidelines of the Fund pursuant to EB Decisions B.32/1 dated 12 October 2018 based on AFB/B.32/5. It also includes an assessment of the Fund's Accreditation Standards Related to Anti-Money-Laundering/Countering the Financing of Terrorism pursuant to Board Decision B.32/36 based on AFB/EFC.23/4. The GCF accreditation decision attached three conditions (including two that are GCF-specific) which were assessed for the AF accreditation under criterion 10 (which includes AF Accreditation Standards Related to Anti-Money-Laundering/Countering the Financing of Terrorism), and criterion 12 (Mechanism to deal with complaints on environmental and social harms and gender harms caused by projects/programmes). Based on these assessments, the Panel is satisfied that, the GCF conditions notwithstanding, these AF criteria have been fully met by UNIDO.

### ***Financial Management and Fiduciary Standards***

- ❖ **Legal Status** – UNIDO has been established, under its Constitution and in accordance with the Conventions on the Privileges and Immunities of the Specialized Agencies, with its own legal personality, with the capacity to receive funds directly, authority to enter into contracts or agreement with international organizations and capacity to represent itself as plaintiff or defendant in legal processes. UNIDO provided examples of agreements it has entered into with other international organizations.

### ***Transparency, self-investigative powers, and anti-corruption measures***

- ❖ **Policies and Framework for Dealing with Financial Mismanagement and Other Forms of Malpractices** – UNIDO's leadership sets the tone with respect to the Organization's policy of zero tolerance for fraud, financial mismanagement and other forms of malpractice. UNIDO's ethical culture is also enhanced through annual conflict of interest and financial disclosure by staff, and an active and accessible Ethics Office.

UNIDO has an array of policies and procedures, operational systems, and staffing in place to prevent, detect and deter financial mismanagement, corruption and other forms of malpractice, including for managing risks related to anti-money laundering and countering the financing of terrorism. It has in place sound and accessible mechanisms for reporting suspected fraud and corruption, and an appropriate and well publicized disciplinary framework and sanctions regime applicable to staff and third parties found to have engaged in prohibited practices. UNIDO has established a capable and well-resourced internal oversight function to manage the reporting hotlines and carry out investigations.

The Organization's internal investigation function observes the Uniform Guidelines for Investigations adopted by the Conference of International Investigators.

- ❖ **Commitment by the entity to apply the Fund's Environmental and Social (E&S) Policy and Gender Policy** – UNIDO has committed to abide by the AF's Environmental

and Social, and Gender policies while continuing efforts to further align its own policies to AF's and best international practice. UNIDO's Environmental and Social Safeguard Policies and Procedures (ESSPP) are fully integrated in its programme/project management cycle and results framework, and there exists deep expertise within the Organization, backed by operating procedures and a robust ERP system, to ensure that programmes/projects meet stringent ESSPP safeguard standards. UNIDO has a long tradition of leadership in gender mainstreaming and the empowerment of women, and places gender as a key principle in all its undertakings. Its gender policy has been recently updated and reaffirms UNIDO's commitment to this principle and is being implemented through four-year strategic plans (currently for the 2020-2023 period) with well-resourced structural elements and leadership at the highest rungs of the Organization.

- ❖ **Mechanism to Deal with Complaints on Environmental and Social Harms and Gender Harms Caused by Projects/Programmes** – UNIDO has the commitment and the capability to receive, have independently reviewed and take remedial action where appropriate on complaints regarding environmental, social and gender harms caused by its programmes and projects. This is being done principally through implementation of its framework Operational Safeguard on “Accountability and Grievance System” (OS 12) which UNIDO has designed and is operating as a complement to existing country-level national systems. Project-related complaints come in through any of several entry points and are classified following an initial review to determine applicability of the UNIDO Grievance Panel which is responsible for investigating and resolving complaints. UNIDO provided an actual example of the operation of its Grievance Panel. The complaints mechanism is comprehensive, accessible and meets best practice standards for accountability to affected populations, and for impartiality/independence. It is reinforced by UNIDO's operational safeguard on information disclosure and stakeholder consultation as a means of promoting stakeholder participation at all stages of the project cycle.

## **Conclusion**

The Accreditation Panel concludes that the United Nations Industrial Development Organization (UNIDO) meets the AF's fiduciary standard on legal status; the policies and framework to deal with financial mismanagement, fraud and other malpractices including those relating to anti-money laundering and countering the financing of terrorism; the commitment to abide by the Fund's environmental and social policy and gender policy; and the mechanism to deal with complaints on environmental and social harms and gender harms caused by projects/programmes. It is therefore recommended that UNIDO be accredited through the fast-track process as a Multilateral Implementing Entity of the Adaptation Fund.