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Mid-term review of the medium-term programme framework, 2018–2021

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Report by the Director General

In line with IDB.44/Dec.10, this document presents a mid-term review of the medium-term programme framework (MTPF), 2018–2021 (IDB.45/8/Add.2 and IDB.45/8/Add.2/Corr.1), adopted by Member States in GC.17/Res.1. In this review, the definition of the Organization's strategic results as warranted by the MTPF 2018–2021 is strengthened, with a view to support the transition towards an improved programmatic and impact-oriented approach. The review also incorporates an overview of significant contextual developments, with special reference to the ongoing reform of the United Nations Development System. Finally the prioritization by the Organization of emerging issues is also introduced.

I. Introduction

1. The present document reviews the medium-term programme framework (MTPF), 2018–2021 (IDB.45/8/Add.2 and IDB.45/8/Add.2/Corr.1), adopted by Member States in GC.17/Res.1.

2. The MTPF introduced an organizational theory of change, which shows the developmental pathway of UNIDO's approaches and interventions. Figure 1 of IDB.45/8/Add.2 identifies the channels and levels of influence through which the outputs of UNIDO's work, underpinned by its internal operations, support Member States in realizing inclusive and sustainable industrial development (ISID) outcomes and impact-level results. With ISID fully embedded in the 2030 Agenda, in particular in Goal 9, these demonstrate UNIDO's contribution to the rest of the SDGs.

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3. The present review of the MTPF 2018–2021 completes the organizational theory of change by identifying the external factors, including assumptions and preconditions, to the impact pathway described in section II. As a specialized agency of the United Nations, UNIDO continues to focus on its mandate of ISID, promulgated by the Lima Declaration in 2013. The Organization is cognizant of the multiple dimensions affected by, and surrounding, ISID and economic transformation. Identifying external factors at the organizational level supports this focus and helps clarify the Organization’s added value at the country, regional and global levels. This in turn facilitates an impact-oriented implementation of the partnership approach launched in Lima. It benefits from a clearer understanding of the comparative advantage of UNIDO and hence from synergies and complementarities with partner organizations.

4. In addition, the present document introduces clear organizational outcomes and impact areas. They clarify the intended organizational results, streamlining the quantification and qualitative description of the achievements made by UNIDO through and beyond its technical cooperation interventions. These results areas inform the next-generation integrated results and performance framework (IRPF). They stem from the comprehensive improvement of results-based management (RBM) tools, practices and policies undertaken by the Organization to implement its dual management objective of integration and scale-up.

5. Furthermore, this document identifies priority programmatic areas for UNIDO for the remainder of the MTPF period. In particular, this review underlines the areas of the Fourth Industrial Revolution and aspects of the transition towards a circular economy relevant to industry.

6. Finally, the present document reviews and updates UNIDO’s institutional context, particularly as it relates to the ongoing reform of the United Nations Development System.

II. Organizational theory of change: external factors

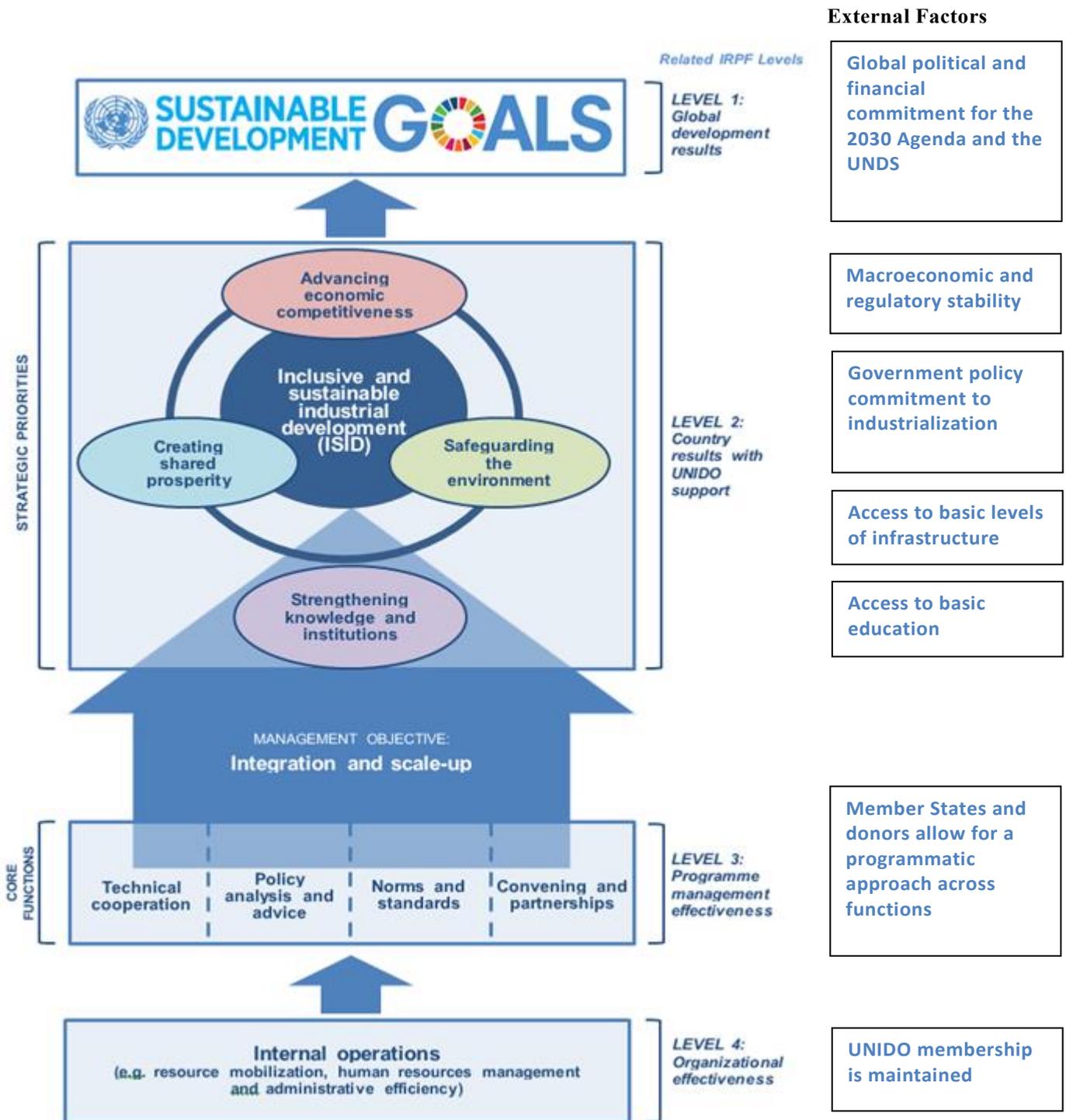
7. The MTPF 2018–2021 outlines the basic pathway through which results at the country and global levels are facilitated by UNIDO interventions. The theory of change depicted in Figure 1 of IDB.45/8/Add.2 shows that it is through the integration of the Organization’s four core functions that UNIDO supports the inclusive and sustainable industrialization of countries at systemic scale. This model has the virtue of clarifying UNIDO’s pathway towards impact and provides a simple blueprint against which UNIDO interventions can be assessed.

8. Industrialization takes place in a complex development system, whose boundaries exceed the traditional scope of the manufacturing sector. Partly as a result of globalization, industry-related services are being outsourced. External to manufacturing and its periphery lies a set of horizontal factors, assumptions and preconditions, which affect the scope of UNIDO interventions, and the attainment of ISID at the country level.

9. These external factors have been explained in a variety of UNIDO publications on specific countries or sectors. This document will address the organizational and high-level assumptions and preconditions affecting ISID. The methodology and conceptual UNIDO framework for country diagnostics highlight, *inter alia*, the existence of horizontal conditions which affect, negatively or positively, the growth of all sectors, albeit with varying levels of impact. The understanding of these and other external factors is therefore crucial for planning effective interventions and developing policy and knowledge products to support a country’s ISID.

10. Figure A below summarizes the main external factors to UNIDO’s theory of change and aligns them with the four levels of the associated IRPF. The remainder of this section briefly describes each of these external factors.

Figure A: Organizational Theory of Change



11. **Global political and financial commitment for the 2030 Agenda and the United Nations Development System.** This external factor corresponds to IRPF Level 1, “Global Development Results”. The support of the international community to the global public good and the multilateral system is a crucial factor for the success of UNIDO’s work. The ongoing reform of the United Nations Development System aims at ensuring this support by showing significant “changes in the set up, leadership, accountability mechanisms and capacities of the UN development system [which] are required to ensure it is positioned to provide countries with the support

they need to achieve the Sustainable Development Goals”¹. The viability and effectiveness of UNIDO’s work in this context is affected by the political and financial commitment to the multilateral system in the 2030 Agenda era.

12. **Macroeconomic and regulatory stability.** At the country level, progress towards ISID is supported by the integrated approach of UNIDO, in which technical cooperation interventions are programmed in conjunction with policy, normative and convening support. However, the impact of these interventions can be undermined by the absence of a stable and predictable macroeconomic and regulatory environment. Conversely, positive macroeconomic and regulatory conditions may greatly facilitate the achievement of ISID outcomes triggered by UNIDO interventions. These preconditions, which correspond to IRPF Level 2, are crucial for the existence of a critical mass of economic activity in a country, the availability of domestic or foreign capital, and hence for the progress towards a higher level of industrial development.

13. **Government policy commitment to industrialization.** The national ownership and policy commitment of supported governments is another critical precondition for the success of ISID interventions in countries. These principles lie at the core of the 2030 Agenda as a whole and entail that unless countries own their development agenda, industrialization cannot be achieved in an inclusive and sustainable manner. UNIDO bases its programmatic work on the demand of Member States. Government policy commitment is an even stronger pre-requisite for the scaled-up, transformational change entailed by ISID for a country’s economic structure. UNIDO’s intervention may have an influence on the content of industrial policymaking and on the awareness of the benefits of industrial development. However, the commitment and prioritization by governments of ISID policies lies largely outside of the Organization’s spheres of control and influence. In recent years, the industrialization agenda has seen an important surge among national development priorities across continents, not least to improve the levels of social inclusiveness and environmental sustainability of past, sub-optimal industrialization patterns.

14. **Access to basic levels of infrastructure.** The establishment and functioning of industrial facilities demands a certain level of hard and soft infrastructure. Access to energy services, transportation to and from markets, water and sanitation, waste management, and related infrastructure is an important pre-requisite for industrial development. These areas, however, are largely outside of UNIDO’s mandate and results chain. UNIDO works with other institutions, notably international financial institutions and with national governments, to facilitate an adequate level of support infrastructure to ISID projects and programmes. Prime examples of this are the work on industrial parks in several PCPs, and the Bridge for Cities initiative.

15. **Access to basic education.** This horizontal condition affects ISID performance across sectors. Several UNIDO interventions address skills development, from vocational training to entrepreneurship curriculum programmes. However, existing levels of education at the country level are important and sometimes decisive external success factors to UNIDO’s interventions.

16. **Member States and donors allow for a programmatic approach across functions.** This external factor relates to the IRPF level 3, “Programme Management Effectiveness”. The ability of UNIDO interventions to trigger transformational, systemic change in a country largely depends on the level of integration of UNIDO’s core functions and other scaling up measures adopted at the programming stage. As such, a project-based approach to UNIDO interventions is likely to fall short of the goals of supporting ISID at the country level. In this context, the MTPF 2018–2021 highlights the transition of the Organization towards a more programmatic approach. UNIDO’s efforts to scaling up its ISID interventions can be affected by external factors such as existing funding modalities, national foreign policy priorities and related factors. The continuous support of Member States to the reform process of the

¹ https://outreach.un.org/ngorelations/sites/outreach.un.org/files/development_system_faq_31_may.pdf.

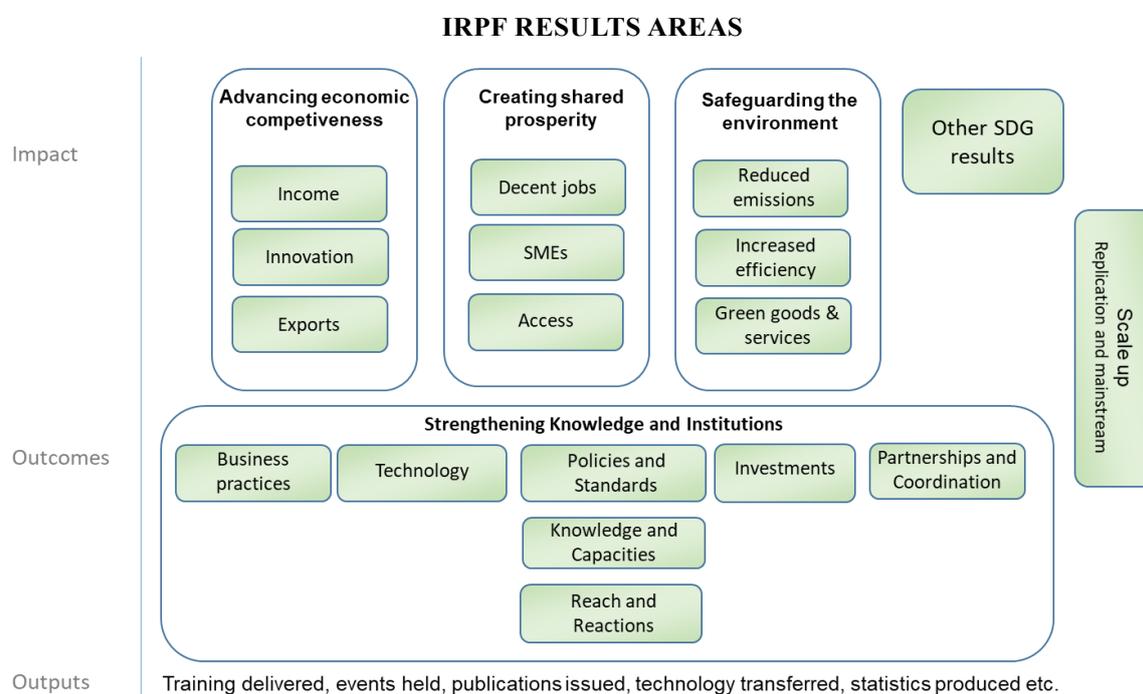
Organization and its move towards a more integrated, programmatic approach is a critical precondition for the success of UNIDO’s support to ISID.

17. **UNIDO membership is maintained.** Level 4 of the UNIDO IRPF speaks to the efficiency and effectiveness of internal operations. It also refers to the availability of financial and political input, as well as the human and technological resources at the disposal of the Organization. In this context, an unstable membership situation may erode the political weight and the financial base that support UNIDO’s programmatic effectiveness. Conversely, a reinvigorated membership may accelerate the introduction of successful impact-oriented initiatives and programmes. An organizational theory of change would therefore be incomplete without mentioning among its key external factors the leadership and support of the Organization’s Member States.

III. Organizational results

18. To implement the MTPF 2018–2021, UNIDO has revisited its RBM approach, resulting in a new, actor-based, behavioural change model to structure the Organization’s performance story. While the specific IRPF indicators stemming from this work will be presented in the second half of 2019, this section describes the main organizational outcome and impact areas identified during this process. These are described in Figure B.

Figure B: Organizational results framework²



19. **Reach, reactions, knowledge and capacities.** UNIDO systematically engages with actors whose practices, technologies, investments, and policies are crucial for advancing industrialization. These actors range from firms and individuals at the micro level, to public and private intermediary institutions, all the way to governments and global institutions at the macro level. A key component of UNIDO’s added value is the close relationship with, and support to, these beneficiaries and institutions. This is most notable in the case of private businesses in developing countries. Raising awareness, generating and transferring knowledge, and building capacity in both technical and policy areas are among the most important outcomes

² Note that the envisaged IRPF includes sex-disaggregated data.

for projects as technically complex as UNIDO's. These outcomes are major components of the strategic priority "Strengthening knowledge and institutions".

20. **Behavioural change outcomes.** UNIDO's contribution to ISID and the SDGs is largely explained by the change of practices and behaviours by the actors and institutions reached by UNIDO's interventions. Changes in business practices stand out as prime outcomes of UNIDO's firm level interventions. These include, inter alia, the application of new management systems, improved efficiency practices, the production of new goods, and the creation of start-ups. UNIDO's interventions also target and trigger technology development, adoption and diffusion. UNIDO's role in influencing policy formulation, adoption and implementation is demonstrated by another set of key organizational outcomes. The partnership approach is geared towards greater impact of projects and programmes. This is often enabled by increased coordination among stakeholders within the projects and programmes. Partnering with donors, governments, private businesses, and funding institutions triggers investments that enable ISID upgrades. UNIDO's work aims at leveraging public, international and private-sector investment into industrial development, as show in its PCP approach.

21. UNIDO's **ISID results at the impact level** range across the three dimensions of sustainable development that thematically define ISID. Under the economic dimension, "Advancing economic competitiveness" is defined as the achievement of higher levels of income generation, be it through increased productivity and savings in production processes, or the income and dividends generated by working in the industrial sectors. This is interlinked with, and complemented by, competitiveness components, such as innovation and exports, which enable and reinforce industrialization.

22. The social inclusiveness of ISID is captured by "Creating shared prosperity". The ability to support the creation and maintenance of decent jobs is a key impact of UNIDO's work. Inclusion is further ensured by the mainstreaming of gender equality and the empowerment of women, as well as the Organization's approaches to youth employability and poverty reduction. The engagement of small and medium-sized enterprises in the economy typically ensures a better income distribution. ISID also entails improved access to manufactured goods and productive assets, a critical demand-side aspect of social inclusion.

23. "Safeguarding the environment" captures the impact of UNIDO interventions in the fields of reducing emissions of carbon dioxide and other pollutants; increasing energy and resource efficiency; and supporting the production of green goods and related services.

24. The above ISID impact results fully describe the direct contribution of UNIDO to Goal 9. In addition, the indirect effects of ISID and the Organization's work have evident ramifications for most, if not all, other SDGs. For example, reduced emissions of pollutants reduce the exposure of communities to health risks, thus contributing to Goal 3. Similar pathways can be found stemming from income effects (Goal 1, 8 and others), the empowerment of women (Goal 5), food safety (Goal 2), and so on. A systematic mapping the effect of ISID interventions on the SDGs is currently under development.

IV. Priority areas

25. This mid-term review focuses on several global trends that have emerged, including: the Fourth Industrial Revolution, linked to the onset and rapid growth in technology; climate change, where industries contribute to roughly a third of global greenhouse gas emission but are also an important driver of climate solutions; rapid urbanization, where the projections show that the urban population is expected to grow to more than two-thirds by 2050; resource stress, where access to natural resources, such as food, energy and water, will affect global production and consumption; the shift in economic power from the West to the East; and the evolution

of international development cooperation, from an approach based only on Official Development Assistance, to a progressively broader mix of solutions and financing from the government, public, private, and philanthropic sectors.

26. Given the important role of the industrial sector for the development, application and diffusion of new technologies, and UNIDO's role as central coordinator of industrial development in the United Nations system, the Organization bears a special responsibility in issues relating to the Fourth Industrial Revolution. There is a need to ensure that the opportunities and benefits from the realization of the 2030 Agenda are reaped by all, while ensuring that inequalities are not exacerbated. Countries with low technological capabilities, in particular least developed countries, risk being marginalized. The deployment of Fourth Industrial Revolution technologies and practices require doubled efforts by UNIDO and its Member States, if ISID aspirations and achievements are to be maintained in all countries.

27. Another area of focus for UNIDO is the circular economy. The circular economy is an industrial system that is restorative or regenerative by design. It replaces the end-of-life (produce, consume, dispose) concept with restoration. It enables shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse and return to the biosphere, and aims for the elimination of waste through the superior design of materials, products, systems, and business models.

V. Organizational context: the reform of the United Nations Development System

28. General Assembly resolution [71/243](#) on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR), adopted on 21 December 2016, is the foundational document for the current ongoing reform of the United Nations, to deliver effective support to countries for sustainable, equitable and accountable development under national ownership and leadership. It aimed at providing guidance for the UNDS, fully guided by the 2030 Agenda.

29. As the UNDS reform is being implemented with the aim of having the United Nations entities work more towards collective results, it is imperative that UNIDO's developmental pathway clearly indicates how we, as the United Nations specialized agency on industrial development, will contribute in a meaningful and concrete way to the realization of ISID, the 2030 Agenda and its SDGs.

IV. Action required of the Committee

30. The Committee may wish to take note of the present document.
