



Industrial Development Board
Forty-ninth session
Vienna, 12–15 July 2021

Programme and Budget Committee
Thirty-seventh session
Vienna, 26–28 May 2021
Item 10 of the provisional agenda
**Medium-term programme framework,
2022–2025**

Medium-term programme framework 2022–2025

Integration and scale-up to build back better

Proposal by the Director General

Executive summary

This document is presented in accordance with General Conference decision GC.15/Dec.17, requesting the Director General to submit from 2015 onwards, on a quadrennial basis, to the Board in the second year of the biennium, through the Programme and Budget Committee, a draft medium-term programme framework (MTPF) for four years, taking into account the Lima Declaration: Towards inclusive and sustainable industrial development (GC.15/Res.1).

The present document builds on the MTPF 2018–2021, adopted by the General Conference in its seventeenth session (GC.17/Res.1) and on its mid-term review (IDB.47/10-PBC.35/10). The MTPF 2022–2025 comprises an integrated strategic, programmatic and management framework. It maintains the dual objective of integration and scale-up introduced by the MTPF 2018–2021, to consolidate and deepen the advances made during the previous cycle. It also further develops the organizational theory of change introduced with IDB.45/8/Add.2, outlining UNIDO’s contribution towards inclusive and sustainable industrial development (ISID) and the 2030 Agenda for Sustainable Development. It contextualizes UNIDO’s strategic direction in the global development landscape, including the decade of action to deliver the Sustainable Development Goals by 2030 and global efforts to “build back better” from COVID-19 pandemic. It is also guided by General Assembly resolution 75/233 on the quadrennial comprehensive policy review of operational activities (QCPR), and informs UNIDO’s contribution to the United Nations development system reform.

The present programming cycle sees the alignment of the MTPF 2022–2025, the Integrated Results and Performance Framework (GC.18/CRP.4) and the Programme and Budgets 2022–2023, established according to results-based budgeting principles, as requested by Member States in GC.18/Dec.14.



Contents

	<i>Page</i>
I. Introduction	3
II. Context	3
Decade of Action	3
Global trends	4
The socioeconomic impact of COVID-19	5
III. Integrated strategic, programme and management framework: consolidating and deepening “integration and scale-up”	6
Integration and scale-up to build back better	7
A consultative preparatory process	8
A. Strategic framework	8
B. Programme framework: the UNIDO theory of change	9
1. Interconnected areas of expertise	9
2. Mainstreamed and integrated approaches for transformative change	13
3. Contributing to ISID and the SDGs: the UNIDO results chain	15
C. Management framework	23
1. Results-based management	24
2. Governance, accountability and risk management	24
3. Human resources management	25
4. Field operations management	25
5. Operational management	26
6. Financial management	26
7. Knowledge management	26
IV. Integrated Results and Performance Framework	27
V. Budgetary framework	28
VI. Action required of the Committee	28
Annex	
I. Mapping SDGs against ISID impact areas	29

I. Introduction

1. The medium-term programme framework (MTPF) 2022–2025 sets out the UNIDO strategic direction over the next four years, building on the dual objectives of the last MTPF of integration and scale-up. By strengthening UNIDO’s results-based management, it initiates a period of adaptive planning, monitoring and delivery of results. The MTPF 2022–2025 is grounded on the organizational theory of change (Figure 1) introduced with the previous MTPF and its mid-term update (IDB.47/10-PBC.35/10). The MTPF 2022–2025 confirms and further develops the theory of change with the adoption of the actor-based, behavioural change model embedded in the IRPF. These approaches are also adopted in the results-based Programme and Budgets, 2022–2023 (IDB.49/5-PBC.37/5).

2. The present MTPF recognizes ISID as the virtuous development of industrial systems operating and interacting within a wider economic ecosystem. Inclusive and sustainable industrialization is a powerful driver of developmental progress, in ways that transcend economic growth. It enables, inter alia, access to products, sustained economic growth and the creation of jobs, improvements in working conditions, economic empowerment of women and youth, innovation, and the development of new and greener production technologies.

3. The integration of the four core functions of UNIDO: (i) technical cooperation; (ii) analytical and research and policy advisory services; (iii) normative functions and standards-related activities; and (iv) convening function and partnerships, is enhanced by the Organization’s theory of change to support its Member States to achieve the 2030 Agenda for Sustainable Development through ISID.

4. The development of the MTPF 2022–2025 has benefited from both an internal and external consultative process, including feedback from a survey with UNIDO Member States and key stakeholders.

II. Context

5. The MTPF 2022–2025 was prepared against the background of the Decade of Action’s ambitions and of the global socioeconomic crisis caused by the COVID-19 pandemic. The crisis shed further light on the poverty, inequality and human development challenges hindering sustainable development efforts worldwide. It also highlighted the vulnerability of productive sectors, and their central role in ensuring socioeconomic resilience and fostering an inclusive and sustainable recovery.

6. The period 2022–2025 is therefore an opportune time for UNIDO to build on its mandate to promote ISID and support global efforts to “build back better” and respond to the Decade of Action as it calls for accelerating solutions to achieve the 2030 Agenda.

Decade of Action

7. UNIDO’s vision is shaped by the commitment of its Member States to General Assembly resolution A/RES/70/1, “Transforming our world: the 2030 Agenda for Sustainable Development”, which serves as the development roadmap of the global community until 2030. It is further determined by the milestone declarations of the UNIDO General Conferences in Lima and Abu Dhabi and other important agreements, such as the Paris Agreement and the Addis Ababa Action Agenda.

8. By defining ISID, the Lima Declaration laid the foundation for the development of Sustainable Development Goal 9 (SDG 9). The mandate of ISID also highlights the contribution of UNIDO to the three dimensions of sustainable development: social, environmental and economic. Its recognition in the 2030 Agenda, together with its focus on two other fundamental enablers for economic transformation, namely innovation and infrastructure, gives UNIDO a special role in SDG 9 and in

all industry-related goals of the 2030 Agenda. In its ISID approach, UNIDO addresses the integrated, indivisible and interconnected nature of the SDGs.

9. The Abu Dhabi Declaration reaffirmed the mandate of UNIDO and gives guidance for the Decade of Action. Poverty eradication and climate change remain the greatest global challenges. The role of UNIDO as a platform for private sector cooperation, specifically on the topic of the fourth industrial revolution and in the context of the Third Industrial Development Decade for Africa (2016–2025), was accentuated in the declaration.

10. The MTPF is further guided by General Assembly resolution [75/233](#) on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR).

Global trends

11. Until the COVID-19 pandemic, the progress made over the past decades towards sustainable development had been unprecedented. In the three decades prior to the crisis, the number of people living in extreme poverty had been reduced by half. Advances in women's empowerment, environmental and climate ambition, access to productive and consumer technology, increased connectivity and the burgeoning digital transformation, the energy transition and other aspects of sustainable development offered hopeful future prospects. Yet, the world is still not on track to achieve the 2030 Agenda, and UNIDO's mission is far from accomplished.

12. SDG 9 indicators show that world manufacturing growth was already decelerating over the last decade due to tariffs and trade tensions. In 2020, the COVID-19 pandemic impacted manufacturing and global value chains, resulting in a further drop in manufacturing production. Overall, stark disparities between least developed countries (LDCs) and industrialized economies persist, both in terms of share of manufacturing value added in GDP, as well as in the proportion of medium- and high-technology industry in total value added. The global share of manufacturing employment, too, saw a slight decrease since 2010 and remains concentrated in developing and emerging industrial economies. Small-scale industrial enterprises are a central source of employment and income generation in many developing countries, but access to financing is crucial for their survival and recovery from the crisis. Only 35 per cent of small-scale industries benefit from loans or credits. However, the value drops to 16.9 per cent in sub-Saharan Africa compared to almost 50 per cent in Latin America and the Caribbean.

13. Even before the COVID-19 pandemic, over 740 million people were living on less than 1.25 dollars a day. Unemployment remains a major challenge. Of those people who have a job, two billion are informally employed, often in subsistence activities.

14. Global temperatures are rising and climate-related disasters have increased in number and magnitude, reversing development gains and affecting the poorest the most. Climate change remains the biggest threat to humanity in the long term. The footprints of human activity on our planet include the depletion of natural resources, biodiversity loss, environmental degradation and pollution. At the same time, millions of people still live without reliable access to sustainable energy and clean water. Increasing temperatures, changing precipitation patterns and extreme weather events directly impact agriculture, food production and food security.

15. Progress towards gender equality and the empowerment of women and girls is uneven and slow. Despite gains in education, labour market prospects continue to be generally more unfavourable for young women than for young men. These imbalances deny women and girls their full potential, and thus represent losses for the entire world.

16. Inequalities in incomes, wealth and opportunities continue to increase within and between countries. The imperative of the 2030 Agenda to leave no one behind

demands that the poorest, the most vulnerable and discriminated must be empowered. This includes young people, refugees and internally displaced persons and migrants, indigenous peoples, persons with disabilities, and those affected by conflicts, disasters and other humanitarian crises.

17. A new generation of inequalities goes beyond income disparity to encompass the knowledge and skills that are needed to succeed in today's world. While the COVID-19 pandemic has led to an unexpected leap in the digitalization of learning, working and connecting with others, it has also exposed a serious digital divide that reinforces social and economic disparities. The digital transformation, the fourth industrial revolution, and the potential disruptive impact of technologies on the future of work have created uncertainties, but also unprecedented opportunities.

18. Early observations of post-COVID-19 trends show that the digitalization of production and services, including generation and use of data along value chains, is accelerating. Ongoing trends of stronger regional integration and pooling of industrial resources may gain momentum as a way to improve resilience of supply chains and foster economic transformation. Overall, policymakers are increasingly turning to the manufacturing sector and to industrial policies to ensure socioeconomic resilience and drive sustainable growth. Paired with growing climate and environmental ambitions in many countries, the world is facing an unprecedented opportunity to rethink productive systems and economies towards inclusive and sustainable development. UNIDO works with Member States to seize these opportunities and to leverage industrialization prospects to advance inclusive economic growth, reduce inequalities, foster inclusive digital and green transitions, and boost socioeconomic resilience.

The socioeconomic impact of COVID-19

19. The COVID-19 pandemic has brought on the worst human and financial crisis of the century and the deepest recession since the Second World War.

20. Industry experienced shocks as containment measures, unemployment and lower incomes resulted in lower spending and demand. With factories closed or operating below capacity, output decreased. Across regions, the lack of intermediate supplies caused global value chain disruptions. Reduced manufacturing output resulted in declines in international trade. Foreign direct investment and remittance flows were also strongly affected. Workplace closures, revenue losses, bankruptcies, and layoffs triggered major job and income losses for millions. Those insufficiently covered by formal working arrangements were hit particularly hard by the crisis, which further deepened existing gender inequalities. Financing the COVID-19 response while avoiding a major debt crisis remains a dual challenge for many governments.

21. The severity of the COVID-19 pandemic and its socioeconomic consequences underscores the importance of both international cooperation and the multilateral institutions needed for a joint response to global challenges. The crisis is a strong reminder of the need for shared responsibility, global governance and solidarity. The important role played by multilateral institutions in this context, and the need for renewed international support, cannot be overemphasized.

22. Inclusive and sustainable industrial development will remain a key priority for the socioeconomic response to, and economic recovery from, the pandemic, as well as for progress towards the 2030 Agenda. Through its mandate of ISID, UNIDO will continue to contribute to the creation of decent jobs, incomes and opportunities, strengthening of the private sector, including small- and medium-sized enterprises, enhancing productivity and trade, spurring green and digital innovation, reducing industry-related emissions, and thereby building a more inclusive, sustainable and resilient future.

III. Integrated strategic, programme and management framework: consolidating and deepening “integration and scale-up”

23. The MTPF 2022–2025 provides the overarching framework for the alignment of strategic planning documents, including the Programme and Budgets, 2022–2023 (IDB.49/5-PBC.37/5) and 2024–2025, management frameworks and programmes of work, in line, inter alia, with the recommendations by the External Auditor, and in compliance with UNIDO’s accountability framework. Together with the programme and budgets and the IRPF, the MTPF guides the Organization and its stakeholders in developing further strategies, programmes, internal policies and frameworks.

24. UNIDO’s vision is to assist Member States in accelerating their transformation towards inclusive and sustainable industrialization, seizing industrial development opportunities to achieve the 2030 Agenda and the SDGs. More than ever, unlocking inclusive and sustainable pathways to industrial development requires systemic approaches. Industry’s impact occurs in increasingly complex systems, influenced by global trends, multi-level governance and exponential technological advances, with a large variety of stakeholders involved over longer-term horizons. To ensure that industrialization benefits all and enables access to manufacturing products and industrial dividends the concerted efforts of public and private actors are required.

25. Industrialization that is both inclusive and sustainable is a powerful driver for progress towards the 2030 Agenda.¹ It enables sustained economic growth and the creation of jobs and income for all. It provides the foundation for innovation, socioeconomic resilience and advances large-scale climate and environmental solutions. This is reflected in the three integrated dimensions of UNIDO’s ISID mandate.

26. The Organization will upscale its comprehensive support by focusing on enhancing the technical, policy and normative knowledge base for ISID, strengthening institutional capacities, and propelling multi-stakeholder partnerships and industrial cooperation at the country, regional and global levels.

27. As a management tool, the MTPF provides the framework for the consolidation and deepening of the comprehensive reform UNIDO undertook in the previous strategic planning cycle to strengthen its position as a key United Nations development system actor. Cognizant of the rapidly evolving nature of sustainable development cooperation, as well as of the universality and complexity of the 2030 Agenda, the organization is on a path to reinforce its programmatic and management approach and processes to be able to better support transformational change through ISID.

28. The management objective of integration and scale-up of results, which is the cornerstone of this long-term reforming strategy, summarizes the main avenues and goal of this trajectory. In 2022–2025, the Organization will continue to strive for integrated service provision, in which upstream and downstream functions are combined with a view to facilitate the replication and mainstreaming of outcomes towards scaled-up impact. With the introduction of several innovative approaches and mechanisms to support integrated programme management, including the reengineering of its programme delivery processes, UNIDO is well positioned in the next quadrennium to yield increasing returns in terms of demonstrated results on the ground.

¹ See, e.g., United Nations Industrial Development Organization. *Industrialization as the driver of sustained prosperity* (Vienna. 2020).

Integration and scale-up to build back better

29. In 2022–2025, the Organization will further advance its medium-term management objective “**integration and scale-up to build back better**”, which means:

(a) **Integration and scale-up of impact dimensions:** enabled by the contributing outcomes detailed below, exploiting the synergies across ISID impact dimensions (shared prosperity from industry, economic competitiveness and environmentally sustainable industry) will deliver the core of UNIDO’s mandate. The scale of UNIDO’s impact will benefit from these synergies and by the scaling up of the below contributing outcomes. Industrialization that is inclusive and sustainable is the only one possible in the 2030 Agenda, and a major driver thereof;

(b) **Scale-up of behavioural outcomes:** UNIDO will actively target key behavioural change not only in the directly assisted population, but also in a broader set of actors. This scaling up, which mostly takes place through planned replication and mainstreaming, is an enabling factor for broader ISID impact;

(c) **Integration of focus areas:** UNIDO will actively seek the coordination of multi-theme approaches in its interventions, to exploit the mutually reinforcing areas of digital transformation, climate neutral industry and structural transformation. This will ensure more holistic approaches to both the specific and general ISID problems addressed;

(d) **Integration of functions:** UNIDO will continue the work undertaken in the previous MTPF cycle to fully incorporate in new programming the synergistic combination of core functions. For example, technical cooperation interventions will not only leverage on UNIDO’s established convening power, but also pursue policy and standard outcomes, which will facilitate replication and mainstreaming of results;

(e) **Further deployment of integrated solution packages:** to enable all the above, UNIDO will deepen the development and operationalization of its management reforms towards greater results at scale. UNIDO’s programmatic offer will be increasingly based on integrated solution packages – PCPs, CPs, regional and other programmatic approaches – which address complex ISID problems with tailored and evidence-based programming options;

(f) **Stronger results evidence, and data:** “integration and scale-up to build back better” will be underpinned by tighter monitoring, reporting and evaluation processes and products, which will allow better evidence and data for decision-making by management, Member States and the development community supporting ISID. The continuous operationalization and fine-tuning of the IRPF, the renewed results monitoring policy, the quality assurance framework, risk, accountability and other key reforms conducted in the 2018–2021 period will inform the Organization’s drive for stronger results evidence and data.

30. Integration and scale-up of results remains at odds with the prevalent piecemeal approaches to both programming and funding. Programmatic approaches, epitomized by the PCP, represent the most efficient and effective delivery model for ISID results at scale. UNIDO and its stakeholders will continue to be engaged in a transparent dialogue, in which trust and accountability for results play a fundamental role.

31. In cooperation with the United Nations community at the country and regional levels, UNIDO will continue its efforts to strengthen its evidence-based country programming, especially in the context of PCP countries.

32. The strategic, programme and management framework of the MTPF 2022–2025 reflects this reforming trajectory. The MTPF 2022–2025 underpins the evolution of UNIDO as a specialized organization capable of supporting the realization of inclusive and sustainable industrialization by making use of its technical and policy expertise, and conjugating the opportunities of digital transformation with the imperative of climate neutrality.

A consultative preparatory process

33. The development of the MTPF 2022–2025 has benefited from both an internal and external consultative process. This included feedback from stakeholders, with a view to improve UNIDO’s strategic position and increase its value proposition to its Member States. The process built, inter alia, on the recommendation of UNIDO’s Office of Evaluation and Internal Oversight to “formulate [the MTPF] in close consultation with Member States” and “in a consultative manner, involving all relevant UNIDO branches”.²

34. Structured surveys were sent to UNIDO Member States, its field network and staff. These posed two overarching questions: “how is UNIDO doing its current work?” and “how can UNIDO improve?” Both questions captured present and future suggestions on “what we do and how we do our work” from seven different dimensions of UNIDO’s business model. These included its current global positioning and challenges that it might face in the next four years, and how UNIDO delivers its value to Member States through its core functions at a programmatic and project level. These insights are important both as an internal accountability function, and to ensure UNIDO’s capacity to effectively support Member States’ journey towards ISID.

A. Strategic framework

35. Consistent with its role as the main industrial development arm of the United Nations, UNIDO’s strategic framework for the quadrennium 2022–2025 will continue to hinge on closing the industrial development gap between advanced and developing countries, while supporting innovative solutions to universal challenges to inclusive and sustainable industry.

36. UNIDO acknowledges that its ISID mandate will remain the core of socioeconomic development, driving progress in the Decade of Action towards the 2030 Agenda for Sustainable Development, particularly as economies transform and recover from the impact of the COVID-19 pandemic. The Organization realizes that current circumstances demand innovative, collaborative, transformational and flexible solutions to further pursue inclusive and sustainable development that leaves no one behind.

37. UNIDO addresses its mandate by enhancing the capacities of developing countries to participate in a global development landscape as equal partners. Grounded in its integrative programmatic approach at the country level, the UNIDO value addition will be drawn from its needs-based tailored solutions. UNIDO draws on its strong ties and long-standing cooperation with public and private partners, and on its attention to the most vulnerable countries and segments of society, including women and youth. This ensures the integrity of the Organization’s evidence-based approach using appropriate diagnostics and needs assessments tools and methodologies, to ensure that no one is left behind.

38. Tapping into its pool of specialists, the Organization offers its partners access to a full range of co-owned solutions to both broad and specific ISID problems. Through its experience and ability to tackle complex programmatic issues and challenges, UNIDO acts as a catalyser to bridge systemic development gaps within national and regional structures.

39. Member States’ specific development challenges and priorities call for tailored solutions. UNIDO’s approach to ISID will continue to be guided by diversified organizational strategies, in particular for middle-income countries (MICs), LDCs,

² United Nations Industrial Development Organization. *Independent Strategic Evaluation: Implementation of the expanded UNIDO Medium-term Programme Framework 2010–2013* (Vienna, 2015).

landlocked developing countries (LLDCs) and small-island developing states (SIDS), as well as by regional approaches and South-South and triangular cooperation.

40. To effectively deliver on its mandate, UNIDO will expand its relationship with the private sector, as reinforced by the Abu Dhabi Declaration. UNIDO will deploy its global network, thought-leadership and coordination role to fulfil the expectations of its stakeholders and beneficiaries, boosting cooperation and fruitful partnerships. The Organization will leverage on its impartiality, well-established trusted relationships, reputation and results-based management approach while collaborating with the private sector.

41. The MTPF 2022–2025 will continue to mainstream gender equality and the empowerment of women (GEEW) and in particular the provisions of the UNIDO Strategy for Gender Equality and Empowerment of Women in all its work and associated results. With the vision that women and men equally lead, participate in, and benefit from inclusive and sustainable industrial development, the Organization follows a comprehensive approach to GEEW, recognizing the interests, needs and priorities of both women and men and the intersecting diversity of groups. Subsequently, the result areas of UNIDO set out in both this MTPF and the Programme and Budgets, 2022–2023 (IDB.49/5-PBC.37/5) are implemented in a gender-responsive manner, leading to gender equality results, while also ensuring that dedicated statistical, knowledge and capacity-building material is generated.

42. UNIDO’s contribution to ISID and the 2030 Agenda will be monitored utilizing the Organization’s results-based management policies, tools and processes, which will enable continuous and reliable measurement and aggregation of deliverables towards ISID and the SDGs. As established practice, all indicators are sex-disaggregated, wherever relevant and feasible.

B. Programme framework: the UNIDO theory of change

43. The MTPF 2022–2025 presents UNIDO actions and intended achievements as parts of the organizational theory of change, building on the previous strategic planning cycle.

44. Figure 1 shows the organizational theory of change for the 2022–2025 period. The figure summarizes several aspects of UNIDO’s results and performance story. Its complexity corresponds to the various dimensions taken into account alongside the UNIDO results chain, which informs the IRPF. These additional dimensions include risks, external factors, areas of expertise and common programmatic approaches. Figure 1 also features a box (top left) to clarify the alignment between the MTPF 2022–2025 and Programme and Budgets, 2022–2023 (IDB.49/5-PBC.37/5).

45. ISID impact dimensions are not to be confused with UNIDO areas of expertise. “Shared prosperity from industry” is not an area of work in itself, but rather part of the impact of UNIDO’s work supporting firms adopting inclusive practices, governments adopting gender responsive policies etc. Similarly, economic competitiveness can be advanced, for example, by industrial energy efficiency interventions, which deliver economic gains in terms of energy savings. These can in turn generate job opportunities, contributing to “shared prosperity”. Later sections in this document clarify the relationship between impact dimensions and the Organization’s areas of expertise.

46. The next section describes each of the interconnected UNIDO areas of expertise separately before discussing how these areas interweave and build on each other to inform the UNIDO results chain and trigger ISID transformational change.

1. Interconnected areas of expertise

47. Over more than five decades of cooperation, UNIDO and its Member States, together with hundreds of public and private sector partners, have generated a wealth

of knowledge on a wide range of aspects related to ISID. The Organization is a repository of unique expertise not only on how to effectively foster structural transformation and modernization across industrial sectors, but also on how to do so through climate- and environmentally sustainable pathways, and by ensuring that everyone – including women, youth, and disadvantaged groups – can fully participate in, contribute to and benefit from, industrial development.

48. With less than ten years to fulfil the 2030 Agenda, and an increasingly complex global landscape, advancing ISID requires a holistic vision and integrated solutions, to minimize trade-offs and maximize synergies between sustainable development opportunities. UNIDO supports Member States and partners with best-available expertise at the intersection of industrialization priorities, to effectively advance transformative change.

49. This section provides further detail on the main areas of expertise in which UNIDO is uniquely positioned to assist Member States along transformative industrialization pathways. These areas are interconnected and do not represent impact areas of their own, but rather areas of knowledge to address large-scale transformations Member States face for future-proof industrial development.

50. The integrated nature of ISID and UNIDO’s approach to supporting Member States implies that these areas are not only mutually supportive, but also inseparable. There is no viable structural transformation today that does not imply a climate neutral and digitized industry. There is no climate neutral economic development possible without circular approaches, innovation or sectoral applications of low-carbon pathways.

51. UNIDO’s areas of expertise are intrinsically embedded in the organization’s theory of change. UNIDO’s results, e.g. technology adoption, policy development, changes in business practices, are informed by these theme-specific focus areas.

52. Based on the UNIDO theory of change, the Organization offers integrated solutions based on its multifaceted knowledge and expertise, tailored to countries’ development priorities and in contribution to ISID and the SDGs.

Structural transformation and sectoral expertise

53. Structural transformation is recognized as a central pathway for economic development and poverty eradication, driving growth in productivity, exports, employment and income, particularly in countries that are at a relatively lower income level.³ Industrial modernization is another development priority for many developing and emerging economies to increase capacities of local industries and SMEs to generate higher value addition and compete in global value chains. Today, industrialization trends show greater complexity than in the past. On one hand, advanced production technologies open alternative industrialization strategies with the opportunity to leapfrog ahead, but also pose risks of “premature deindustrialization”. On the other hand, the 2030 Agenda emphasizes how development pathways that make social inclusion and environmental preservation essential priorities are vital to achieve lasting prosperity.

54. UNIDO’s knowledge assets span all dimension of industrialization. In-depth sectoral insight is grounded in the Organization’s hands-on support to industrial firms of all sizes and across different sectors: from agro-industrial to textile, from automotive to creative, from heavy industry to construction material. These insights apply to both advanced industrial contexts and rural, urban and peri-urban settings. Combining these insights with industrial policy analysis and statistical trends at the global, regional and country level, UNIDO and its Member States are equipped with powerful guidance to shape effective strategies for ISID.

³ www.unido.org/sites/default/files/files/2018-06/EBOOK_Structural_Change.pdf.

55. In particular, enhancing sustainable agricultural value chains and food systems are a central priority for industrialization in many developing countries. These sectors are considered important opportunities for the eradication of poverty and hunger, as well as for mitigating and adapting to climate change. Working with UNIDO, developing countries upgrade their agro-industries and value chains and enhance competitiveness of micro-, small and medium-sized agribusinesses. This is done by adding value to agricultural produce and residue, ensuring quality and safety, applying innovation and digitalization, integrating smallholder farmers to global value chains, strengthening linkages between agriculture, industry, and markets, strengthening agro-industrial park infrastructure, and developing strategies at the nexus between agriculture, water, and energy.

56. An important focus area for UNIDO is increasing job opportunities for rural communities and ensuring inclusion of all groups, including women and youth, and reducing vulnerability, specifically in post-crisis settings and in fragile contexts. In addition, the Organization is uniquely positioned to help countries to ensure that the skills possessed by their industrial workforce match the rapid evolving demand from industrial sectors, including for green and digital competences.

Digital transformation and innovation

57. The Fourth Industrial Revolution (4IR) is transforming the industrial landscape and global value chains at an unprecedented pace. This transformation is driven by rapid advances in digital technologies – artificial intelligence, machine learning, robotics, additive manufacturing, the Internet of things, distributed ledger technology or blockchain, and quantum computers – and their integration with biotechnology, nanotechnology and cognitive, social and humanitarian sciences. The COVID-19 pandemic has further boosted the deployment of these new technologies and processes, as industries worldwide leveraged digital technologies to mitigate disruptions and respond to the crisis.

58. Technological change and innovation are crucial for successful industrialization. The UNIDO Industrial Development Report 2020 emphasizes how new, advanced technologies drive ISID – not only by increasing the efficiency and productivity of industrial processes, but also by giving rise to new industries, and associated opportunities for the creation of new jobs in more skilled and knowledge-based industrial sectors. However, building industrial and digital capabilities is crucial for many developing countries to successfully engage with advanced technologies and minimize the risks of lagging behind.

59. With the support of UNIDO, Member States can boost innovation ecosystems, and drive a digital, gender-responsive and sustainable transformation of industries. This includes mainstreaming digital infrastructure, digital education and skills, innovation, and digital cooperation and partnerships. Member countries at all income levels are able to leverage advanced technologies and applications in support of industrial modernization and MSMEs, smart production, technology promotion, innovative financing such as impact investment and quality infrastructure, but also food systems, agro-value chains and the bioeconomy, while fostering the development of entrepreneurship and industrial skills. In doing so, they are empowered to harness the 4IR for economic development, advance bio-based industries to ensure sustainability and improve livelihoods through the application of new technologies.

60. Digital transformation is pervasive. It unlocks powerful new linkages between sectors and generates solutions to countries' multi-faceted development challenges. UNIDO brings together cross-sectoral expertise, to accelerate innovative and digital solutions not only in smart manufacturing and agro-food sectors, but also smart energy, and circular economy, through applications such as e-mobility, renewable smart grids, urban-industrial synergies, enhanced management of material flows and waste, among many others.

61. The majority of academic studies on the impact of 4IR estimate that gender inequalities will be perpetuated, if not reinforced by this trend. The UNIDO Industrial Development Report 2020 highlights that in developing countries, the risk of automation is, on average, three per cent higher for female workers in manufacturing than for men. Moreover, women are significantly underrepresented in medium and high-skill occupations which are expected to benefit most from new jobs created by 4IR. This is especially true for the fields of science, technology, engineering and mathematics (STEM) which are not only the sectors with the highest on-average wages but also very male-dominated, especially at the management level. Industrial policies must hence consider the needs of both women and men and reflect the advancement of gender equality in their objectives.

Climate-neutral industry and circular economy

62. As climate change and environmental degradation escalate, their adverse economic and social impacts are adding further pressure onto countries' development efforts and risk exacerbating inequalities. Climate change adaptation costs, for instance, are expected to more than double in developing countries by 2030.⁴ In 2021, the United Nations Secretary-General called for global action towards carbon-neutrality and to "build back better" from the pandemic. This will only be possible through an unprecedented transformation of productive systems and new development pathways that are sustainable and inclusive, from which countries will have much to gain.

63. Industry has a major role to play. Industrial processes and products are responsible for one-third of global emissions, environmental and air pollution, as well as the unsustainable extraction and use of raw materials. Industrial systems are also coping with vulnerabilities due to increasing stress on natural resources such as water, as well as climate-induced natural disasters. Consequently, and most importantly, industry has the opportunity to become a central provider of climate and environmental solutions. Industrial sectors are a powerhouse of innovative technologies, practices and business models, which countries can leverage to boost competitiveness, while ensuring healthy and productive ecosystems and a just transition of the workforce.

64. UNIDO supports Member States to unlock future-proof opportunities for resilient, carbon-neutral and circular growth, through expertise in matters that are central for sustainable industrialization. These include:

- Energy transition: renewable energy and energy efficiency to decarbonize industrial activities across sectors and sizes, access to clean energy to power low-carbon and resilient industrial development, but also catalysing entrepreneurship and new industries for low-carbon energy services and technologies.
- Circular economy approaches along global and domestic value chains, including new business models such as green design, extending product lifetime, remanufacturing and secondary markets for regeneration, recycling and waste-to-energy products and services.
- Technologies to decarbonize industry, targeting both hard-to-abate and other sectors and all industrial sizes, such as electrification, hydrogen, biomass, demand-side measures, digital technologies, and energy-as-a-service models, among others.
- Reducing other emissions, such as ozone-depleting substances.
- Ecosystem-based adaptation for industry and supply chains, through environmental and water stewardship solutions or nature-based

⁴ United Nations Environment Programme. *Adaptation Gap Report 2020* (Nairobi, 2021).

infrastructure, and catalysing the role of the private sector in climate adaptation.

65. Working with UNIDO, developing countries explore how to best tap into 4IR technologies to accelerate the deployment of renewable energy, optimize resources use, implement circular models and reduce industrial emissions. Importantly, UNIDO's experience provides countries with a systematic approach to climate-related issues in industry, to ensure that all industrialization approaches are climate-positive and to harness the potential of productive activities, including agro-value chains and SMEs, in providing climate adaptation solutions.

2. Mainstreamed and integrated approaches for transformative change

66. Economic transformation through industrial development can only achieve shared, lasting prosperity if it ensures that all regions, countries and groups in society, can fully participate in, contribute to, and benefit from it. UNIDO's approaches not only integrate areas of expertise, but also mainstream specific focuses and targeted actions to ensure that no one is left behind. In this way, the transformation towards by ISID not only empowers all people and countries to realize their full potential, but also is made most effective through the co-creation of solutions. This is ever more relevant as countries recover from the COVID-19 pandemic and can "build back better", with the opportunity to transform their economies to be more inclusive, to minimize climate impacts and boost resilience, and to take full advantage of digital transformation and innovation.

Gender, Youth and Leave No One Behind

67. UNIDO's perspective on the United Nations-wide mandate to ensure that no one is left behind is based on the realization that the development process, if unmanaged, is anything but even and inclusive. Policy, regulatory and targeted actions are required to ensure that industrialization processes are not concentrated in few locations, does not benefit only few people and does not exacerbate existing income disparities. UNIDO's role is to be vigilant and proactive to make sure that ISID is an inclusive process, so that marginalized and vulnerable groups in society not only have equal access (in terms of skills, capital and knowledge) to the processes of economic transformation, but also that they see themselves as key players in this process.

68. It is UNIDO's vision that women and men equally lead, participate in, and benefit from inclusive and sustainable industrial development. UNIDO fully recognizes that GEEW lies at the heart of its mandate. The Organization aims to address gender inequalities in industry and to harness women's full potential as leaders and economic agents of change, thereby transforming economies and generating inclusive growth.

69. Through gender-targeted actions and gender mainstreaming, UNIDO is committed to challenge the discrimination faced by women and girls, whatever their background and identity. UNIDO's programmatic offer facilitates the transformation of social norms and power relations in industry, by increasing the access of women to productive resources; creating enabling conditions for women's entrepreneurship and job creation, education, vocational training and women's leadership; promoting women's agency in climate change adaptation and mitigation; and building the knowledge and capacity for gender-responsive industrial development. In this context, with the UNIDO Strategy for Gender Equality and Empowerment of Women 2020–2023, the Organization commits to ensure that by 2023, 45 per cent of new projects and programmes significantly contribute to gender equality and the empowerment of women.

70. As countries are revitalizing their industry and economies, the Organization will support opportunities to prioritize policies for building back better and greener that also narrow gender inequalities, including by ensuring a gender-inclusive digital transformation and 4IR. This requires both integrated upskilling initiatives, especially

in the sectors that are most vulnerable to the changes brought about by 4IR technologies, as well as challenging cultural and social gender norms and stereotypes to support representation of women entrepreneurs, professionals and managers. At the same time, UNIDO is committed to reflecting women's and men's needs, experiences and aspirations throughout its climate change and circular economy portfolio, including by prioritizing gender-responsive climate mitigation and adaptation efforts.

71. Similarly, young people face specific vulnerabilities as they often lack the knowledge, skills and the capital to fully participate in economic activities. UNIDO supports youth empowerment across thematic areas, mainstreaming the inclusion of youth across its portfolio. At the micro level, UNIDO ensures that young people have access to the required skills, that they are not discriminated as workers, and that they have the means and motivations to start their own business; at the meso level the Organization ensures, for example, that vocational schools and training centres offer relevant and certified skills and that banks are capable of assessing investment proposals submitted by young people; and at the macro level UNIDO promotes the adoption of youth-responsive policies such as national vocational curricula or entrepreneurship policies.

72. Empowering young people also implies engaging them as partners and stakeholders. UNIDO intends to further strengthen its engagement with youth platforms at the national and global level, to reinforce the consensus both that young people are a driving force behind economic transformation and that they have the highest stakes in inclusive and sustainable industrial development.

73. In addition, UNIDO's ISID approach is based on human rights-principles, not least with focus on post-crisis and post-conflict economic recovery, with the empowerment of communities in countries and regions emerging from crisis situations through productive rehabilitation, reconstruction and sustainable livelihoods.

74. At the same time, among the Member States that UNIDO serves, three groups feature among the most vulnerable countries by the United Nations: LDCs, LLDCs and SIDS. Efforts to meet the needs and aspirations of these groups are an integral part of the 2030 Agenda, and tailored pathways to ISID generate powerful solutions to their specific development priorities. UNIDO's assistance to LDCs, LLDCs and SIDS strategically prioritizes efforts to ensure a more focused approach to these Member States' specific needs, in coordination with development partners within and outside the United Nations development system.

Special Initiative on COVID-19 Recovery

75. The 2022–2025 period marks the aftermath of the major socioeconomic crisis caused by the COVID-19 pandemic. UNIDO's analysis shows a prolonged and widespread drop in production output in most economies, across income groups. The manufacturing sector, with some exceptions,⁵ was hit hard by the pandemic, both on the demand and on the supply side. On the other hand, the crisis also accelerated trends, such as an ongoing shift towards the digitalization of production, or the regionalization of value chains, which could play an important role in fostering resilience. The pandemic has shown with fully clarity that basic manufacturing capabilities are crucial for responding quickly to global emergencies and ensuring national security. For that, the role of new industrial policies cannot be overemphasized.

76. UNIDO's mandate fully matches its Member States' need to address the challenges and the opportunities outlined above to respond to and recover from the crisis. Given the crucial role played by ISID in "building back better", the MTPF 2022–2025 includes a Special Initiative on COVID-19 Recovery. Despite the

⁵ For example, production of medical devices and digital services witnessed a boom during the pandemic.

unpredictable evolution of the pandemic, the 2022–2025 quadrennium will be marked by the efforts by economies to recover from the COVID-19 pandemic and its aftershocks.

77. The Special Initiative under the MTPF 2022–2025 will focus on socioeconomic recovery, building on the current work supporting the response to the pandemic, and operationalizing the Organization’s COVID-19 response and recovery framework.⁶

78. This UNIDO-wide Special Initiative supports its Member States in recovering from the pandemic, which is both focused and mainstreamed in this MTPF. Dedicated interventions on COVID-19 recovery will be implemented and reported on against this Special Initiative. Most, if not all, of UNIDO’s work will contribute to the recovery, which warrants a mainstreamed approach. UNIDO will produce periodic dedicated reports on activities and results under this Special Initiative through the Organization’s reporting channels.

3. Contributing to ISID and the SDGs: the UNIDO results chain

79. The UNIDO results chain shows the causal link between UNIDO’s actions and the results it delivers at the country, regional and global level. Figure 1 shows the Organization’s performance story and contribution through the results chain to ISID and SDG impact.

80. The lower in the results chain, the more in control and accountable UNIDO is of its performance, within assigned resources. The higher segment of the results chain shows the Organization’s results in its sphere of influence (outcomes leading to impact) for which accountability is shared between UNIDO and relevant stakeholders.

(a) Corporate services and operations

81. At the bottom, the figure describes the financial inputs and the human resources at the disposal of UNIDO, as well as their efficient and effective management for the functioning of the Organization. This essential prerequisite for all of UNIDO’s results corresponds to Result 5 in the Programme and Budgets, 2022–2023. It includes corporate services such as human resource management, financial services, procurement, information technology and communication, and similar areas.

82. As the Organization strives for continuous improvement of its efficiency and effectiveness, it will scale up its efforts to innovate internal management, align with, and contribute to, best practices to support ISID, drive a culture of quality and results, and strengthen accountability and governance to remain a transformative and a dependable partner to its Member States. In 2022–2025, UNIDO will consolidate the achievements and continue with this reforming trend.

(b) Management for integration and scale-up of results

83. “Management for integration and scale-up of results” describes the management of UNIDO programmes, services, outputs, activities and products with the objective of improving their integration and synergy, and so scaling up their development results. Optimizing the transformational nature of UNIDO results is the ultimate objective of the Organization’s management.

84. This element of the organizational theory of change includes both outputs, such as capacity-building activities or statistical publications, and portfolio management measures, such as the quality of projects and programmes submitted or the percentage of these with significant attention to gender. It also includes the summary of lessons learned from evaluations, according to evaluation criteria. It corresponds to Result 4 in the Programme and Budgets, 2022–2023 ([IDB.49/5-PBC.37/5](#)).

⁶ United Nations Industrial Development Organization. *Responding to the crisis, Building a better future* (Vienna, 2020).

85. “Management for integration and scale-up of results” is the crucial connection between the programmable resources at the disposal of a well-functioning organization and the outcomes of its work to support its Member States. UNIDO is fully accountable for these achievements, as determined by the underlying funding agreements.

86. The ability of the Organization to manage resources in a less project-based and more programmatic manner is determined by the nature of its funding structure. UNIDO has been, and will continue to be, engaged in continuous dialogue with its Member States and funding partners to expand the use of programme-level funding, which lends itself better to facilitating results at scale.

Outputs and functions

87. UNIDO’s outputs are immediate results of the Organization’s work, reflecting its sphere of control. They combine the constitutional functions⁷ of technical cooperation, policy analysis and advice, norms and standards, and convening and partnerships. The MTPF 2018–2021 clarified these functions.

88. Based on the above, in 2022–2025, the Organization will prioritize integrated and programmatic approaches, which leverage sectoral interventions in combination with upstream policy and normative support, mobilizing multi-stakeholders partnerships to scale up results.

89. **Technical cooperation** is the primary function of UNIDO programme delivery and one of the core strengths of the Organization, leveraging its strong technical expertise in support of capacity-building approaches. UNIDO will focus more and more on embedding technical cooperation interventions, including pilot demonstrations, into broader programmatic frameworks. The Organization will also continue to tailor its interventions to the diversified needs of its Member States, in application of the Organization’s strategies on LDCs, MICs, SIDS, etc. Typical outputs of this function are, inter alia, training, toolkits and the procurement of assets, such as technology or software.

90. **Policy analysis and advice** remains a fundamental role performed by UNIDO in supporting its Member States and a crucial success factor for scaling up development impact. Country diagnostics and policy advice services are therefore fundamental aspects of UNIDO’s assistance and intertwine with technical cooperation interventions. In addition, public-good knowledge generation and dissemination for ISID policy development are in growing demand, not least in the wake of the socioeconomic crisis unleashed by the COVID-19 pandemic. This function is underpinned by UNIDO’s unique sectoral expertise and comprehensive industrial statistics. Typical outputs are, inter alia, the drafting of industrial policies and strategies and the production of data and statistical publications.

91. **Norms and standards** are crucial to the work of UNIDO. as detailed in the Programme and Budgets, 2022–2023, the next years will see the significant participation of UNIDO in standard-setting processes, as well as in the support of the correct implementation of norms and standards. The combination of this and the policy advisory function inform UNIDO’s renewed emphasis on its normative role.

⁷ The IRPF categorizes outputs under each function as separated items for the sake of clarity and simplicity.

Towards a stronger normative role

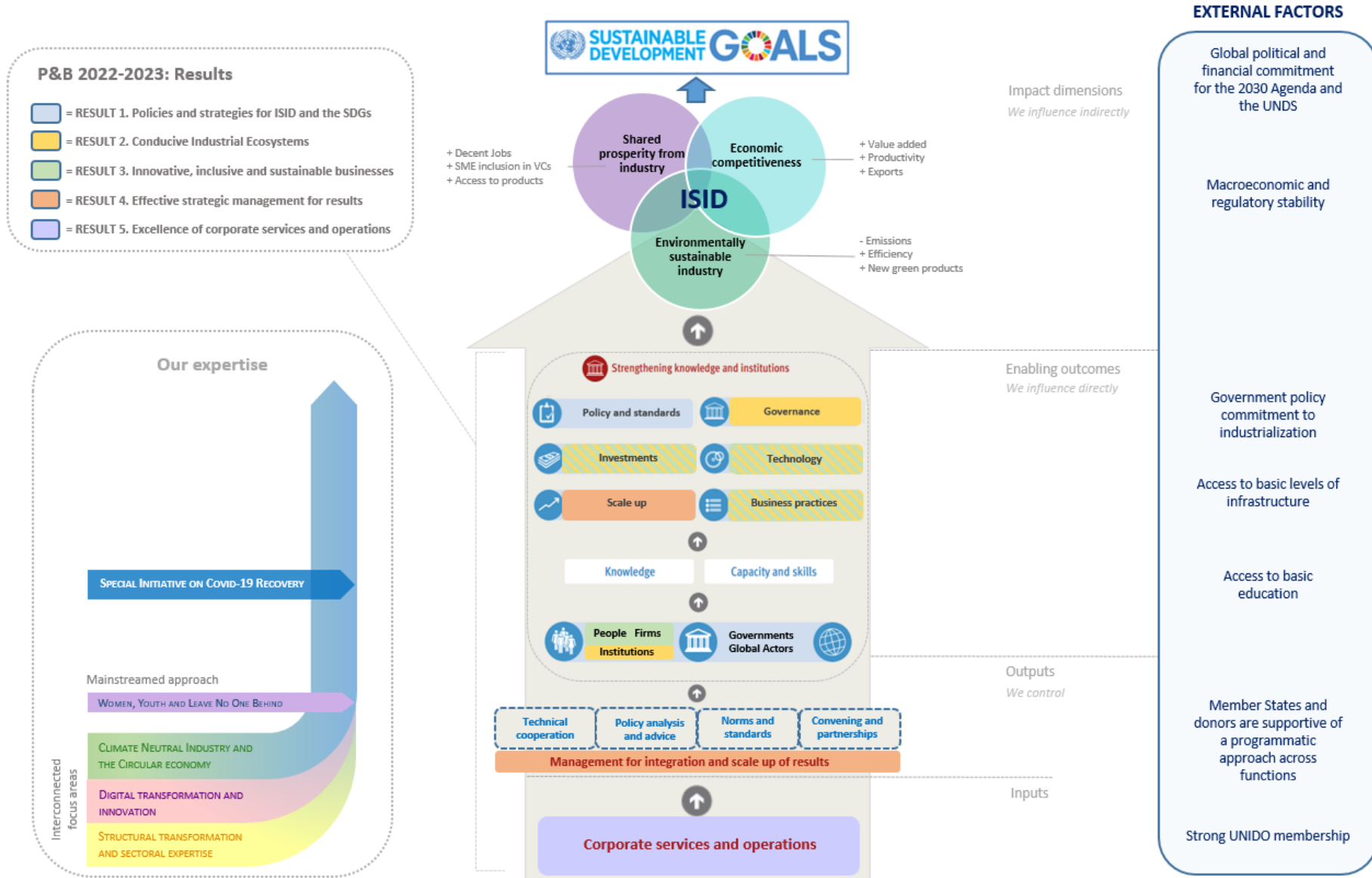
In 2022–2025, UNIDO will prioritize, as appropriate and feasible, the further enhancement of its normative role. This is in compliance, inter alia, with the Lima Declaration. While recognizing technical cooperation as “a primary operative function of UNIDO”, the Declaration clarifies that normative functions can have a “catalytic effect on several aspects of scaling up ISID at the global, regional and country level”. Without detriment to the performance of other functions, a renewed emphasis on the normative role will ensure the alignment of programmes towards greater results at scale. It will also ensure a closer adherence to United Nations system-wide trends and guidelines in the implementation of the Decade of Action at the country level.

The normative role is defined in this document as the combination of thought leadership, policy advice, and norms- and standard-setting activities. Normative functions listed in Article 2 of the UNIDO Constitution include regulatory and advisory services and assistance in the development of strategies and thought-leadership products supporting a balanced and harmonious industrial development. The Constitution also identifies UNIDO as the central entity initiating, coordinating and following up on the activities in the field of industrial development.

Normative work produces both global public goods and in-country direct assistance. While both are important, earmarking of resources may affect the extent to which the Organization is able to deliver on the former, and hence its ability to influence the global development debate and agenda.

92. **Convening and partnerships** fundamentally informs the role of a small organization with a big mandate such as UNIDO. The Organization’s ability to trigger results at scale critically hinges on partnership-reliant programme planning and implementation. Following its long-standing mandate, and in response to the Abu Dhabi Declaration, UNIDO will tighten its partnership arrangements with various stakeholders, including prominently the private sector, to catalyse systemic transformation towards ISID. Typical outputs of this function are the organization of global fora and other events, networks and platforms convened by UNIDO, as well as joint interventions in partnerships with United Nations and public and private non-United Nations entities.

Figure 1
MTPF 2022–2025 Organizational theory of change



Partnerships for development

Transformative, impact-oriented partnerships are vital to drive inclusive and sustainable industrialization at the scale and pace needed to realize the 2030 Agenda. Convening multisectoral partners for industrial cooperation, investments, knowledge exchange, and transformative leadership will remain a central element of UNIDO's value proposition. Reinforced by Member States' guidance in the Abu Dhabi Declaration, UNIDO will continue promoting stronger partnerships among governments, the private sector, civil society, the international community, the United Nations and all stakeholders, to catalyse action and scale up impact towards ISID and the SDGs.

Drawing on its long-standing experience and thought leadership, UNIDO is uniquely positioned to partner with the private sector as a key agent of change for inclusive and sustainable industrial development. At the same time, the Organization will harness on the ongoing United Nations development system reform to strengthen partnerships within the United Nations system at the global, regional and country level. South-South and triangular cooperation and regional approaches remain a key partnership modality to support the promotion of ISID within the global South. At the country level, the Programmes for Country Partnership is UNIDO's value-added programmatic approach to mobilize action and investment flows at scale, in full synergy with countries' industrial development priorities and strategies.

(c) Strengthening knowledge and institutions

93. "Strengthening knowledge and institutions" identifies the outcome area of the UNIDO theory of change. It includes those results that are not under UNIDO's control, but are directly influenced by the Organization's interventions. These results are at the centre of the UNIDO contribution story to ISID and the SDGs, and therefore represent the main evidence of the Organization's value addition.

94. "Strengthening knowledge and institutions" correspond to Results 1, 2 and 3 of the Programme and Budgets, 2022–2023, based on the broad categorization of outcomes related to micro-, meso- and macro-level actors.

Actors reached and engaged

95. UNIDO will continue to work closely with the entire spectrum of stakeholders that are relevant to industrialization to derive future-proof knowledge and skills, and be empowered to transform key behaviours to achieve ISID. According to UNIDO's theory of change, the Organization drives behavioural change at three levels:

(a) At the *micro level*, firms are enabled to boost their innovative capacity, adopt circular models and best-available, low-carbon and digital technologies, and apply and develop best practices to achieve ISID. Individuals who aspire to enter the industrial workforce or establish businesses, including women, youth and disadvantaged groups, are empowered by building their industrial, green and digital skills, and leadership capacities. Consumers are encouraged and incentivized to shift their preferences towards safer and more sustainable products. The outcomes related to these actors correspond to Result 3 of the Programme and Budgets, 2022–2023.

(b) At the *meso level*, stakeholders and institutions are encouraged to work in partnership, establish networks and diffuse knowledge. UNIDO contributes to the development of dynamic industrial ecosystems that accelerate, inter alia, innovation and clean energy solutions; ensure industrial safety and quality standards; facilitate business linkages and access to global value chains; and mobilize public and private investments towards ISID. The outcomes related to these actors correspond to Result 2 of the Programme and Budgets, 2022–2023 (IDB.49/5-PBC.37/5).

(c) At the *macro level*, national, regional and international policymakers prioritize ISID in sustainable development agendas, and introduce transformative industrial strategies. Countries align normative frameworks with international best practices, strengthen industrial data and evidence-based, inclusive policymaking. The outcomes related to these actors correspond to Result 1 of the Programme and Budgets, 2022–2023 (IDB.49/5-PBC.37/5).

96. There is a direct connection between the actors engaged by UNIDO, the knowledge and capacities influenced by the Organization’s interventions and the change in their key behaviours. The direct engagement of key actors and stakeholders, combined with knowledge and capacity-building approaches, represents the modus operandi of the Organization to trigger behavioural and transformational change. That is why UNIDO has adopted an actor-based, behavioural change model to describe its contribution to ISID and the SDGs.

97. UNIDO maintains close contact with its supported actors. This allows the Organization to track their reactions, satisfaction with the services provided, but also buy-in and ownership, which are critical success factors for long-term transformations.

Knowledge, capacity and skills

98. As a knowledge organization, UNIDO shares technical and policy knowledge with and among the actors engaged. UNIDO produces and shares as a public good original knowledge on industrial development, including through research and data, and the sharing of best practices. With the sustainability of results as a critical success factor, UNIDO seeks to build the capacity and skill set of supported actors in industrial systems.

Behavioural change areas

99. UNIDO’s ISID impact is best explained by the Organization’s ability to trigger changes in key behaviours related to industrial development. The organizational theory of change identifies five key behavioural change areas, plus a cross-cutting area tracking “scale-up”. These key behaviours are:

(a) Changes in business practices: including the adoption of new management systems, protocols or approaches at the firm level; the development of new products; and new start-ups.

(b) Technology: including development and/or adoption of technologies by firms, institutions and other relevant actors.

(c) Policies and standards: the behavioural change of policymakers in developing and/or adopting new or revised policies. It also includes the development and/or adoption of standards and guidelines by relevant actors.

(d) Investments: including the facilitation of investments both in terms of proposals made by, e.g., firms and of signed investment deals.

(e) Governance: institutional strengthening and the increased number of actors participating in enhanced collaboration settings, such as clusters and networks.

100. In addition, UNIDO’s theory of change highlights “scale-up” as a key outcome area⁸ to understand the Organization’s contribution to ISID and the SDGs. Scale-up happens when a population broader than the directly assisted actors changes the behaviours at hand, typically through replication and mainstreaming, which demonstrates the transformational nature of the results triggered. “Scale-up” is a

⁸ While the IRPF metric for this result tracks a portfolio performance indicator rather than behavioural change per se, scale-up refers to the replication and/or mainstreaming of the above-mentioned behaviours.

crucial result for UNIDO, the ultimate management goal underlying the MTPFs 2018–2021 and 2022–2025.

(d) ISID impact

101. The top area of Figure 1 illustrates the impact level of UNIDO’s results chain – ISID. At this level, the contribution of UNIDO to transformational change can be identified as indirect influence.

102. ISID impact statements have been structured along the three dimensions of sustainable development. These dimensions reflect the indivisible, yet distinct facets of ISID. The MTPF 2022–2025 adopts the IRPF specification of these impact dimensions into three further sub-areas:

(a) **Economic competitiveness:** the economic impact dimension of ISID describes the higher levels of income created by industrial activities, be it through increased productivity and savings in production processes, or the income and dividends generated by working in the industrial sectors. This is supported by competitiveness components, such as productivity and exports:

- (i) Increased value added;
- (ii) Increased productivity; and
- (iii) Increased exports.

(b) **Shared prosperity from industry:** the social impact dimension describes the inclusiveness of ISID. The most direct channel through which ISID achieves social inclusion is via job creation and retention. Decent jobs in and around manufacturing are disaggregated by sex and wherever possible further broken down to track the inclusion of women, youth and vulnerable groups. Furthermore, the engagement of SMEs in the economy typically ensures a better distribution of income. The improved access to manufactured goods and productive assets, a crucial demand-side aspect of social inclusion, is also included in this impact dimension:

- (i) Decent jobs;
- (ii) SME inclusion in value chains; and
- (iii) Increased access to products.

(c) **Environmentally sustainable industry:** the environmental dimension of ISID describes the impact of UNIDO interventions in terms of reducing emissions of carbon dioxide and other pollutants, increasing energy and resource efficiency, and supporting the production of green goods and related services.

- (i) Reduced emissions;
- (ii) Increased efficiency; and
- (iii) Green goods and services.

(e) Contribution and interlinkages between ISID and SDGs

103. Through ISID, UNIDO contributes to the achievement of a wide number of SDGs. This contribution has also been recognized by its Member States.⁹ This is consistent with the evidence that inclusive and sustainable industrialization is a major driver of sustainable development, as ISID creates a number of results with wide-ranging impact, such as value addition, job creation or reduced emissions from industrial activities.¹⁰ The MTPF 2022–2025 confirms this approach and summarizes in the annex the analysis conducted on this topic to support these arguments.

⁹ See, e.g. IDB.44/Dec.8.

¹⁰ See, e.g. United Nations Industrial Development Organization. *Industrialization as the driver of sustained prosperity* (Vienna 2020).

(f) External Factors

104. As described above, the higher in the results chain, the greater the influence of risks and external factors. UNIDO's MTPF 2022–2025 take into account the variety of factors and agents which influence, and sometimes hinder, the achievement of ISID. The attainment of planned outcomes and impact not only depends on UNIDO's interventions, but also on the external environment. Conversely, UNIDO's ability to manage the risks associated with these external factors is greater as we move from impact levels down the results chain. For high level areas, UNIDO can only avail itself of contingency plans, as it did when the COVID-19 pandemic erupted in early 2020. For risks associated to intermediate results, the Organization is in the position to adopt mitigating actions through its enterprise risk management (ERM) policy. For the lower category of results and risks UNIDO can adopt pro-active, pre-emptive measures, which, together with good communication with stakeholders, allow for a reliable management of risks. In 2022–2025, UNIDO will advance the operationalization of its revamped ERM policy.

105. The complex development system informing and surrounding the traditional scope of the manufacturing sector is in continuous evolution. There is a wide range of horizontal factors, assumptions and preconditions, which affect the scope of UNIDO interventions, and the attainment of ISID at the country level. Country-, sector- or even product-level specificities are further dimensions of complexity.

106. Most recently, the COVID-19 pandemic has shed light on the vulnerabilities of industrial systems and global supply chains to external shocks, and the socioeconomic impacts associated to these vulnerabilities. The global industrial development landscape emerged altered from the pandemic, with increased uncertainty of future economic effects but also a clear understanding of the importance of ensuring resilience of industrial development efforts.

107. Planning and implementing development interventions requires therefore the thorough and shared understanding of the relevant external factors by all stakeholders. The effectiveness of UNIDO's work and the transformational nature of its results crucially depend on this. Below is a selection of the main risks and external factors affecting UNIDO's results in its organizational theory of change.

108. Global political and financial commitment to the 2030 Agenda and the United Nations development system. This group of external factors corresponds to IRPF's "Global Development Results" and describes the assumption that the international community and the multilateral system are supportive of the pursuit of development as a global public good. This assumption drives the reform of the United Nations development system too. Without the political and financial commitment of the international community to the multilateral system in general, and the recognition of ISID as an essential building block of 2030 Agenda in particular, UNIDO will not be in the position to play its role as a catalyst for SDGs through ISID.

109. Macroeconomic and regulatory stability. These factors correspond to ISID impact. Its achievement at the country level can be undermined by an unstable and unpredictable macroeconomic and regulatory environment. Conversely, positive macroeconomic and regulatory conditions facilitate progress towards a higher level of industrial development, by enabling a critical mass of economic activity and the availability of domestic or foreign capital.

110. Government policy and resource commitment to industrialization. UNIDO bases its programmatic work on the demand of Member States. National ownership and governments' commitment in terms of adequate policies and resource provision for the implementation of these policies are critical preconditions for the success of ISID interventions. These principles also lie at the core of the 2030 Agenda as a whole. UNIDO's ability to influence such government commitment is often limited by the scope of its interventions; adequate policy support and resource commitment is therefore often treated as an assumption in specific projects.

111. **Access to basic levels of infrastructure.** The establishment and functioning of industrial facilities require a certain level of hard and soft infrastructure such as access to energy services, transportation to and from markets, water and sanitation and digital connectivity. These areas, however, lie for the most part outside of UNIDO's mandate and results chain. UNIDO partners with other institutions, including international financial institutions and national governments, to facilitate an adequate level of enabling infrastructure in support of ISID. Prime examples of this are the work on industrial parks within several PCPs, and the Bridge for Cities initiative.

112. **Access to basic levels of education.** Education affects ISID performance across sectors. Several UNIDO interventions address skills development, from curriculum development at school to vocational training and entrepreneurship development programmes. However, existing levels of education at the country level are often decisive external success factors to UNIDO's interventions. This is not only relevant for primary education, but, depending on the industrialization level, also notably for STEM curricula.

113. **Member States and donors are supportive of a programmatic approach across functions.** This external factor relates to the IRPF level "Management for integration and scale-up of results". A fragmented, project-based approach is likely to fall short of UNIDO's goals of fully supporting countries in achieving ISID at scale. The continuous political and financial support of Member States to the reform process of the Organization and its move towards a more integrated, programmatic approach is a critical precondition for the success of UNIDO's support to ISID.

114. **Strong UNIDO membership** is a precondition to the efficiency and effectiveness of corporate services and operations. An anaemic membership situation erodes the political weight and the financial base that support UNIDO's programmatic effectiveness and policy relevance in the international development agenda. Conversely, a reinvigorated leadership and support of Member States may accelerate the introduction of successful impact-oriented initiatives and programmes.

C. Management framework

115. Effective and efficient management for results at all levels underpins UNIDO's programmatic framework. It enables integrated, impact- and quality-driven programme management that, in turn, is crucial to drive development results at scale. It also enables optimal internal operations, a precondition for the Organization's health and the successful delivery of contributions to ISID and the SDGs.

116. The previous MTPF cycle generated important momentum in UNIDO towards strengthening of results orientation and leading a culture of quality, risk management, accountability, ethics and transparency. This MTPF cycle sees the Organization equipped with upgraded systems for governance, results-based and risk management, among others, and ready to take its commitment forward. By consolidating progress and deepening its efforts, UNIDO will further enhance its effectiveness and efficiency, and reinforce its position as a trusted partner to Member States in their transformative path to inclusive and sustainable industrial development.

117. UNIDO recognizes innovation as a strong approach to optimize operations and the use of resources and to strengthen its knowledge and capacity to effectively meet Member States and partners' expectations, empowered by a diverse, competent, committed and ethical workforce. The Organization will also continue to align its management and operational mechanisms to those of the United Nations system, and fully participate in system-wide coordination mechanisms and the United Nations development system reform. Multi-stakeholder partnerships, too, remain a priority approach for successfully advancing inclusive and sustainable industrial development at the country, regional and global levels, and to help align efforts of Member States and the international community to deliver on the Decade of Action.

1. Results-based management

118. Building on the significant progress made in recent years, the Organization remains committed to strengthen its RBM systems, to enhance effectiveness and accountability and ultimately maximize impact. The substantial developments driven by the MTPF 2018–2021 are a testament to this commitment. The Organization now utilizes an Integrated Results and Performance Framework (AI/2020/02) which complements the organizational Theory of Change with specific results and indicators. Together with the new UNIDO Quality Assurance Framework (DGB/2019/11), it is fully operational, underpinned by a growing set of tools, templates and capacity-building material.

119. With this MTPF cycle, the Organization completes the alignment and integration of all strategic planning documents. Responding to the request of Member States in GC.18/Dec.14, the UNIDO has adopted a results-based programme and budget structure for the biennium 2022–2023. The results-based programme and budgets links assessed and voluntary resources to measurable results toward ISID and the SDGs. Progress towards the achievements of these results is tracked through relevant IRPF indicators, against associated targets. Formal workplans aligned with the MTPF and IRPF will allow implementation of the programme and budgets with full accountability, transparency and result-orientation. At the same time, the UNIDO Annual Report utilizes the IRPF to provide a comprehensive set of evidence of UNIDO’s performance and contribution towards ISID and the SDGs. Organizational reporting relies, among other tools, on an updated IT system that aligns monitoring of programme and projects to the IRPF, thereby demonstrating the scalability and relevance of the results framework.

120. Mainstreaming of robust RBM practices is ensured in other initiatives that seek to strengthen effectiveness of UNIDO’s management and operations. This is the case in the updated accountability system and risk management policy described further below. This MTPF cycle will be crucial to consolidate the progress made, upscale RBM initiatives and complete the mainstreaming of RBM systems into all operations, services, products and interventions of UNIDO.

2. Governance, accountability and risk management

121. Accountability is a foundation of any organization. It is a prerequisite for delivering high-quality results, ensuring managerial and operational effectiveness and upholding high integrity standards. UNIDO has made important progress in strengthening its governance framework for accountability. The Organization is now equipped with a revamped, integrated accountability system that aligns – as per the UNIDO Constitution – programme planning and budgeting, results and performance management, internal control and risk management, oversight, ethical and integrity standards. This accountability system is underpinned by three interconnected frameworks: the UNIDO Accountability Framework, the Internal Control Framework and the ERM policy. These frameworks follow good practices in the United Nations System, and build on UNIDO’s regulations and RBM systems to provide structured governance for effective internal control and risk management.

122. Good organizational governance, accountability, transparency and results-orientation require sound management of risks at all levels. Risk management “allows the Organization to progress while managing the effects of uncertainty on the achievement of its objectives”.¹¹ The new ERM policy of UNIDO mainstreams a systematic approach to risk management in the Organization, fully integrated into the UNIDO result-based management systems and accountability system.

123. Overall, the upgraded UNIDO accountability system lays an important foundation to continue driving a culture of results-orientation and risk management in the Organization. It reinforces transparency and accountability in all roles and at

¹¹ UNIDO Enterprise Risk Management policy (DGB/2021/01).

all levels of responsibilities within UNIDO, and ultimately help ensure that the Organization effectively delivers on its mandate.

3. Human resources management

124. Effective management of human resources is crucial to enable the efficient delivery of corporate services and operations, effective management of the organization and its programmes, and therefore the achievement of UNIDO's development results. UNIDO continues enhancing human resource management, including through institutional strengthening, knowledge management and with a focus on achieving greater geographical and gender balance. Continuous improvements are driven both by innovation and by best practices in the United Nations system, and ultimately enhance efficiency, effectiveness, accountability, diversity, transparency, and impact of the UNIDO workforce, both at headquarters and in the field.

125. Guided by the Strategy for Gender Equality and Empowerment of Women 2020–2023 and the 2018–2023 Gender Parity Action Plan, efforts will be further intensified to improve outreach, recruitment and staff performance management, and to conduct training on an enabling, diverse and inclusive working environment to reach the objective of gender parity among UNIDO personnel.

4. Field operations management

126. UNIDO's field network is a key asset for the Organization to maintain close cooperation with Member States and stakeholders at the regional and country level, to best address their priorities towards ISID and the SDGs. Field Offices and Regional Hubs play a central role in ensuring programmatic coherence and strategic alignment at country and regional levels, and are a crucial success factor of the PCPs, among other initiatives. The field network is also fundamental to ensure collaboration with other United Nations entities, stakeholders and development partners, and to help scale up and replicate successful country-level initiatives. At the same time, the field network is instrumental in strengthening UNIDO's contributions within the United Nations development system reform, ensuring more systematic cooperation with the UNRC offices and UNCTs. This has proven crucial in the coordinated support to national COVID-19 response and recovery plans, which is likely to remain a priority for many Member States moving forward.

127. The promulgation of renewed terms of reference for Field Offices equips the Organization with an effective framework to further strengthen the field network and enhance its integration with headquarters. The Organization will sustain its efforts in this sense by, inter alia, strengthening field-level capacities, sharing knowledge and best practices, and enhancing efficiency and effectiveness of field-level operations. In doing so, UNIDO continues to empower its field network to proactively promote the role of ISID to achieve national sustainable development objectives, including through the provision of industry-related contributions to the United Nations Sustainable Development Cooperation Framework and the related Common Country Assessments.

5. Operational management

128. Efficient and effective management of UNIDO's operation is crucial to enable successful delivery of services and ultimately maximize development results. UNIDO will continue on its path to enhance results-based procurement, including best-practice and SDG-based procurement as well as green procurement initiatives. The procurement services of UNDO rely on a flexible and agile organizational setup, which ensures continuity of and adds value to the Organization's efficient and effective operations worldwide.

129. Information and communication technologies are at the core of business delivery, today more than ever. UNIDO's operations and results are underpinned by

secure and effective ICT services. Further strengthening of ICT infrastructure and digitalization of activities will enhance transparency, cost-effectiveness, accuracy and efficiency in the Organization, support new ways of working together within UNIDO as well as with partners and stakeholders, and support business transformation in priority areas such as full cost recovery and operationalization of RBM systems, among others.

6. Financial management

130. UNIDO continues pursuing value-for-money and the financial integrity of the Organization. Through effective and efficient financial management, including the continuous development, maintenance and operation of financial policies and systems, UNIDO ensures optimal use of available regular and extra-budgetary resources. Further roll-out of full cost recovery principles is envisaged in accordance with GC.18/Dec.14 (c) (ii), United Nations General Assembly resolution [67/226](#) and United Nations system and funding partners' best practices. In so doing, the Organization will continue to minimize the impact on regular budget resources for technical cooperation programmes.

131. At the same time, UNIDO will continue pursuing innovative and diverse funding sources, and implement recent agreements with new multilateral donors with synergistic programmatic priorities. The Organization will also continue the digital transformation of financial management, making use of innovative technologies to enhance efficiency and effectiveness of financial services, both internally and externally. UNIDO will continue to engage in discussions with its funding partners to ensure the most conducive resource allocation and management for its programmes to deliver ISID results at scale.

7. Knowledge management

132. Specialized knowledge and expertise are assets of strategic importance for the Organization, as illustrated in the UNIDO theory of change and its areas of expertise. Integrated, best-available knowledge remains one of the core elements of UNIDO's value proposition, enabled by continuous efforts to enhance and mainstream mechanisms for organizational learning and knowledge management. UNIDO will sustain efforts to maximise synergies in the production and use of technical, scientific and policy expertise. This includes further refining systems to systematically extract lesson learned from its programmatic interventions, global advocacy as well as operations, and encouraging cross-thematic exchanges.

133. Effective communication between headquarters and the field network, as well as with Member States and all stakeholders, remains a priority to maximize UNIDO's contribution to sustainable development policy agendas at the country, regional and global level, championing the prioritization of ISID and maximizing impact. Importantly, as all initiatives in UNIDO absorb the IRPF, information becomes more and more harmonized, comparable and integrated. This is expected to further facilitate the production of insights on inclusive and sustainable industrialization approaches, including key determinants for success, boosting UNIDO's knowledge offer to Member States and the international community.

IV. Integrated Results and Performance Framework

134. Since the introduction of the IRPF in 2016, UNIDO has continuously worked to fine-tune and implement the framework. UNIDO's MTPF 2018–2021 drove a revamping of the IRPF structure, culminating in the adoption of a new set of results areas and indicators, which complete the organizational theory of change (GC.18/CRP.4). Like the theory of change itself, the IRPF links, in an integrated results chain, efficient and effective management of internal operations, to management and delivery of programmatic activities and outputs, to development outcome and impact results. It thereby credibly demonstrates how UNIDO's

performance and results contribute to advancing ISID and the SDGs. The IRPF has been adopted as the organizational model for results-based management at all levels, and is being progressively mainstreamed in all functions, services, products, programmes and projects of UNIDO. The issuance of “Managing for Results: a Guide to UNIDO’s Integrated Results and Performance Framework Approaches and Tools” (AI/2020/02) represents a milestone in this regard.

135. As with any organizational reform of this calibre, the operationalization of the IRPF and underlying frameworks require consistence and patience at all levels. The changes in conversations, attitude, awareness and skills triggered among UNIDO’s staff are promising measures of progress, which will translate to better results and better evidence.

136. The IRPF is relevant to the Organizational *modus operandi* and fully captures the complexity of industrialization pathways. At the outcome level, UNIDO’s IRPF is based on an actor-based, behavioural change logic. This logic reflects UNIDO’s hands-on work with all actors in the industrial development spectrum, to influence their knowledge, awareness, skills, capacities and behaviours that are central to ISID. UNIDO’s IRPF is scalable too. It provides a UNIDO contribution story at the level of individual projects, programmes, as well as countries or regions, up to the entire Organization as demonstrated in the UNIDO Annual Reports. In this way, it harmonizes thinking, language and data across UNIDO.

137. Importantly, the IRPF is not only meant as a monitoring and reporting tool, but also a decision-making framework, to be used in all UNIDO initiatives and functions. It also provides the basis for sharing performance and result evidence, and hence helps enhance organizational learning and accountability.

138. With this MTPF cycle, the application of the IRPF for decision-making is fully realized at the highest level of organizational official strategic planning processes. The IRPF provides the shared structure for the alignment of the MTPF, the results-based Programme and Budgets, 2022–2023 (IDB.49/5-PBC.37/5), organizational work plans and the Annual Report. Further initiatives, such as the Quality Assurance Framework and the revamped accountability and risk management systems, rely on the IRPF to ensure coherence with the Organization’s strategic framework and enhance UNIDO’s governance, effectiveness and transparency. Sex-disaggregated data collection and analysis of challenges faced by women-owned or women-led enterprises, and tracking of gender-responsive normative products will be intensified as part of the ongoing efforts to improve monitoring against the IRPF.

139. The implementation of the IRPF saw major advancements driven by the MTPF 2018–2021, and is now being fully consolidated and mainstreamed. This includes the continuous development of guidance, tools, templates and capacity-building initiatives and fine-tuning of the integration of the IRPF in UNIDO’s ERP system. Importantly, following Member States’ guidance in GC.17/Res.1 to “continuously develop the integrated results and performance framework as a tool to enhance the Organization’s results orientation and monitoring capacity”, UNIDO will continue learning from the implementation to further refine the IRPF, to ensure its relevance in the evolving organizational and industrial development landscape.

V. Budgetary framework

140. The implementation of the MTPF, 2022–2025 will require the availability of sufficient resources, under the regular and the operational budgets, and through voluntary contributions.

141. For the first biennium of the planning period, 2022–2023, the Director General’s budget proposal is built around a net regular budget of €144.0 million (PBC.37/5-IDB.49/5). Activities from extra-budgetary funds were estimated at the level of €345.1 million as direct input for technical cooperation services and

€37.8 million as net operations budget requirements. The reinforced mandate of the Organization and the implementation of the thematic framework included in the present document call for a stable financial basis and additional resources over the currently proposed budgetary levels. While there is an expectation of a continued healthy growth in voluntary contributions, Member States may wish to consider a moderate growth also under the regular budget for the second biennium of the planning period, i.e. for 2024–2025, prospectively supported by a more conducive financial environment as economies recover from the current challenges. This would enable UNIDO to meet the growth in the demand for its services in the context of the 2030 Agenda and the COVID-19 recovery.

VI. Action required of the Committee

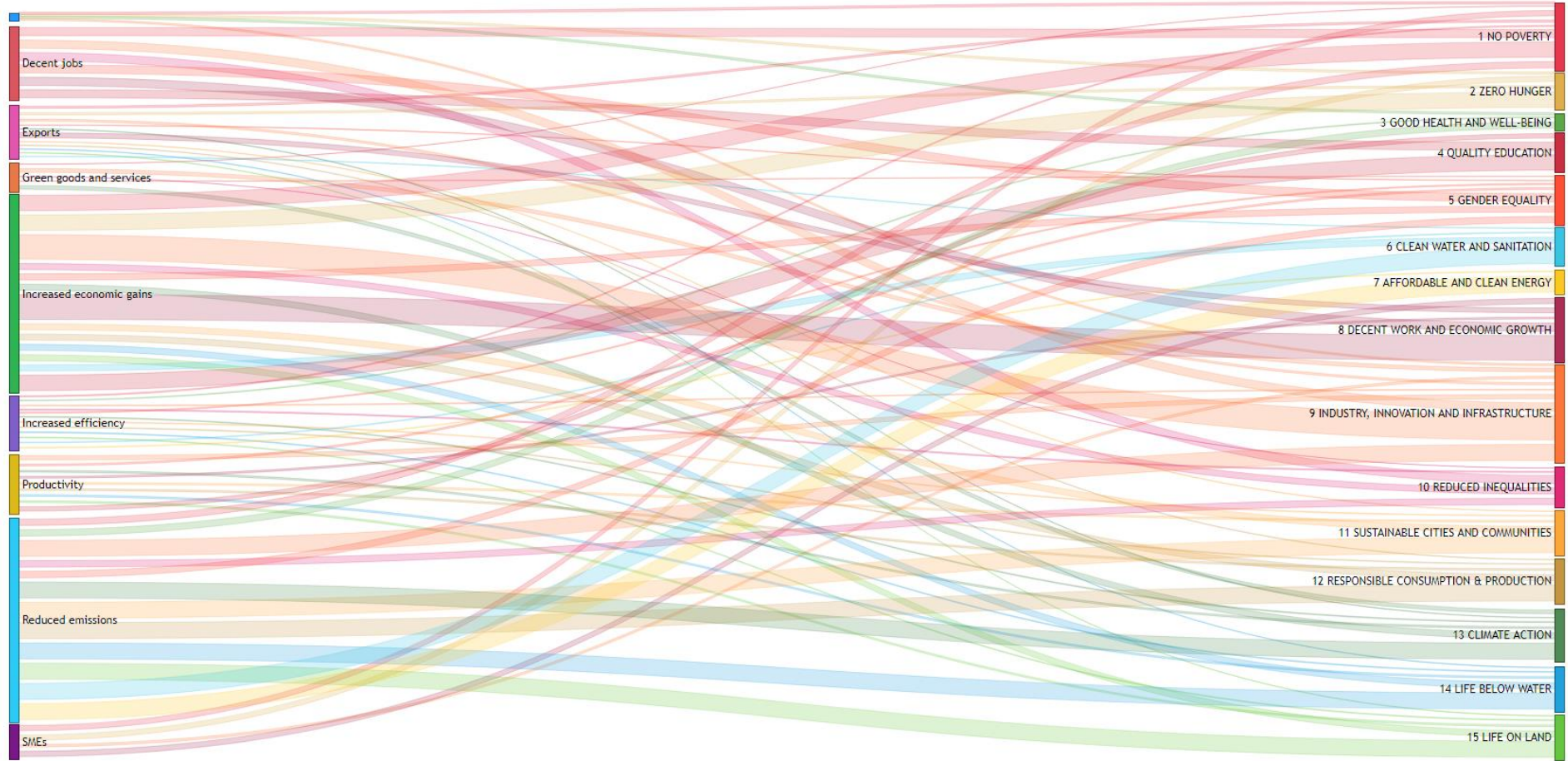
142. The Committee may wish to take note of the information provided in the present document.

Annex I

Mapping SDGs against ISID impact areas

1. In the preparation of the MTPF 2022–2025, UNIDO conducted a series of SDG mapping studies, to verify the validity of these statements and to support the Organization’s credible contribution claim, through ISID, to the broader 2030 Agenda. The organizational theory of change introduced in the previous strategic planning cycle and clarified by the IRPF, made possible a more detailed analysis – one that looks at the relationship between each of the nine impact result areas and all SDGs. The analysis was made considering both the evidence from the economic literature on industrialization and sustainable development, and the programmatic evidence from UNIDO project and programme evaluations. The studies confirmed the positive causal links between ISID and SDGs, and offered useful insights on the main pathways leading to SDG contribution.
2. This annex shows a graphic representation of these ISID-SDG interlinkages based on the analysis presented above. In graph (a), the interlinkages are calculated based on both a matrix of coefficients based on the studies above and on the relative weight of impact areas as reflected in the IRPF data as of February 2021. Graph (b) shows the picture solely based on the ISID-SDG matrix of coefficients, to show the potential contribution of UNIDO to the broader 2030 Agenda.
3. Finally, it is relevant to note that the studies point to the fact that policy choices greatly affect the strength and sometimes even the direction of these relationships. In other words, conducive regulatory frameworks eliminate trade-offs between advances in industrialization and in other SDGs, and can in fact turn them into synergies. In a clear example, regulatory measures that forbid the use of polluting substances in industrial production are crucial preconditions for industrialization to be realized without detriment to the environment, (hence SDG 9, 11, 12, 13 etc.) Similarly, adopting and implementing gender responsive policies can make the difference in terms of a socially inclusive industrialization (SDG 5, 9, 1, 10, among others). This confirms the need for embedding normative aspects into UNIDO interventions, if a balanced ISID impact is to be achieved.

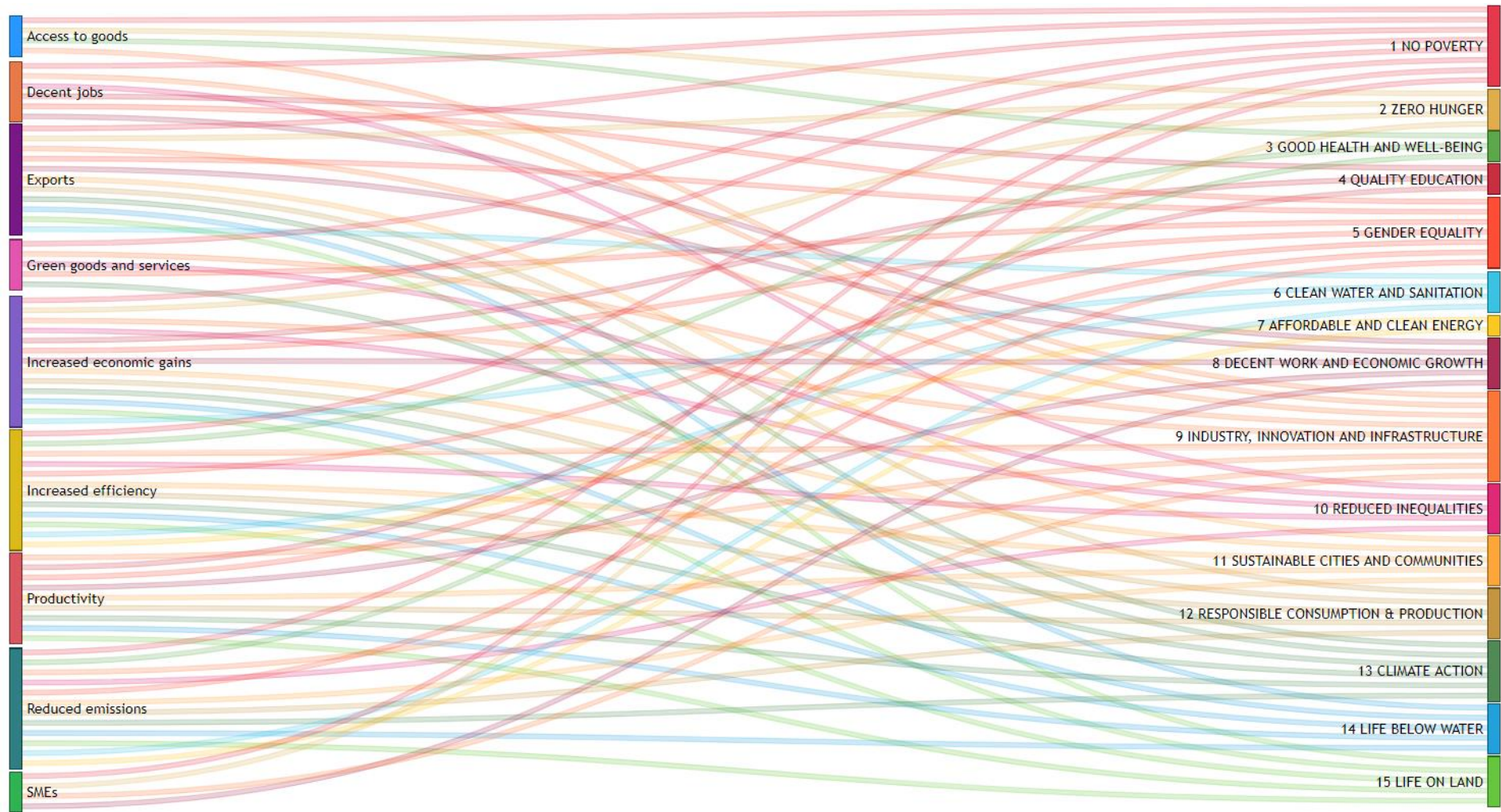
(a) Mapping of interlinkages between ISID impact areas and SDGs 1–15 based on IRPF data¹² and ISID-SDG matrix of coefficients



Based on ODI and UNIDO (2020).

¹² As of February 2021.

(b) Mapping of interlinkages between ISID impact areas and SDGs 1–15 solely based on ISID-SDG matrix of coefficients



Based on ODI and UNIDO (2020).