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Review of the progress of the deliberations of the informal working group

Informal working group on the future, including programmes and resources, of UNIDO

Second interim report of the Co-Chairs (H.E. Ms. A. T. Dengo Benavides, Costa Rica, and Mr. A. Groff, Switzerland)

The present report provides an update on the activities of the informal working group on the future, including programmes and resources, of UNIDO since July 2012, thereby complementing the first interim report presented to the twenty-eighth session of the Programme and Budget Committee.

Main developments

1. Since the twenty-eighth session of the Programme and Budget Committee in June 2012, the informal working group has met on four occasions: 30 August, 5 September, 5 October and 9 November 2012. The group proceeded with the analysis of strengths, weaknesses, opportunities and threats (SWOT).
2. Based on the submissions received and informal consultations conducted, the Co-Chairs presented a summary proposal of weaknesses to the informal working group at its meeting on 30 August 2012. Member States considered the weaknesses identified in the summary proposal as a basis for further discussions in order to complete the SWOT analysis. The Group of 77 and China, and the Member States of the European Union, presented position papers which are contained in conference room paper IDB.40/CRP.9. Member States agreed that they might revert to any of the weaknesses identified during the SWOT analysis. The working group's summary proposal of weaknesses is issued as annex I to the present report. The meeting on 30 August 2012 continued with the presentation of a submission by Brazil, which is also contained in conference room paper IDB.40/CRP.10.

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3. On 3 September Mr. W. Luetkenhorst, Managing Director, Strategic Research, Quality Assurance and Advocacy Division, provided a briefing on UNIDO's analytical, policy advisory and normative functions.
4. On 5 September, the informal working group agreed on an additional set of key themes on which expert briefings should be provided. In this context the working group received four briefings:
 - 25 September 2012: Briefing by Ms. M. Barbut, former Chairperson and Chief Executive Officer of the Global Environment Facility (GEF) on post-Rio+20: Challenges and opportunities;
 - 1 October 2012: Briefing by the Director-General, Mr. Kandeh K. Yumkella, on the Secretariat's contribution to the informal working group, which provided an outlook on the Organization's future approach to industrial development as well as its proposed thematic and programmatic orientation;
 - 29 October 2012: Briefing by Prof. Ha-Joon Chang, Reader in the Political Economy of Development at the University of Cambridge, on the importance of industry in inclusive and sustainable development;
 - 31 October 2012: Briefing by Mr. D. Piskounov, Managing Director, Programme Development and Technical Cooperation Division, on the role of regional programmes and field offices.
5. On 5 October 2012, Member States considered the opportunities and threats identified. In analogy to the discussion of strengths and weaknesses, the Co-Chairs presented a summary proposal, based on the submissions received and informal consultations conducted. The attached summary proposal in annex II to the present document was agreed by Member States, as a basis for further discussions.

Action required of the Board

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

Annex I

Weaknesses summary proposal of the informal working group on the future, including programmes and resources, of UNIDO

Points with consensus among Member States:

General observations

Overlapping of UNIDO activities with other United Nations agencies, UNIDO's mandate partly overtaken by other agencies
TC focuses more on quantity than quality of projects
Perception by some Member States of asymmetry between inputs and outputs (lack of strategy and dialogue to maintain support of Member States, including middle-income countries)
Lack of input to the agenda of the Economic and Social Council (ECOSOC) and General Assembly
Relatively weak visibility of the Organization among other United Nations bodies and in the field

Mandate and governance

1.	Lack of balance on implementation of UNIDO's activities with regard to the promotion of industrial development (regarding the alignment between TC activities and national industrial policies)
2.	Lack of compatibility between UNIDO indicators and Millennium Development Goals (MDG) indicators

Programmatic

1.	Lack of strategy on global forum activities, beyond immediate outputs and insufficient focus on strategic industrial agenda, and disconnection with technical cooperation (TC)
2.	Fragmentation of TC projects
3.	Project identification, preparation, design, compatibility, management, monitoring and reporting needs improvement/sustainability of projects/regional adequacy/limited use of results-based management (RBM)**
4.	Lack of information on impact on social cohesion (youth employment, woman empowerment and deindustrialization)
5.	Limited use of and follow-up to evaluation recommendations and lessons learned
6.	Lack of strategy on renewable energy sources
7.	Limited success in its role as a facilitator of technology transfer (<i>subject to further explanation by the Secretariat</i>)

** Subject to further assessment on the basis of the Programme for Change and Organizational Renewal (PCOR).

Organizational

1.	Insufficient transparency (human resources (HR), financial information, project information)**
2.	Overcentralized decision-making processes, weak delegation to local staff in field**
3.	Lack of planning and accountability directives for field/unclear management by UNIDO of field presence/poor coordination and communication between field offices, and field offices and Headquarters/limited responsibilities of field representation**
4.	Poor financial risk management**
5.	Lack of critical mass of technical expertise at Headquarters and in the field, problem exacerbated by steadily increasing amount of projects to be developed and HR needed for implementation, can lead to increment in costs through increased use of expensive international expertise
6.	Limited cooperation/communication among UNIDO branches (competitiveness between the branches), need for multidisciplinary teams**
7.	Lack of geographic and gender balance among staff at P and D levels, to be hired on the basis of merit
8.	Weak implementation of gender mainstreaming related to projects
9.	Lack of an HR plan for succession-planning, entry system for professionals, career perspectives, institutional memory and institutional learning
10.	Weak staff performance management**
11.	Resource fragility due to withdrawal of some major donors
12.	Unclear system/criteria for aid allocation among competing priorities
13.	Efficiency problematic (e.g. cost benefits of travel)
14.	Lack of information on cost benefits of conferences organized by UNIDO

** Subject to further assessment on the basis of PCOR.

Points where different views were expressed among Member States

General observations

Size of Organization and scale of operations
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Programmatic

1.	Lack of clarity on precise dimension and scope of normative function (balance between operational activities and normative functions, implemented through technical cooperation)
2.	Lack of strategy to address the issue of balance in the three thematic priorities, considered insufficient by some Member States
3.	Geographic coverage of technical cooperation (balance)

Organizational

1.	Reliance on non-core funding/insufficient resources for technical cooperation (TC) from regular budget/earmarking of non-core funds/ lack of predictable funding/marginalized non-core funding source through normative functions
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Annex II

Opportunities and threats summary proposal of the informal working group on the future, including programmes and resources, of UNIDO

Opportunities

1.	Opportunities for an enhanced role within the post-Rio+20 process and post-2015 development framework, including the possibility to work in strategic areas
2.	Increased emphasis on economic growth, the real economy, technological change, innovation and the role of small and medium enterprises (SMEs) provides opportunities for UNIDO to contribute experience, expertise and global industrial perspective, including in assisting countries to formulate inclusive and sustainable industrial policies and in promoting coordination
3.	Increased relevance of industrial development to broader development issues (including through the Second United Nations Decade for Poverty Eradication) brings opportunities related to employment and unemployment; deindustrialization, industrialization and reindustrialization; productivity and competitiveness; technology and innovation; green industry and green economy; food security and food safety
4.	Increased number of emerging economies and middle-income countries (MICs) in global governance provide UNIDO with an opportunity to strengthen its legitimacy and relevance
5.	Partnerships with other United Nations entities in specific areas through interlinked technical cooperation (TC) and global forum activities
6.	UNIDO's past "system of consultations" holds potential as an international coordination forum for national private sectors within the context of the international trade agenda and the current work of UNIDO on its business partnerships
7.	UNIDO can play a valuable role in assisting regional organizations in the integration of productive structures, particularly in terms of institutional capacity-building, South-South and East-East cooperation
8.	UNIDO is well positioned to provide through an interlinked TC and global forum a contribution to technological change and innovation in the supply of information, knowledge and technologies
9.	Potential for TC projects to become more cost-effective and improve impact on beneficiaries by forging closer links with relevant national non-governmental organizations (NGOs), when involved in local projects, particularly in poverty alleviation
10.	Potential for deepened public-private partnerships
11.	Ample scope for UNIDO to apply its normative and policy roles to assist countries adhere to best practices in industrialization, including global environmental and trade-related standards
12.	Direction given by Member States to the incoming Director-General and senior management provides an opportunity to strengthen UNIDO
13.	The programme on change and organizational renewal (PCOR) has initiated a process of change that has the potential to increase efficiency and effectiveness of management and TC

14.	Holding the fifteenth session of the General Conference (2013) in Lima, Peru, represents an opportunity to adopt a strategic document on the future of UNIDO, including programmes and resources
15.	Emerging consensus on inclusive and sustainable development and its three dimensions: economic growth, environmental sustainability, social equity and inclusiveness for industrial development
16.	Relevance of green industry (taking into account regional and national contexts), industrial energy efficiency, agribusiness and strategies for low-carbon and low-emissions industrial development, among others, in the international development agenda
17.	Potential for larger high-impact programmes to be developed with partners

Threats

1.	Member States departing on bilateral considerations threaten relevance, finances and critical mass
2.	Financial and economic crisis may have a negative effect on assessed contributions and official development assistance (ODA)
3.	Risk of loss of mandates after Rio+20
4.	New trends in ODA, including on aid effectiveness, present challenges
5.	While working well at a local level, there is a risk of continuing to be at the edge of global issues
6.	Threat of losing institutional memory, knowledge and critical human resource mass unless a consistent, realistic, resource- and quality-based human resource management (HRM) plan is instituted
7.	Risk of reaching limits of reliance on operational budget
8.	Risk of increased pursuit of non-core funding among competing agencies endangers sustainability and continuity of TC
9.	Threat of competition with NGOs and others in implementing projects at a lower cost
10.	Balancing resources for global and policy issues with those devoted to regional and local activities may negatively affect critical mass in TC
11.	Without a move towards restructuring the system of field offices, including representational function and accountability at regional and country level, and backstopping at Headquarters, the Organization's TC activities are at risk