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Implementation of the Lima Declaration:

Towards inclusive and sustainable industrial development:

UNIDO's assistance to Member States towards achieving

**enhanced levels of inclusive and sustainable industrial
development**

UNIDO's assistance to Member States towards achieving enhanced levels of inclusive and sustainable industrial development

Report by the Director General

In line with the Lima Declaration, paragraph 13, the present report provides a first outline on how UNIDO will assist Member States towards achieving enhanced levels of inclusive and sustainable industrial development and report on the developmental impact.

I. Introduction

1. Following the adoption of the Lima Declaration: Towards inclusive and sustainable industrial development (ISID), UNIDO undertook several reforms in order to assist Member States towards achieving enhanced levels of ISID. These reforms manifest themselves in the area of programme development and technical cooperation in 2014.

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II. ISID-consistent monitoring of performance in technical cooperation (TC) programmes

2. Reporting to Member States tended to focus on expenditures, with the yearly delivery as ultimate yardstick of TC performance. This was partly due to the fact that in the absence of an enterprise resource planning system, the aggregation of measures other than monetary inputs was cumbersome. Since the launch of the Programme and Project Management (PPM) module, the TC core of UNIDO's ERP system, it is possible to capture in a systematic fashion key performance indicators (KPIs) that together draw a comprehensive picture of the impact of UNIDO's field operations.

3. In the wake of the Lima Declaration, the Division of Programme Development and Technical Cooperation (PTC) conducted an analysis of the existing KPIs through the lens of ISID in early 2014. The aim was to refocus the set of indicators and align it to the three dimensions of economic growth, social inclusion and environmental sustainability. The existing set of KPIs included over 30 indicators, and it was found that hardly 50 per cent of all projects under way carried an adequate specification of targets and performance indicators.

4. Efforts under way in 2014 aim at refocusing the set of KPIs to a lesser number of ISID indicators, streamlining TC monitoring and reporting along the three dimensions of ISID, as well as ensuring universal use of performance indicators in all TC operations.

III. The establishment of the Partnerships and Results Monitoring Branch

5. With the Director General's Bulletin UNIDO/DGB/2014/01 of 30 June 2014 a Partnerships and Results Monitoring Branch was created within PTC. The new Branch will help forge partnerships with external entities as a means of supporting the implementation of ISID in member countries, as explicitly recommended in the Lima Declaration.

6. The Partnerships and Results Monitoring Branch coordinates UNIDO partnerships with firms, development finance institutions and multilateral funds, and leads cross-divisional efforts to raise operational efficiency and improve results monitoring.

7. A partnership implies that both the external partner and UNIDO agree on a common goal and remain engaged throughout the execution of the joint project. Both partners commit resources towards the attainment of shared objectives and are accountable for the final results. The partnership may or may not result in the transfer of funds from the external partner to UNIDO. It differs in this respect from the traditional funding of UNIDO TC operations, where a donor transfers resources and accountability to UNIDO for the execution of a TC project.

8. The Branch supports the implementation of UNIDO's corporate strategy of ISID throughout the operations of PTC by raising the impact of TC operations by leveraging resources from the corporate sector, development finance institutions,

investment funds and the Global Environment Facility through partnerships around shared objectives, resources, and accountability.

9. The Branch also coordinates and facilitates partnerships whereby developing countries exchange technology, know-how, expertise, capital and other resources. Such partnerships may also involve inputs from partners in industrialized countries.

10. A briefing to Member States on the strategies and instruments for ISID, including the establishment of the Partnerships and Results Monitoring Branch, was provided on 7 May 2014.

IV. The two ISID Forums in June and November 2014

11. Following the adoption of the Lima Declaration, Director General LI Yong initiated two global forums in 2014.

12. The first UNIDO Forum on Strategies and Instruments for Inclusive and Sustainable Industrial Development (ISID) was held from 23 to 24 June 2014 in Vienna. A report on the first Forum was made available to Member States at the thirtieth session of the Programme and Budget Committee (PBC.30/CRP.5). The Forum brought together more than 260 participants from 83 countries, including 19 ministers of economy, industry, investment, foreign affairs, environment and trade, other high-level government officials and representatives of academia, private sector, NGOs, international financial institutions and international organizations, to discuss how to pursue ISID through strategies and instruments.

13. The objective was to engage in a strategic dialogue, to better understand the problems, to learn from those with direct experience of the application of a variety of approaches, and to identify policies, best practices, programmes and instruments that countries can replicate and scale up in their specific country context when promoting ISID.

14. During the two-day forum, participants addressed the following issues:

- (a) ISID as a response to new development challenges;
- (b) Industrial policy revolution and strategies and policies to pursue ISID;
- (c) Critical issues for successful fostering of ISID through strategies, policies and programmes: the importance of ensuring an integrated and synergistic approach to the policy mix at the national, regional and local levels, and the role of public-private partnerships in policy implementation;
- (d) Tools and methodologies for the identification of priority sectors and their targeting through various policy instruments;
- (e) The role of soft and hard business infrastructure such as industrial parks, zones, cities and districts, as an integral part of strategic and targeted planning;
- (f) The role of the new generation of industrial parks, as a concrete and well-circumscribed instrument and an area of rapidly growing demand for UNIDO services, including related issues such as: managing and promoting the flow of knowledge and technology in parks; business development, marketing and branding, and relevant incentives; forging and sustaining linkages between

stakeholders; promoting interaction between centres of research and development, and innovation; promoting industrial parks as a key pillar of industrial development strategies to governments, donors and the private sector; linkages between parks and the local economy; country case studies of business infrastructure and examples of UNIDO and partners' recent activities in the area of industrial and eco-industrial parks; UNIDO's approach to leveraging static and dynamic gains from different types of parks and zones, including park planning and design, regulatory aspects, resource mobilization, investment and technology promotion, establishment and management of parks, capacity-building of stakeholders, fostering cluster development and collective efficiency.

15. A second UNIDO Forum on partnerships to scale up investment for inclusive and sustainable industrial development is scheduled from 4 to 5 November 2014. Further information will be made available to Member States.

V. An ISID communications strategy

16. Finally, pursuant to the Lima Declaration and its emphasis on inclusive and sustainable industrial development, the Organization enhanced its external communications strategy to highlight in a clear, non-technical yet compelling way the impact of UNIDO's TC operations on local communities and how they promote social inclusion, economic competitiveness, and environmental sustainability. Concrete illustrations, drawn from the experience of UNIDO's field operations, will be included in the Director General's brochure "Introduction to UNIDO 2014: Inclusive and sustainable industrial development" scheduled to be issued in October 2014.

VI. Action required of the Board

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