



Industrial Development Board

Forty-second session

Vienna, 25-27 November 2014

Item 9 (c) of the provisional agenda

Implementation of the Lima Declaration:

Towards inclusive and sustainable industrial development

(c) Implementation of the recommendations relating to

the management criteria contained in the

“Strategic Guidance Document”

Implementation of the recommendations relating to the management criteria contained in the “Strategic Guidance Document”

Report by the Director General

The present document provides a progress report on the steps taken by UNIDO in implementing the recommendations relating to the management criteria contained in the “Strategic Guidance Document”, pursuant to General Conference decision GC.15/Dec.18. It supplements the information presented in document IDB.42/14.

Contents

	<i>Page</i>
I. Introduction	3
II. Results-based management (RBM)	4
III. Operational management	4

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.



IV. Financial management	6
V. Human resource management	9
VI. Field operations management.....	11
VII. Partnership development	13
VIII. Action required by the Board.....	15

I. Introduction

1. At its fifteenth session, the General Conference welcomed the outcome document of the informal working group on the future, including programmes and resources, of UNIDO, entitled “Strategic Guidance Document”¹ (decision GC.15/Dec.18). With the same decision, the Conference asked the Director General to consider the “Strategic Guidance Document” as an essential contribution for the formulation and implementation of medium-term programme frameworks, programmes and budgets, and other operational programmes of UNIDO. The Conference also endorsed the recommendations relating to the management criteria contained in the “Strategic Guidance Document”, and requested the Director General to report on the progress of their implementation.

2. The Lima Declaration and the “Strategic Guidance Document” set clear guiding principles and recommend measures to be taken by the Organization in managing for results, country-level and regional activities, efficiency, resources, and United Nations system-wide coherence. These documents clarify the shared understanding of Member States of the mandate of UNIDO in order to leverage opportunities, such as those emanating from the emerging post-2015 development agenda, increase the visibility of the Organization, and enhance its capacity to deliver. Moreover, the aforementioned documents constitute the basis for the actions, described in the present report, steered by UNIDO towards the comprehensive fulfilment of said management recommendations.

3. This document therefore provides an overview of the most recent developments with regard to UNIDO’s management in the following areas: (a) results-based management, including developments in planning, monitoring and reporting of programmes and activities; (b) operational management, including savings in administrative costs and related efficiency gains; (c) financial management, including approaches on resource mobilization and innovative and more flexible sources of finance; (d) human resource management, including adjustments of staff to human resource needs, and considerations on the implementation of the gender policy and a strategy to approach balanced geographical representation; (e) field operations management, including the organization of the field network and related resources; and (f) partnership development, including mechanisms for enhanced engagement with Member States, non-Member States, the private sector, financial institutions, civil society, academia, foundations and other entities.

4. A detailed description of UNIDO’s activities in relation to the United Nations system is contained in document IDB.42/15. In this context, the Organization remained committed to agreed United Nations system-wide mechanisms and policies, in particular the quadrennial comprehensive policy review of operational activities for development (QCPR). Over the course of 2014, UNIDO participated in the inter-agency groups for the elaboration of the QCPR indicators, and actively contributed to the subsequent QCPR Monitoring and Reporting Framework.

¹ Document IDB.41/24.

II. Results-based management (RBM)

5. In order to demonstrate the development impact across all its technical cooperation (TC) activities and programmes as well as lessons learned from evaluation recommendations, UNIDO has devoted great attention to implementing RBM-oriented strategies and exploring mechanisms to further enhance RBM coordination.

6. The Organization's current programme framework, the medium-term programme framework (MTPF), 2010-2013 (extended until 2015), differs from previous documents in that it links RBM more closely to achievement of results. The MTPF constitutes the basis for UNIDO's programme and budgets planning. It is also the basis for the automated results frameworks in the enterprise resource planning (ERP) system.

7. Results-orientation and accountability are key factors in UNIDO's evaluation function, which remains independent of the management structure, and operationally independent in terms of carrying out the planning, implementation and reporting facets of the evaluation function. Additional information on the activities of the Office for Independent Evaluation can be found in document IDB.42/10.

8. In line with existing mandates the Organization prepares results-based programme and budgets which are fully aligned with the MTPF. In light of this, UNIDO's programme and budgets 2014-2015 are elaborated in accordance with RBM standards, focusing on the incorporation of such key components as outputs, expected results, performance indicators and the expected impact, which increase the Organization's ability to monitor and report on results achieved. Through the Programme for Change and Organizational Renewal (PCOR) and the ERP system, the formulation of TC projects, including budgets and expenditures, have also changed from activity-based to results-based procedures.

III. Operational management

9. A recurring theme in the debate at sessions of the policymaking organs is the question of quantifiable efficiency gains, either in response to budgetary pressure or as a result of investments in information technology (IT) systems, such as PCOR. This section outlines a number of current efficiency measures undertaken by the Organization in terms of operational management (i.e. budgetary savings within the Programme Support and General Management Division (PSM); the feasibility of outsourcing some administrative activities; reduction in non-staff expenditure items; and the evaluation of the effectiveness and efficiency of travel expenses). Each possibility is assessed on the basis of impact on productivity, economies delivered and in terms of enhancement of the quality of UNIDO services. Each targeted measure has produced positive results for each criterion, as demonstrated below.

10. As a sizeable portion of administrative support is provided by PSM, administrative savings were already achieved through that division's budgetary retrenchment. As stated in document IDB.42/8, the combined PSM budgetary reductions for the period 2012-13 and 2014-15 amount to approximately €5.2 million. More than 90 per cent of the total budget of PSM services is attributed to personnel costs, mostly associated with positions. The aforementioned budgetary

savings were therefore primarily realized through reductions in the number of administrative posts.

11. PCOR was established, among others, to realize efficiency gains by increasing productivity and improving the quality of UNIDO services, thus facilitating an increased delivery of services under a zero growth budgetary environment. The most recent report in this regard (IDB.41/9, paragraph 22) highlighted the expected efficiency gains under PCOR and the implementation of the ERP system. Furthermore, during the course of PCOR execution, savings in administrative costs were already reflected in the programme and budgets for the bienniums 2012-2013 and 2014-2015. In recent years, significant growth has also been achieved in the volume of TC services, in spite of a declining regular budget and relatively static staffing levels. Additionally, reference is made to the report on efficiency gains achieved through the implementation of PCOR (IDB.42/8).

12. PSM budgets for the bienniums 2012-2013 and 2014-2015 featured significant reductions in full time equivalent (FTE) posts. Exact figures were provided in document IDB.42/8, paragraphs 8 and 9. Out of the total reduction of 22.5 posts, nearly all of them (21.5) were in the General Service (GS) category. This pattern represents a capacity reduction in clerical areas whereas the professional capacity of the support services was maintained. In the IT and systems domain the reduction of positions was possible due to a shift towards outsourcing some functions, which in turn required additional budget under non-staff titles starting in 2014.

13. UNIDO has a track record of continuously evaluating options for outsourcing its administrative activities. The two most recent cases were related to Buildings Management Services and the Catering Service, both on behalf of the VIC-based Organizations (VBOs). Several studies were completed on the outsourcing options in the BMS domain. These however did not present a quick and satisfactory solution with significant savings potential. On the other hand, the new business model for providing catering services at the VIC notably reduced the administrative burden. While catering is still provided by UNIDO as a common service at the VIC, catering related purchases and sales are no longer done in the name of UNIDO. Hence, while UNIDO maintained full control over the quality and performance of the service, there were administrative efficiency gains to reap. In the Financial Services Branch alone the new modality resulted in the discontinuation of one clerical position, freeing up capacities for core operations.

14. Furthermore, UNIDO chose to introduce state-of-the-art IT system support and hence reduced the reliance on manual, paper-based processes.

15. In order to further optimize the use of available resources, the reduction in non-staff expenditure items have been a priority for the Secretariat during budget preparations. Significant success has been achieved in lowering printing and paper consumption costs by changing internal procedures, introducing electronic approval policies and issuing sessional documents electronically. Similarly, translation costs were reduced through more concise sessional documents and the replacement of written summary records with digital records for sessions in 2014 and 2015. Telecommunication costs were also reduced over the years through modern IT solutions.

16. Contributions to United Nations services represent a significant portion of UNIDO's non-staff expenditures. However, UNIDO has a limited influence on the budgets of these services and activities, which are predominantly approved in New York. For example, contributions to security-related services are steadily

increasing. New expectations, such as sharing the costs of the United Nations Resident Coordinator system, are placing additional demands on UNIDO's budget.² Further efforts to identify possible non-staff-related expenditure savings will be an essential part of the 2016-2017 budget preparation exercise. While the Secretariat will diligently examine such items under its control, it must rely on the efforts of Member States in New York to restrain budget expenditure on jointly financed services and activities.

17. While budget figures offer no conclusions as to the effectiveness and efficiency of travel expenses, it should be noted that travel expenses in the regular budget, i.e., travel costs financed from assessed contributions, were significantly reduced in the last two bienniums. Namely, the 2012-2013 biennium regular budget included a €1.6 million reduction of travel provisions, followed by an additional reduction of €0.9 million in 2014-2015.

18. In summary, significant efficiency gains have been realized through the implementation of PCOR. The savings in administrative costs have already been included in the programme and budgets for the bienniums 2012-2013 and 2014-2015, totalling approximately €5.2 million. Achievements under PCOR and the implementation of the ERP system led to productivity gains in UNIDO's IT systems and business processes. Additionally, since the establishment of the Business and Systems Support Unit (PSM/BSS) in January 2014, a large number of ERP improvements and optimization of business processes have been implemented, with even more to be introduced in the future.

IV. Financial management

19. To strengthen its financial base the Organization has taken concrete steps towards mobilizing alternative sources of funding, principally through voluntary contributions from Member States and other benefactors.

20. Voluntary contributions could assist in funding budgetary activities that are either flexible in timing or scalable, or they could provide additional funding to certain budgetary activities and hence expand the activity depending on the amount of additional funds received. The single most significant risk of funding budgetary activities through voluntary contributions lies in their unpredictable nature. This risk could be mitigated if the subject voluntary contributions were received ahead of the planning cycle or if a firm commitment by the potential donors was made. Otherwise the voluntarily funded activities would be limited in nature to those that can start and stop at short notice, according to funding availability. An illustrative example of providing additional funding to budgetary activities and hence expanding the activity depending on the amount of additional funds received could be the financing of UNIDO's contribution to the United Nations Resident Coordinator system. While the base fee remains included in the regular budget, the remainder of the contribution could be financed to the level of voluntary contributions received for the purpose.

21. Another immediate application of the above concept could address a serious shortcoming of the traditional cash-based United Nations budgeting methodology, namely the lack of an appropriate mechanism to secure funding for major capital investments or replacements. These undertakings require the assurance of funding

² IDB.42/6 and Add.1.

for periods exceeding a biennium and hence cannot be well managed with approved funding only for two years. Several United Nations organizations introduced a special account as a capital investment fund. This would be a viable option also for UNIDO to ensure funding for the upkeep of its infrastructure, most prominently the ERP system.

22. Preliminary estimates show that for developing the ERP system to keep pace with technology progression, additional investments of €1.5 million would be needed in 2016-2017 and a major upgrade would become due in 2018-2019 at an estimated cost of €5.0 million. The IT infrastructure would also require an average annual investment of €1.0 million, in addition to the regular maintenance costs.

23. In view of the above, a Major Capital Investment Fund (MCIF) could be set up as a special account under financial regulation 6.3 and could receive income from the following sources: (a) a fixed amount from the regular budget, as approved by Member States during the budget approval process for the coming bienniums; (b) extrabudgetary contributions on a voluntary basis; (c) cash savings under the regular budget at the end of the biennium. Furthermore, the activities that would be financed from the MCIF should meet the following criteria: (i) be of a compelling priority; (ii) have a useful life in excess of one biennium; (iii) have a total cost of ownership above €200,000; (iv) be of a major infrastructural nature.

24. In accordance with financial regulation 6.4, the Director General will therefore submit a report to the Board through the next session of the Programme and Budget Committee, in which the purposes and limits of the MCIF will be clearly defined. Similarly, the Director General's proposal for the programme and budgets 2016-2017 will be aligned with the above concept.

25. A very considerable proportion of UNIDO's budgetary resources derive from Member States contributions. Incomplete or late payments from Member States thus exacerbate the circumstances in which the Organization's activities are conducted. Consequently, the Secretariat has encouraged its Member States to effect their payments in a timely manner, in order to facilitate the smooth running of pre-planned activities.

26. At the end of 2013, invoices for 2014 assessed contributions were sent to all Member States, showing contributions to be paid for the year 2014 as well as for prior years and for the Working Capital Fund. Those Member States that lost their UNIDO voting rights in the year 2014 received additional letters, informing them about their status and the amount payable in order to regain said voting rights. Countries that would lose their voting rights in the upcoming year also received a notification letter, indicating the minimum amount to be paid in order to avoid this loss.

27. In addition to the above, reminders were also sent to all Member States which did not pay their outstanding assessed contributions by the end of August 2014. The Secretariat undertook every effort to follow up on the settlement of arrears with those Member States concerned.

28. In order to raise greater awareness and provide supplementary information tools on financial matters, a new online report was developed, showing the up-to-date status of assessed contributions and outstanding amounts. This online report is now accessible for all Permanent Missions of Member States. Moreover, Member States in multi-year arrears were reminded about the possibilities of settling their outstanding contributions via payment plans. Several draft payment

plans were prepared for governmental consideration during 2014. Existing payment plans are carefully reviewed for compliance and the necessary feedback is communicated to the Permanent Mission concerned. A number of meetings with Permanent Mission representatives were organized to discuss the possibilities of settling accumulated arrears of assessed contributions and modalities of the payment plan option.

29. Despite all efforts, it may be noted that the collection rate of assessed contributions at the beginning of October 2014 was only 77.9 per cent for 2014.

30. In order for UNIDO to operationalize its thematic priorities and mandate for inclusive and sustainable industrial development (ISID), systematic efforts to encourage non-Member States to join or rejoin the Organization remain an integral part of its outreach and advocacy activities. In this regard, UNIDO has held a number of meetings with non-Member States, including Australia, Canada, the United States of America, and the United Kingdom of Great Britain and Northern Ireland.

31. The mobilization of extrabudgetary funding for the delivery of UNIDO services is imperative, particularly given the limited availability of funding for TC activities from its regular budget. As shown in the *Annual Report of UNIDO 2013*, the volume of these extrabudgetary funds made available for UNIDO TC programmes reached \$187.4 million, an increase of more than 18 per cent over 2012. Such level of funds mobilized in 2013 constitutes therefore the highest level ever attained by the Organization.

32. The solid increase in funding for UNIDO programmes clearly evidences the renewed interest in productive sectors and the trust placed in the Organization, particularly in times of global economic crisis and overall decline in official development assistance. In order to continue this positive trend of recent years, UNIDO efforts aim at consolidating innovative and diversified sources of financing, including through additional contributions from traditional and emerging multilateral and bilateral sources, and at mobilizing programmatic resources.

33. As mentioned in document IDB.42/5, UNIDO's thematic trust funds, particularly in the areas of food security and environment and energy, have been further solidified and expanded. Contributions to UNIDO programmes under this umbrella were received from renounced unutilized balances of appropriations and other sources. Additional allocations to these trust funds would allow UNIDO to develop high-priority projects in these key areas and at the same time provide for UNIDO cost sharing where required.

34. An example for multilateral funding is also the African Agribusiness and Agro-industries Development Initiative (3ADI). So far a total of €1.3 million of "investment" in 3ADI yielded a return of around €30 million of downstream TC programmes funded from other sources. Moreover, 13 projects developed with the support of the trust fund on renewable energy have been approved thus far by the Global Environment Facility (GEF) for grant funding of around \$35 million, as well as \$188 million to be leveraged as co-financing. A trust fund for Latin America and the Caribbean, with a balance of €1,339,891 at the beginning of October 2014, has also been established.

V. Human resource management

35. As UNIDO's TC activities are central to its core mandate, efforts have been made to diminish the proportion of staff reductions in the Professional categories, relative to support positions.

36. The table below shows the change in staff numbers over the past two bienniums and compared to the numbers as of 30 June 2014. These figures relate to staff on board rather than budgeted posts.

Table 1
Change in staff numbers between 2010-2014

	2010	2011	2012	2013	30 June 2014	Percentage of change as of 30 June 2014 over 2010 number ³
Total	709	679	676	693	685	-3.4

37. Over the two previous bienniums, adjustments have been made in the number of staff across different categories, most prominently in Director-level positions which decreased by 26.2 per cent by 30 June 2014 against the year 2010. Although the numbers decreased in the Professional and higher categories, the number of locally recruited National Professionals increased. The adjustments in overall staff numbers were driven mainly by financial imperatives. In cases where budgeted posts funded by the regular and operational budget are considered, the reduction from biennium 2010-2011 to 2014-2015 corresponds to 15 per cent under the Director-level, and 9 per cent under the General Service category as indicated in the table below.⁴

Table 2
Variation in the number of posts per category (2010-2015)

	2010-2012	2013-2014	2014-2015
Director level posts	39	39	33
Reduction	-	-	-6
Percentage	-	-	-15
Number of General Service posts	319.75	327.5	291
Reduction	-	7.75	-28.75
Percentage	-	2	-9

38. Reductions in budgeted positions were more significant in the administrative services, as priority continued to be placed on programme offices directly responsible for TC services. For example, of the 22.5 total posts reduced in the period between 2011 and 2015 in PSM an aggregate of 21.5 were in the General Service category.

³ Numbers include BMS staff.

⁴ Excludes BMS positions.

39. The Human Resource Management Branch (HRM) has participated in briefings to Member States. Therein, HRM provided information on general as well as specific human resource management matters, including vacancies and related geographic and gender balance considerations.

40. Adequate planning is a prerequisite to meet the budgetary challenges ahead. HRM has carried out an analysis of staffing needs and is in the process of implementing a staff plan approved by the Director General for 2014.

41. Of a total of 67 positions approved for recruitment in 2014, 72 per cent of posts in the Professional and higher categories relate to the technical areas of UNIDO's mandate as well as in field representation. The table below illustrates the areas of specialization of the Professional posts to be filled in the current year.

Table 3

Specialization of Professional posts approved in 2014

	Number of posts	Percentage	Specializations/focus areas
Substantive TC programme delivery	19	49	Montreal Protocol (refrigeration, air-condition and foam, solvents and fumigants); Trade capacity-building (quality, standards, conformity and compliance); agribusiness (rural entrepreneurship; food systems); environmental management (water management); energy and climate change (renewable and rural energy); and business, investment and technology (clusters and business linkages).
Field representation	9	23	Representational and support to programme delivery at regional or field level.
Advisory and independent oversight	5	13	Strategic planning; internal audit, independent evaluation and executive office functions.
Professional support to TC	6	15	HRM; financial services including budget; procurement; and buildings management.
Total in Professional and higher categories	39	100	
General Service support to TC delivery — Headquarter and field	28		General Service staff supporting the TC delivery and statutory services.
Total — categories	67		

42. The table below shows the geographical balance of internationally recruited employees, by Lists of States included in Annex I to the Constitution of UNIDO,⁵ in the Professional and higher categories holding staff member contracts under the UNIDO Staff Rules, as of 30 June 2014.

Table 4
Geographical balance by Lists of States

UNIDO Lists of States	Staff members (100 and 200 series) whose contracts are funded from the regular and operational budgets (RB/OB)		Staff members (100 and 200 series) whose contracts are funded from RB/OB and TC/project budgets	
	Number of staff	Percentage	Number of staff	Percentage
List A	83	34	87	33
List B	105	43	121	46
List C	19	8	19	7
List D	28	12	28	11
Non-Member States	7	3	10	3
Total	242	100	265	100

43. Regarding gender balance, the number of internationally recruited women in the Professional and higher categories holding staff member contracts under the UNIDO Staff Rules funded from the regular and support cost reimbursement budgets (RB/OB) increased slightly from 31.3 per cent as of 31 December 2013 to 31.5 per cent on 30 June 2014. At the Director-level, as of 30 June 2014 the distribution corresponds to 25.8 per cent female and 74.2 per cent male representation.

VI. Field operations management

44. In line with the recommendation contained in the “Strategic Guidance Document”, regarding the need to increase the efficiency and effectiveness of programmes and activities in countries and regions, work is being undertaken across all regions. With the Director General’s Bulletin UNIDO/DGB/2014/01 of 30 June 2014 on the UNIDO Secretariat Structure, all management unit functions of the Regional Programmes and Field Representation Branch (RPF) have been redefined with respective roles, for efficient delivery of TC to Member States while ensuring cost effectiveness. In this regard, the importance of country offices and their critical role in implementing ISID in the most efficient and durable manner has been emphasized. The administrative modalities (e.g. field office budget, procurement, travel issues and human resources) are implemented as per UNIDO rules and procedures within the ERP system.

45. As a result, UNIDO through its Regional Bureaux (RBs) and field network intends to make its services more accessible to partner country stakeholders, while contributing to ensure that UNIDO activities are well tailored to partner country

⁵ PBC.30/7.

needs and priorities. The RBs undertake the core functions of managing relationships, strategic demand and project portfolios at the country and regional levels, in coordination with the UNIDO Field Offices (FOs). In this process, RBs maintain ongoing dialogue with Member States and other development partners to determine the services required of UNIDO based on the Organization's programmatic priorities.

46. As of 2013, the UNIDO Field Network consists of regional and country offices, UNIDO desks and national focal points, comprising 55 offices with 142 national and international staff members. Countries with no in situ UNIDO representation are covered by the relevant RBs at Headquarters in Vienna. FOs remain instrumental to the Organization ensuring its interventions are consistent with national needs and priorities. They also facilitate interaction with the United Nations Country Teams, as well as local and regional institutions, and bilateral and multilateral donors. A detailed description of UNIDO FOs is contained in chapter 2 of the *Annual Report of UNIDO 2013*.

47. All UNIDO programmes are formulated in cooperation with national stakeholders, regional economic associations and United Nations entities in order to contribute to an integrated and holistic approach that maximizes the impact and effectiveness of each development effort. UNIDO TC programming and delivery is also aligned with regional and subregional dimensions. In this regard, the Organization pays special attention to other considerations such as those of middle-income countries (MICs), least developed countries (LDCs), and landlocked developing countries (LLDCs) and small island developing states (SIDS). Some of these focal areas are also mentioned in more detail in chapter 1 of the *Annual Report 2013*.

48. Currently, 97 of UNIDO's 171 Member States are classified as MICs. Discussions are being held with the Government of the Philippines to facilitate a MIC Conference in 2016. The conference is expected to provide valuable insights for adapting the ISID framework to the specific needs and priorities of this group of countries, in line with their respective development priorities as stated in the 2013 San José Declaration⁶ and the emerging post-2015 development agenda.

49. As a full member of the United Nations Development Group, UNIDO has contributed to system-wide coherence mechanisms, including the United Nations Resident Coordinator system.⁷ The Organization also provides financial support to the Resident Coordinator system at the country level, and participates in relevant Delivering as One programmes with other United Nations partners.

50. UNIDO continues to strengthen its collaboration with several regional associations. Cooperation between UNIDO and the African Union is manifested through a longstanding partnership for poverty reduction and green growth in the Africa region. Further, RPF coordinates with regional economic commissions, ensuring regional priorities to promote regional economic cooperation and integration in partnership with the Common Market for Eastern and Southern Africa, the Economic Community of West African States and the Southern African Development Community.

⁶ Decision IDB.41/Dec.4.

⁷ IDB.42/6 and Add.1.

51. A regional workshop on industrial statistics and classifications for Arab countries, held in September 2013 in Doha, was co-organized by UNIDO with various United Nations counterparts and regional organizations.⁸ In the Asia and the Pacific region, various programmes have been initiated to strengthen different networks and building partnerships with regional organizations, such as the Association of South-East Asian Nations, the South Asia Association for Regional Cooperation, the Pacific Island Forum, the Economic Cooperation Organization and the Shanghai Cooperation Organization.

52. In cooperation with the European Union (EU), UNIDO organized an international conference on productive work for youth in the Mediterranean countries held in November 2013 in Tunis, attended by around 700 participants, including government delegations and representatives of international organizations and the private sector. The EU and UNIDO were invited to coordinate the follow-up to the Tunis Declaration emanating from the conference. In the Europe and Central Asian region, UNIDO in cooperation with EU have developed project proposals in the areas of economic diversification, industrial energy efficiency, subcontracting and standards, metrology, testing and quality infrastructure. UNIDO also dynamically cooperates with the Caribbean Community, the Organization of Eastern Caribbean States, the Andean Community, and the Central American Economic Integration Secretariat.

VII. Partnership development

53. At its fifteenth session, the General Conference called for strengthening existing and forging new partnerships and networks to promote ISID. The Organization responded with several initiatives. First, it enhanced its strategic engagement with Member States and development partners through official visits by senior management, bilateral meetings and participation in national, regional and global events. Second, it strengthened its institutional capacity by creating the Partnerships and Results Monitoring Branch (PTC/PRM) within the Programme Development and Technical Cooperation Division (PTC).⁹ Third, it pioneered innovative business models, showcased in two global ISID Forums in 2014 to highlight the benefits of partnerships.

54. To reaffirm UNIDO's engagement with its Member States on the path to ISID, the Director General visited a large number of countries around the world. With regard to partnerships with development finance institutions (DFIs) in particular, the Director General met with the leaders of the World Bank, the International Finance Corporation, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, and the International Fund for Agricultural Development. These exchanges at the highest level were aimed at promoting ISID and pursue opportunities for collaboration and partnerships. Through these initiatives, UNIDO secured strong political support from senior management at the DFIs and set the foundations for mutually beneficial cooperation. Meanwhile, UNIDO also developed new partnerships with private firms, based on shared objectives and differentiated means of intervention.

⁸ *Annual Report of UNIDO 2013* (IDB.42/2), chapter 2, Regional focus, Arab region.

⁹ Director General's Bulletin UNIDO/DGB/2014/01 of 30 June 2014.

55. With a view to strengthening the Secretariat's support for partnerships in the future, the PTC/PRM Branch was established as the strategic office of the Managing Director of PTC.¹⁰ The Branch houses two units: the Partnerships Mobilization Unit (PTC/PRM/PMU), which coordinates and executes partnerships developed by UNIDO with industrial firms, DFIs, investment funds and the GEF; and the Operational Efficiency and Results Monitoring Unit (PTC/PRM/RBM), which leads cross-divisional efforts to raise operational efficiency and improve results monitoring. With the creation of the new Branch, the Organization progresses in its strategy of partnering with DFIs, firms and private sector organizations in a systematic and coordinated manner.

56. South-South cooperation (SSC) deserves a special mention in this context. The global development landscape is evolving rapidly and newly emerging economic powerhouses in the South have become a critical source of technology, finance, know-how and broader development solutions that considerably augment traditional development assistance mechanisms. Against this background, and following the call of Member States to strengthen SSC, the Organization has decided to integrate the function into PTC/PRM, thereby asserting UNIDO's growing role as broker and facilitator for SSC, with the aim of better exploiting the potential of emerging countries in providing ISID solutions.

57. Efforts have been made to codify and disseminate best practices in Southern countries, to facilitate the enhanced replication of development impact. Moreover, the Organization has undertaken a number of projects in African and Asian countries in the areas of technology transfer, productive capacity-building and agribusiness development through well-established South-South networks. These include the Centres for South-South Industrial Cooperation in China and India, the Investment and Technology Promotion Offices, and the National Cleaner Production Centres, located for the most part in developing countries.

58. As part of its efforts to implement the ISID mandate, UNIDO convened two global ISID Forums in 2014: the first Forum (from 23 to 24 June) offered Member States a platform for high-level dialogue on policies and instruments conducive to ISID; the second Forum (from 4 to 5 November) will focus on concrete action, thereby linking UNIDO's global forum and its TC functions.

59. The first ISID Forum engaged Member States in a strategic dialogue on how to formulate ISID strategies and policies.¹¹ It also provided a global platform to debate how to operationalize these strategies according to international best practices and country specific situations. The Forum brought together more than 250 participants and high-level delegations from around 82 countries. It also attracted the participation of leading researchers, development practitioners and economists. The success of the first ISID Forum revives UNIDO's global forum function and convening role by engaging all concerned ISID stakeholders, including Member States, multilateral and bilateral development agencies, the private sector, academia and civil society.

60. The second UNIDO ISID Forum will showcase innovative and integrated partnership "business models", in which partnerships will support the implementation of ISID strategies in two pilot countries, Ethiopia and Senegal. Through the two pilots, UNIDO will demonstrate the effectiveness of the

¹⁰ Director General's Bulletin (UNIDO/DGB/2014/01).

¹¹ PBC.30/CRP.5.

partnership concept in leveraging additional resources — inter alia from DFIs, United Nations agencies, bilateral development partners, private investment, and corporate firms — thereby raising the impact of its TC services.

61. The intention is to impress upon Member States and other partners that the impact of UNIDO's operations extends well beyond the grant-funded, capacity-building assistance UNIDO traditionally delivers: only by creating synergies with other partners can the Organization trigger the critical mass necessary for a tangible contribution to countries' national ISID strategies. In doing so, UNIDO intends to showcase an integrated portfolio of UNIDO services at the Forum, drawing from its distinctive expertise in TC, but explicitly embedded for the first time in broader flows of resources in support of national strategies. To this end, preparatory and technical missions were conducted in August and September 2014 to discuss concrete partnership opportunities and modalities of cooperation with government officials and related potential partners. The UNIDO missions to Ethiopia and Senegal received a very constructive response to the partnership concept from all development stakeholders.

62. The design and execution of the pilot ISID-Programmes for Country Partnerships are to be guided by the following overarching principles: strong country ownership; clear alignment with ISID objectives; close integration into national resource mobilization strategies and the potential for partnerships to scale up TC services; opportunity to deploy a multidisciplinary array of UNIDO services; and compliance with a rigorous monitoring and reporting mechanism so that Member States can measure the concrete benefits of this new approach.

63. To enhance its visibility and highlight the impact of its field operations, UNIDO is investing significant resources in a continuous dialogue with governments (of both Member and non-Member States), the private sector, financial institutions and other stakeholders. It has aligned its advocacy and communications strategy to promote the new vision of ISID in the international media and with the public at large, while at the same time demonstrating the Organization's effectiveness and efficiency in delivering ISID solutions on the ground.

64. Advocacy and communication activities are also instrumental in forging partnerships. This is achieved through events such as the two ISID Forums, regular interaction with UNIDO Member States, by modernizing the UNIDO website, producing quality publications and videos of its field operations, and by expanding UNIDO's presence in social media.

VIII. Action required of the Board

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