



**It is a great pleasure for me to present the *Annual Report of UNIDO for 2014*, my first full year at the helm of this important Organization.**

2014 was a momentous year for UNIDO as it set out to implement the new mandate of inclusive and sustainable industrial development (ISID) unanimously given to the Organization by its Member States in the landmark Lima Declaration adopted by the fifteenth session of the General Conference in December 2013. To place the Organization on the right track to meet the high expectations set by the Member States in the Lima Declaration, I established three critical objectives for 2014 at the strategic, operational and management levels. I am pleased to report that considerable progress has been achieved in all of these areas, and to share related developments with you in this *Annual Report*.

At the strategic level, it was my objective to promote a global understanding and appreciation of the importance of ISID for economic growth and development, and to encourage its incorporation in the Sustainable Development Goals (SDGs) and the post-2015 development agenda. To this end, UNIDO strengthened its dialogue with Member States and other counterparts and stakeholders in capitals in all the regions to advocate the relevance of ISID, and made significant contributions to the global processes for the formulation of the SDGs and the post-2015 development agenda. It is therefore very gratifying for me to see that the Open Working Group established by the United Nations General Assembly to develop the SDGs incorporated inclusive and sustainable industrialization, together with resilient infrastructure

and innovation, as Goal 9 in its outcome document, which forms the basis for intergovernmental negotiations currently under way on finalizing the post-2015 framework. In this connection, I am pleased to report that our engagement has been sustained in the current year, and that UNIDO is continuing to contribute to all the processes leading to the launching of the new development agenda in September 2015.

At the operational level, I sought to introduce an innovative new partnership-based modality for the provision of UNIDO services, with the aim of linking UNIDO's interventions with those of other development partners and thereby generating increased synergies to enhance the development impact of these services. While maintaining a high level of service delivery in its traditional programmes of technical cooperation and policy support, UNIDO thus established a groundbreaking methodology during 2014 to enhance the effectiveness of our support to Member States through a new Programme for Country Partnerships (PCP). This model was developed jointly with high-level representatives from Government, the private sector, bilateral and multilateral development and finance organizations, academia and civil society in an ISID Forum in June, and was launched in two pilot countries, Ethiopia and Senegal, in a second ISID Forum in November attended by some 450 participants, including the Prime Ministers of the pilot countries, the Secretary-General of the United Nations and the President of the World Bank. The PCP model provides an integrated and holistic approach for meeting Member States' needs for industrial

development, aligned with national industrialization strategies and addressing all three dimensions of development: economic, social and environmental. It is my firm intention to expand this approach to the delivery of UNIDO's services in other countries and other regions.

At the management level, I committed myself to further increase the effectiveness and efficiency of our operations in order to ensure that UNIDO provides the best possible value to its Member States and other stakeholders. Against this background, I established a Task Force of senior managers at the start of the year to review and revise our organizational structure and management processes. This has resulted in a streamlining of the Organization's programme and project formulation and approval process, as well as a strengthening of its donor partnerships and external relations, policy advisory services, and field representation functions, with enhanced headquarters-field coherence. It also paved the way for the development of our new partnership-based PCP approach. Beyond these measures, we have continued to mainstream the gender dimension and the ethics and evaluation functions into our operations. In introducing these refinements to our management systems, which I see as a continuing process rather than a single event, I aim to ensure that our Organization will continue to increase its transparency and accountability. While this will be facilitated by the expanding functionalities of our enterprise resource planning system over the coming years, I also believe that we will need to increase our direct engagement with our stakeholders. It is for this reason that I initiated UNIDO's first-ever meeting with its donors in November 2014, which I intend to regularize as an annual event in the UNIDO calendar in view of the positive response that it generated.

Of course, the range of UNIDO's activities, and the services it has provided in 2014, go well beyond the successful implementation of my three policy priorities for the year, and I therefore encourage you to read the *Report* in its entirety. You will find that UNIDO's interventions have continued to span the full spectrum of its ISID mandate and meet the diversified needs of its Member States. These services are also fully aligned with our medium-term programme framework 2010-2013, the validity of which was extended to the end of 2015 by the policymaking organs, and with United Nations system-wide requirements deriving from the quadrennial comprehensive policy review of operational activities of the United Nations development system (QCPR), as demonstrated in this *Report*.

Every great journey begins with one small step. With the direction of our journey having been given by the Lima Declaration, I am pleased to note that we have taken many such steps in 2014, in order to ensure that we fulfil our mandate. We will continue along this path, and are confident that the coming years will bring greater success as our mandate gets firmly embedded in the new development agenda and our increased service delivery helps our Member States to achieve their cherished goal of inclusive and sustainable industrial development. But we are also fully aware that we will be more successful if we take a partnership approach: the scale and diversity of the challenges facing our Member States as they progress towards inclusive and sustainable industrial development underscore the necessity of the multi-stakeholder approach we have chosen to follow in our programmes and operations.

**LI Yong, Director General of UNIDO**