

Country diagnostic to initiate PCP development

- The purpose of a diagnostic is to identify a country's most critical bottlenecks and its opportunities, and to create a shared understanding among all stakeholders—including government officials, the private sector, development partners and UNIDO's PCP Team—of the strategic direction the country needs to take and the key obstacles it needs to overcome to achieve inclusive and sustainable industrial development through the PCP.
- This entails two major tasks: the first one is analysis. We conduct analysis at the macro, meso and micro levels. The second task is consensus building, which is related to national ownership of the PCP. We implement a multi-stakeholder consultation process to determine the actual situation, collect qualitative data and discuss the country's strategic direction to build consensus on the PCP's fundamental framework, which includes focus areas, thematic components and priority sectors. In a final step, the diagnostic is validated by the counterpart.
- For value addition, we provide a substantiated thematic as well as sectoral focus based on which the country and UNIDO can design targeted projects in the identified areas and sectors. The diagnostic also provides a baseline for specific thematic components. This creates a shared understanding of the starting points and the development of realistic objectives the PCP should pursue. The diagnostic does not only provide prescriptive information (i.e. thematic components and benchmarking indicators); it also offers qualitative data and proposes a strategic orientation based on identified key bottlenecks.
- In a first step, the diagnostic investigates the state of the country's industrial development based on information derived from statistics, gaps analyses, consultations, and the country's policy and strategy documents, including CCA and UNSDF. The diagnostic indicates where the country stands in terms of inclusive and sustainable industrial development. The identification of gaps helps us specify the PCP's focus areas and thematic components. The diagnostic process ensures that the areas of intervention are aligned with national objectives. In some cases, the government may have already determined the focus areas and components. The diagnostic in that case examines specific indicators for each component, sets a baseline representing the component's starting point and provides the quantitative rationale that justifies the relevance of each particular component.
- Building on the focus areas and thematic components, we then identify priority sectors through quantitative analysis. Here the role of UNIDO is 1) to explain the selection criteria and choice of selected indicators, and 2) to identify activities with the highest potential of achieving inclusive and sustainable industrial development. We also collaborate with country focal points and stakeholders to select specific sectors based on technical considerations as well as government preferences for certain criteria. In some cases, governments have already identified their priority sectors. In such cases, we

analyse the performance and potential of these sectors on the basis of UNIDO's criteria and present the findings to the relevant policymakers. We furthermore propose sectors at a more disaggregated level (based on data availability) for which the government may not yet have made a strategic choice.

- The diagnostic provides information on the private sector's needs and the problems enterprises face on a day-to-day basis. This part of the diagnostic must be developed together with consultations with the private sector and policymakers. Information from international and UNIDO firm-level surveys will be validated, explained and discussed with relevant stakeholders in the field.

Lessons learned

- The diagnostic can successfully translate research results into concrete "starting points" with corresponding indicators that can provide strategic orientation during the project design phase. Priority sectors are selected on the basis of their objectively assessed potential using technical criteria, i.e. they are not based on perceptions. This may help clarify the expectations policy makers have of individual projects.
- Identified bottlenecks help managers design projects with a special focus on the problems enterprises face.
- Lack of data often poses a challenge. We are now experimenting with using our own survey to collect primary data and have developed a questionnaire for an online survey. Through collaboration with our field offices and sectoral associations, we can conduct surveys to gather data in a timely manner.
- Consultation of stakeholders is key. This relates to one of the PCP principles, namely multi-stakeholder partnership.
- The success of a diagnostic study can be measured by the degree of collaboration with a group of stakeholders (government, private sector, NGOs and development partners, etc.) for the collection of information and consultation, as well as the mediation of technical and practical considerations based on gradual consensus building.
- Consensus building is key for national ownership and for developing a shared view across stakeholders on the goals to be achieved in partnership.