



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

ANNUAL REPORT

2018



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Vienna, 2019

UNIDO Annual Report 2018

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This edition of the Annual Report meets the Organization’s reporting requirements with regard to General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system and the UNIDO medium-term programme framework, 2018–2021, taken note of by the General Conference in resolution GC.17/Res.1.

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Publishing production: English, Publishing and Library Section, United Nations Office at Vienna.

The paper used for the inner text of this publication is certified by the Forest Stewardship Council (chain of custody) and the Programme for the Endorsement of Forest Certification (chain of custody).

The full report and the appendices are available online at www.unido.org.

ISSN 1020-7651

Distribution: GENERAL

IDB.47/2-PBC.35/2 2019

Original: ENGLISH

[APPENDICES \(available online at www.unido.org\)](http://www.unido.org)

Operational statistics • Project approvals under voluntary contributions • Technical cooperation with the least developed countries (LDCs) • Programmable funds • Programme for Country Partnerships (PCP) • Appointments of Individual Service Agreement (ISA) holders • Agreements and other Arrangements concluded by UNIDO in 2018 • Country promotion presentations/ seminars organized by Investment and Technology Promotion Offices (ITPOs) in 2018 • Field representation • Overview of UNIDO workforce • Staff development • Industrial statistics • List of technical cooperation activities



CONTENTS

Foreword by the Director General	v
UNIDO at a glance	vii
GLOBAL ACTIVITIES TO ADVANCE ISID	1
Reporting to the high-level political forum	2
Reform of the United Nations development system	2
Industrial policy advice and research	2
Statistical work on SDG 9	3
UNIDO involvement in the Technology Facilitation Mechanism	4
G20 and BRICS engagement	4
STRENGTHENING KNOWLEDGE AND INSTITUTIONS	7
Reach, reactions, knowledge and capacities	8
Triggering behavioural change to enable ISID	9
CREATING SHARED PROSPERITY	11
Agribusiness and rural development	12
Women and young people in productive activities	13
Human security and post-crisis rehabilitation	14
ADVANCING ECONOMIC COMPETITIVENESS	19
Investment, technology and SME development	20
Competitive trade capacities and corporate responsibility	22
Entrepreneurship development	23
SAFEGUARDING THE ENVIRONMENT	29
Resource-efficient and low-carbon industrial production	30
Access to clean energy for productive use	33
Implementation of multilateral environmental agreements	36

REGIONAL PERSPECTIVES	41
Africa	42
Arab region	44
Asia and the Pacific	46
Europe and Central Asia	48
Latin America and the Caribbean	50
CROSS-CUTTING PRIORITIES	53
Gender equality and women’s empowerment	54
Partnerships and South-South cooperation	56
MANAGING UNIDO SERVICES	57
Funding and financial contributions	58
Staffing	59
Quality monitoring and programme approval	60
Evaluation and internal oversight	60
Legal services	61
Information technology services	61
Procurement	62
Buildings management	62
ANNEX: INTEGRATED RESULTS AND PERFORMANCE FRAMEWORK	63
Tier I. Development results	64
Tier II. Organizational performance	71
Abbreviations	75
UNIDO organizational structure	76

FOREWORD BY THE DIRECTOR GENERAL



The year 2018 has been an exciting one for the United Nations Industrial Development Organization (UNIDO), with the Organization building on past strengths, while driving for change in line with the medium-term programme framework (MTPF) 2018–2021 and its management objective of integration and scale-up.

In a world where around 740 million people are living in extreme poverty and where even more are affected by the adverse effects of climate change, the international community must step up efforts to attain the ambitious Goals of the 2030 Agenda for Sustainable Development.

As the Organization of the United Nations mandated to advance inclusive and sustainable industrial development (ISID), UNIDO is improving its services to further increase the impact of its interventions to reduce poverty and inequality, while safeguarding the environment. With the introduction of “strengthening knowledge and institutions” as a new strategic priority of the MTPF, UNIDO is prioritizing an enabling outcome central to the achievement of ISID across the spectrum of all relevant actors. The systematic integration of policy advisory, normative and convening services in its technical cooperation programmes is expected to help UNIDO achieve a higher impact of its interventions. The new management objective also requires the best use of capacities and prioritization to scale up the

development impact of UNIDO. With the strong financial and political support from Member States and our partners, we remain committed to efficiency, effectiveness, results-orientation and transparency.

Overall, I am pleased to note that UNIDO is on a steady path of transformation, moving towards becoming an Organization that maximizes the impact of its operations.

Conscious of the need to strengthen multilateralism and enhance development cooperation, we support the Secretary-General’s ambition for reform and his efforts to address the three dimensions of sustainable development in a balanced manner. The in-depth review of the implementation of the Sustainable Development Goals (SDGs) by the high-level political forum on sustainable development (HLPF), to which both the UNIDO Industrial Development Board and the special session of the Vienna Energy Forum contributed substantively, remains important for the Organization.

Making use of its convening function, UNIDO continues to advocate for structural transformation and sustainable industrialization of the African continent, in particular as the agency leading the implementation of the Third Industrial Development Decade for Africa (IDDA III). The high-level event on IDDA III in New York saw the launch of a new initiative, with the Heads of State of Côte d’Ivoire, Kenya, Malta,

Niger, Senegal, South Africa, and Zambia taking on the role of IDDA III Champions. The Head of State of Egypt joined the ranks of IDDA III Champions at the end of the year. Advocating for circular economy and green industry as concepts to achieve resource-efficient and sustainable industrial production and consumption, UNIDO organized the fifth Green Industry Conference in Bangkok.

UNIDO also continued to play an important role in the area of science, technology and innovation, and increased efforts to identify means for turning the transformative yet disruptive potential of the new industrial revolution into benefits for the poorest countries. As the central coordinator of industrial development in the United Nations system, UNIDO bears a special responsibility to ensure that no one is left behind by technological progress, that the benefits of advanced technologies are shared, and that destabilizing risks are minimized.

In terms of service delivery volume, I am pleased to inform you that our technical cooperation implementation has reached \$190 million in 2018. At the same time, voluntary contributions for programme implementation exceeded \$204 million, and funds mobilized (including future instalments) reached a record high of \$272 million. I appreciate the continued support of the donor community and am grateful for the trust placed in the Organization by donors, beneficiaries and partners alike. I was also encouraged to observe the strong spirit of cooperation among Member States that led to a consensus at the resumed seventeenth session and the third special session of the General Conference in November.

The Programme for Country Partnership (PCP), as the UNIDO partnership-based and high-impact vehicle for ISID promotion, was expanded to cover the five geographical regions during 2018, thus completing the pilot phase. The PCP is now ongoing in six countries, with implementation advancing in Ethiopia, Peru and Senegal, programming finalized in Morocco, and programming ongoing in Cambodia and Kyrgyzstan. At the end of the year, the Executive Board also approved the start of the programme formulation process for new PCPs in Côte d'Ivoire, Egypt, Rwanda and Zambia.

Looking back at 2018, we are mindful that a lot remains to be done. Poverty is far from eradicated, hunger and inequalities are growing, climate change is causing destruction, and the challenges of today continue to have a profound impact on people's daily lives. At the same time, there is much room for optimism. The global community has agreed on a pathway for sustainable development by the year 2030. Also, our experience of the past years proves that when we work together and remain focused on our responsibilities, we can change our world for the better. The achievements outlined in this report are possible only through the generous contribution of and close collaboration with our partners.

Together, we can make significant progress towards achieving the Goals of the 2030 Agenda and transforming the world into a place where no one is left behind.

LI Yong, Director General of UNIDO



UNIDO at a glance



UNIDO

was established in **1966** and became a specialized agency of the United Nations in 1985



As at 31 December 2018, the Organization has **168 Member States**

www.unido.org/member_states

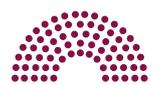


Li Yong

was re-appointed for a second term as the Director General of UNIDO at the seventeenth session of the General Conference (27 November 2017)



UNIDO employs **666 staff members** as well as 1,462 consultants on ISA contracts from 137 countries (as at 31 December 2018)



General Conference

All Member States Meets every 2 years
Next regular session 3–7 November 2019 in Abu Dhabi



Industrial Development Board

53 Members Meets once a year
Next regular session 1–3 July 2019



Programme and Budget Committee

27 Members Meets once a year
Next regular session 14–16 May 2019

The primary objective is the promotion of **INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT (ISID)** in developing countries and economies in transition



Creating shared prosperity



Advancing economic competitiveness



Safeguarding the environment



Strengthening knowledge and institutions



- ⊙ **Technical cooperation**
- ⊙ **Analytical and policy advisory services**
- ⊙ **Normative functions, standards and quality-related activities**
- ⊙ **Convening for knowledge transfers, partnerships and networking**



In addition to its Headquarters in **Vienna**, UNIDO has liaison offices in **Brussels, Geneva and New York**.



Programme for Country Partnership (PCP):

Cambodia, Ethiopia, Kyrgyzstan, Morocco, Peru and Senegal

Its field network consists of **48** regional hubs, and regional and country offices covering 156 countries.

UNIDO maintains **Investment and Technology Promotion Offices** in **nine locations** (Beijing, Bonn, Lagos, Manama, Moscow, Rome, Seoul, Shanghai and Tokyo). **National Cleaner Production Centres** of the RECPnet are located in 68 countries.



The value of **technical cooperation delivery** in 2018 amounted to **\$189.7 million**



\$204.2 million net **voluntary contributions** in 2018 for project implementation, with a total portfolio of projects in hand of **\$576.7 million**



€75.3 million regular and **operational budget** of UNIDO in 2018



1

GLOBAL ACTIVITIES TO ADVANCE ISID

The 2030 Agenda for Sustainable Development recognizes the critical role of inclusive and sustainable industrial development (ISID) and the contribution of UNIDO to achieving the Sustainable Development Goals (SDGs) more clearly than ever before. In 2018, several high-level events emphasized the relevance of ISID to economic development, employment and social stability. UNIDO continues to contribute on the global level by sharing its knowledge and expertise at a range of important events, by bringing together relevant stakeholders and serving as a platform of discussion, and by publishing statistics and other knowledge products to advance ISID. The Organization works closely with its partners within the United Nations and beyond, to contribute to multilateral solutions for the complex challenges of today.



REPORTING TO THE HIGH-LEVEL POLITICAL FORUM

In response to the invitation of the President of the Economic and Social Council (ECOSOC), the Industrial Development Board prepared an input document for the HLPF 2018, focusing on the contribution of ISID to SDG 7 on affordable and clean energy. The submission highlighted that rapid industrialization has lifted hundreds of millions of people out of poverty in the past decades, but that progress has been uneven, particularly in areas where industrialization levels remained low or have stagnated. It showed how clean energy solutions reduce the environmental footprint of industry, providing countries with opportunities to follow a low-carbon and low-emissions growth path, while improving the competitiveness of local businesses. Both the submission of the IDB and the outcome document of the special session of the Vienna Energy Forum (VEF) served as inputs and were reflected in the HLPF 2018 Ministerial Declaration. UNIDO further contributed to four side events of the HLPF, including one on “Accelerating innovative clean energy value chains in small island developing States”, together with Austria, Spain, the United Arab Emirates, and the Caribbean Community, and one on “Accelerating the energy transition in landlocked



developing countries”, with the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), Austria, Paraguay, and Sustainable Energy for All (SEforAll). As a member of the inaugural SDG 7 Technical Advisory Group, UNIDO further contributed to the development of policy briefs.

► https://sustainabledevelopment.un.org/content/documents/18173IDB_input_to_HLPF_2018.pdf

REFORM OF THE UNITED NATIONS DEVELOPMENT SYSTEM

As an active member of the United Nations development system, UNIDO welcomed the adoption in May of the General Assembly resolution 72/279 on the reform of the United Nations development system. Committed to change and aligning itself to the resolution’s objectives, UNIDO supports the reform and hopes that it will lead to a more effective implementation of its mandate in closer cooperation with development partners, as well as to a balanced implementation of the 2030 Agenda. The Organization submitted candidatures for secondment to the Transition Team, participated in various working groups of the United Nations Sustainable Development Group and discussions on the reform, and raised awareness through internal meetings. Briefings on the reform were also held for Member States and the Informal Working Group on Programme and Budget Committee-related issues. In September, UNIDO welcomed Robert Piper, the Head of the Transition Team, to Vienna, organizing his consultations with Vienna-based organizations, UNIDO Member States and other stakeholders.

► <https://reform.un.org>

INDUSTRIAL POLICY ADVICE AND RESEARCH

Following the signature of a joint declaration with the Organisation for Economic Co-operation and Development (OECD), UNIDO intensified its collaboration with the OECD on productive

UNIDO IN NEW YORK

The New York Office acts as a coordinating hub on United Nations matters for the Organization and advocates the role of industrial development in the elimination of poverty and in the achievement of other SDGs. This is achieved in partnership with other United Nations agencies. In 2018, advocacy events were organized on new and ongoing UNIDO programmes, such as IDDA III, and on the Fourth Industrial Revolution. In this way, the Organization highlights how economic well-being can be promoted through a competitive and productive industrial sector supported by innovation and investment.

UNIDO also participated in a high-level symposium on China's Belt and Road Initiative, held at United Nations Headquarters in June. In the same month, it participated in the "International symposium on the role of micro, small and medium-sized enterprises (MSMEs) in achieving the SDGs". Together with the African Union Commission (AUC), the African Development Bank (AfDB), the United Nations Economic Commission for Africa (UNECA), and the Food and Agricultural Organization of the United Nations (FAO), UNIDO organized a high-level event in September, held on the sidelines of the seventy-third session of the General Assembly, titled "Enhancing Global Partnership for IDDA III – Key for successful implementation of the African Continental Free Trade Area (AfCFTA)".

transformation. Together with other United Nations entities, UNIDO helped finalize and test a methodology to review production transformation policies for Chile and Colombia, and regional initiatives in Africa. UNIDO further continues its engagement in the Advisory Board of the OECD Initiative on Global Value Chains, Production Transformation and Development.



Meeting of the Chief Executives Board, April 2018

UNIDO also continued to implement a number of technical cooperation projects delivering industrial strategy advice. Under the framework of the PCP Kyrgyzstan, for instance, UNIDO supported the State Committee for Industry, Energy and Subsoil Use in its preparation of the industrialization strategy for the period up to 2040. Another project supported the Ministry of Industry of Ethiopia in developing a strategy for the chemical sector.

STATISTICAL WORK ON SDG 9

In 2018, UNIDO continued to produce and disseminate global industrial statistics products, including the *International Yearbook of Industrial Statistics 2018* and *World Statistics on Mining and Utilities 2018*.

Given its long-standing mandate to maintain worldwide industrial statistics, and its unique role within the international statistics system, UNIDO serves as custodian agency for six industry-related indicators under SDG 9. Specifically, the Organization reports figures on manufacturing value added, manufacturing employment, small-scale industries, CO₂ emissions, and on medium- and high-tech industry. UNIDO provides data for the global database of SDG indicators and contributed to the Secretary-General's *Sustainable Development Goals Report 2018*. UNIDO hosted the seventh meeting of the Inter-agency and Expert Group on SDG indicators, which led to substantial progress on the reclassification of Tier 3 indicators, enabling more effective reporting on the SDGs. Progress on data collection for the two SDG indicators related to small industrial enterprises has remained stagnant, as it



requires substantive resources, both to collect data in a large number of developing countries and for the UNIDO Statistics Division to monitor it.

As an analytical product, UNIDO published a new edition of the *Competitive Industrial Performance (CIP) Report*, which reported on performance indicators and CIP ranks for 142 countries.

UNIDO implemented a number of technical cooperation projects on industrial statistics in 2018, and completed projects in the Lao People's Democratic Republic, the United Republic of Tanzania, and in countries of the Commonwealth of Independent States.

▶ <http://stat.unido.org>

UNIDO INVOLVEMENT IN THE TECHNOLOGY FACILITATION MECHANISM

UNIDO has been an active contributor to the Technology Facilitation Mechanism since its creation in 2015. As a founding member of the Inter-agency Task Team on Science, Technology and Innovation (STI), UNIDO participated in task team activities, including the work-streams on capacity development and STI road maps. It co-organized an event on “Industry 4.0 and digital strategies”, with the Ministry

of Information Technologies and Communication of Colombia and the United Nations Economic Commission for Latin America and the Caribbean, and was invited to speak at a side event on sustainable consumption and production by the United Nations Major Group for Children and Youth. With the Global Development Network and other partners, UNIDO organized the eighteenth “Global Development Conference on STI for Development” in New Delhi. This was the first conference to explore the specific contribution of STI to global health challenges, sustainable agriculture, skills, employment, and industrial transformation.

G20 AND BRICS ENGAGEMENT

UNIDO continued to work closely with the G20 Development Working Group (DWG) in 2018, under the Argentinean presidency, contributing to deliberations on economic and industrial development in Africa. At the request of the DWG, UNIDO is preparing a progress report on the implementation of the G20 Africa Initiative, together with the OECD. In addition to progress on the Compact with Africa, launched by the G20 under the German presidency in 2017, the progress report will cover the implementation of policy recommendations made in the UNIDO report submitted to the DWG in 2016, *Industrialization in Africa and Least Developed Countries: Boosting growth, creating jobs and promoting inclusiveness and sustainability*. The progress report will be included in the *Comprehensive Accountability Report* under the Japanese G20 presidency in 2019.

UNIDO further strengthened its engagement with the BRICS group of five major emerging economies. In collaboration with BRICS e-commerce stakeholders and other international organizations, UNIDO developed an online e-commerce training course for small and medium-sized enterprises (SMEs) on this dynamic sector.

Furthermore, during the first “China International Import Expo”, UNIDO and the Shanghai Academy of Social Sciences launched the *E-commerce Development Report of the Small and Medium-Sized*

Enterprises of BRICS Countries and a quantitative global e-commerce development index, offering statistical analysis on e-commerce for over 70 countries. The 2018 report provides a comprehensive status update on e-commerce trends in the BRICS and additional countries. Due to the success of the BRICS' e-commerce project, UNIDO

Member States recognize the Organization's role in promoting e-commerce development. This has led to the inclusion of e-commerce as a key pillar in UNIDO PCPs in Cambodia and in Morocco.

Following the 2018 BRICS summit in Johannesburg, South Africa, UNIDO participated in the BRICS Partnership on the New Industrial Revolution.

THE PROGRAMME FOR COUNTRY PARTNERSHIP

In 2018, the PCP was expanded to all geographical regions, thus completing the pilot phase. The PCP is now ongoing in six countries, with implementation advancing in Ethiopia, Peru and Senegal, with programming finalized in Morocco and ongoing in Cambodia and Kyrgyzstan.

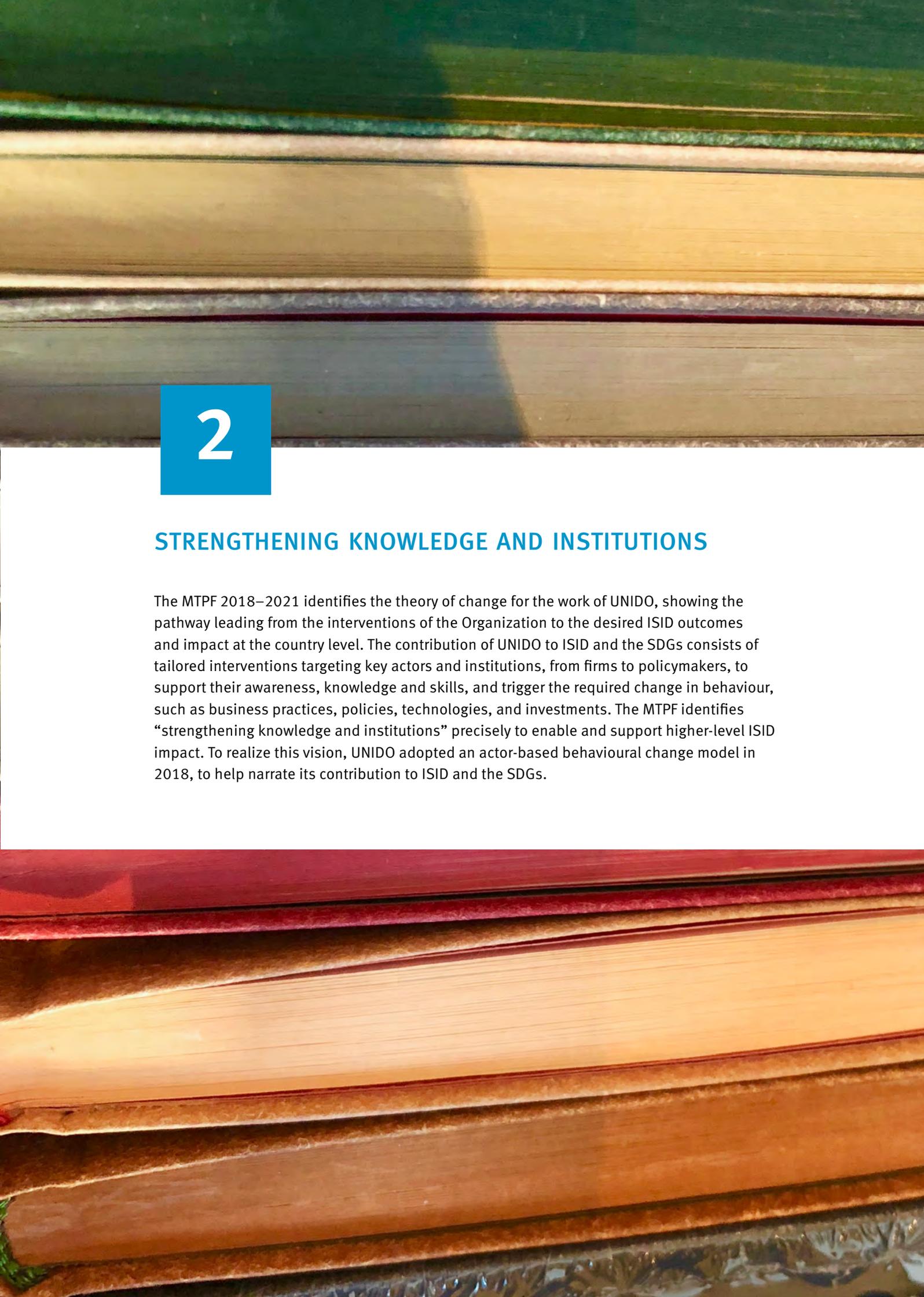
Highlights include major progress in the construction of four integrated agro-industrial parks as part of the PCP in Ethiopia, with over 300 occupancy applications received from national and international companies. In the PCP in Senegal, the industrial parks of Diamniadio and Sandiara obtained special economic zone status with several companies already beginning their operations, while policy advice provided through the PCP in Peru is informing the Government's national industrial parks strategy.

A national industrial development strategy is being formulated through the PCP in Kyrgyzstan, to be implemented with the support of the programme. In Cambodia, the PCP began to take shape with the establishment of a governance structure and the initiation of interventions in priority areas. The most recent PCP pilot country, Morocco, was announced in early 2018 and subjected to a country diagnostic to identify

priority intervention areas and inform the programme document, which was approved by the UNIDO Executive Board in November 2018.

In February 2018, a policy was promulgated to introduce the PCP as a new programmatic service for Member States, together with guidelines that outline institutional roles and responsibilities throughout the PCP cycle. Other steps have also been taken to facilitate PCP expansion and address recommendations of the programme's 2017 independent mid-term evaluation. UNIDO introduced a standardized approach to the submission and review of official PCP requests, and has taken steps to enhance internal coordination and external communication with Member States and partners.

To support further expansion, the Organization conducted several training sessions for all technical departments on the new policy and guidelines, which were attended by around 250 participants from Headquarters and the field. UNIDO also revised its approach to the country programme framework to contribute to increased programmatic coherence and integration of UNIDO services, and to enhance the development impact of country programmes by incorporating key features of the PCP.



2

STRENGTHENING KNOWLEDGE AND INSTITUTIONS

The MTPF 2018–2021 identifies the theory of change for the work of UNIDO, showing the pathway leading from the interventions of the Organization to the desired ISID outcomes and impact at the country level. The contribution of UNIDO to ISID and the SDGs consists of tailored interventions targeting key actors and institutions, from firms to policymakers, to support their awareness, knowledge and skills, and trigger the required change in behaviour, such as business practices, policies, technologies, and investments. The MTPF identifies “strengthening knowledge and institutions” precisely to enable and support higher-level ISID impact. To realize this vision, UNIDO adopted an actor-based behavioural change model in 2018, to help narrate its contribution to ISID and the SDGs.

REACH, REACTIONS, KNOWLEDGE AND CAPACITIES

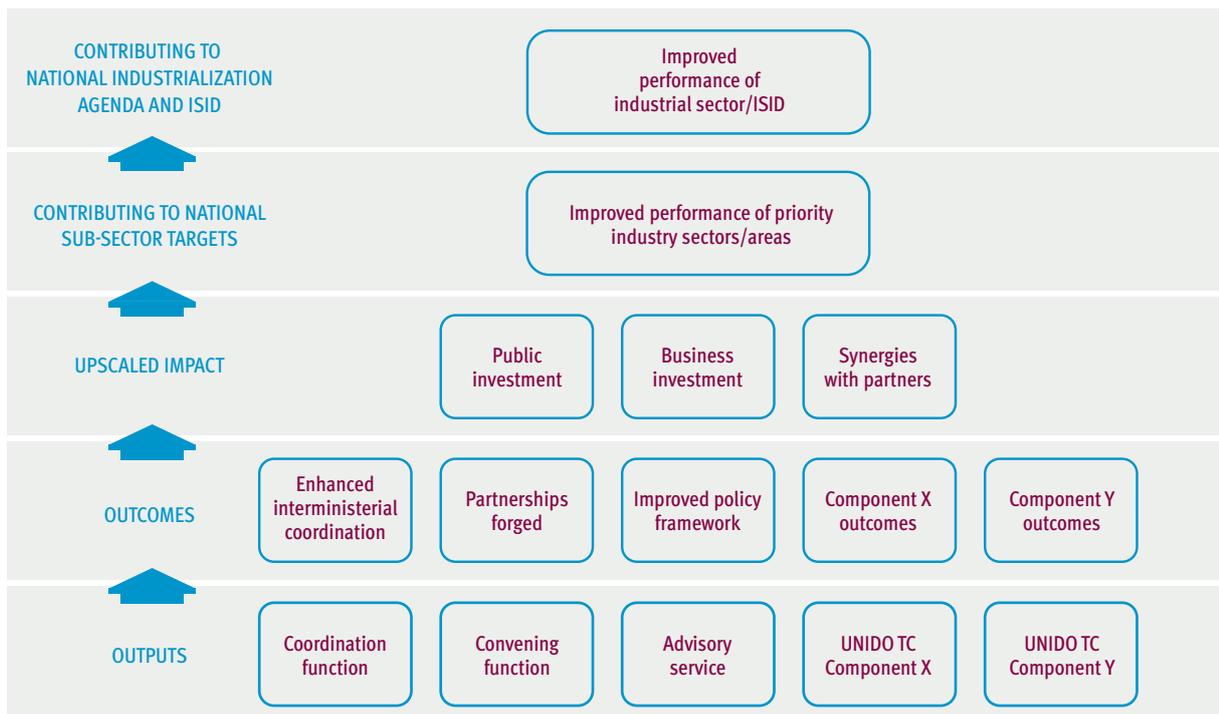
To scale up its development results, UNIDO systematically engages with actors whose practices, technology choices, investments, and policies are crucial for advancing industrialization. Typically, these actors range across the macro, meso and micro scale. Evidence from the Organization’s work, such as the *Thematic review on strengthening knowledge and institutions and policy advice*, shows that interventions with this reach are more likely to achieve significant impact.

At the micro level, a crucial partner of UNIDO interventions is the private sector, not only as a source of finance, but also as an active agent of change in industrialization. In this context, UNIDO beneficiaries and partners are most prominently firms and entrepreneurs. Firm-level

interventions represent an important share of UNIDO technical cooperation projects, including environmental projects to replace inefficient and polluting technology. Several interventions advance economic competitiveness by building capacities to improve business practices related to productivity or value chain connectivity. These interventions address the needs of SMEs and large firms with replication potential, as in the case of the Energy Management Systems (EnMs) programme of UNIDO. Reaching existing and potential entrepreneurs is critical to creating shared prosperity, with UNIDO projects strengthening the skills of workers and entrepreneurs for productive undertakings and greater employability.

Scaling up the benefits of pilot projects is at the core of the UNIDO strategic plan. For this, Governments and intermediary institutions are fundamental partners and beneficiaries. Evaluations suggest that host government support is an important factor for the success of UNIDO interventions. This support is secured by the successful outcomes of

ILLUSTRATION OF A PCP RESULTS FRAMEWORK



pilots and trials, and by the beneficial results of adopted policies. Typically, constructive stakeholder engagement at all levels is a critical early outcome leading to a successful UNIDO project. A recent evaluation of the programme described at the end of the chapter “Safeguarding the environment” and the early experience of PCPs identify inter-institutional coordination and multi-stakeholder engagement as a crucial precondition to achieve systemic ISID.

Organized businesses, innovation institutions, academia, and women and youth groups are examples of the wide reach of the work of UNIDO with intermediary, meso-level actors. Governments are natural counterparts, and are instrumental not only for the successful execution of all aspects of the policy cycle, but also for staging UNIDO-backed dialogue platforms to promote the wider adoption of technologies, business models and innovations demonstrated in UNIDO projects. In the PCPs in Ethiopia and Senegal, interministerial mechanisms were established to ensure the necessary coordination. UNIDO also convenes Governments, international financial institutions (IFIs) and donors to mobilize investments and establish new industrial parks.

Monitoring the acceptance by these institutions of UNIDO interventions is an important feature of the Organization’s adaptive management, and helps secure the necessary support of decision makers and key stakeholders throughout a project’s execution.

Raising awareness, generating knowledge and building capacity are crucial results for many UNIDO projects. The knowledge and capacity delivered ranges from standards to vocational skills, from circular economy to gender equality, from food safety to value chain development, including local production of pharmaceuticals, resource-efficient and cleaner production (RECP), entrepreneurship, and industrial statistics. In 2018, the new strategic priority was delivered through internal knowledge management and better stakeholder communication, as well as a more systematic extraction of lessons learned and best practices for better intervention design and knowledge dissemination. An example is the adoption of an improved theory of change for PCPs, building on the mid-term evaluation of the Programme.



Knowledge-sharing in Geneva: Presentation of the Industrial Development Report 2018

TRIGGERING BEHAVIOURAL CHANGE TO ENABLE ISID

The UNIDO contribution to ISID and the SDGs is largely explained by the change of practices and behaviours by the actors and institutions reached by UNIDO interventions. Typically, the Organization influences behaviour in the following areas:

Business practices

The application of knowledge and skills facilitated and supported by the Organization’s outputs bring changes in a wide range of business practices, including in RECP and EnMS. In some cases, there is evidence of replication of these practices beyond the scope of the projects. The work of UNIDO on eco-industrial parks leads to the adoption of new business plans. UNIDO support to entrepreneurs is also shown to lead to the creation of start-ups.

Technology

Technology development, adoption and diffusion are critical areas of behavioural change, triggered by UNIDO interventions. In some cases, new technology is acquired by firms as a direct result of UNIDO projects, as in the case of interventions in the framework of the Montreal Protocol on Substances

that Deplete the Ozone Layer. In other cases, the Organization's work fosters the innovation ecosystem in-country, leading to the adoption of more efficient technologies. The Global Cleantech Innovation Programme (GCIP) is an example of an intervention to develop new technologies.

Policies and standards

Policy adoption is a typical outcome of UNIDO interventions to build capacity for informed industrial development policymaking. In some cases, the impact of UNIDO interventions can be tracked after several years. The recent India country programme evaluation, for example, shows evidence of the Government taking up the clusters approach of UNIDO more than a decade after the project was completed. UNIDO supports conformity assessment infrastructure in developing countries, which leads to greater compliance with national and international quality standards, to eliminate technical and regulatory trade barriers and facilitate access to markets. In certain cases, UNIDO directly influences standard setting. The Organization's projects in energy efficiency in industrial applications, for example, paved the way for ISO 50001.

Investments

Official development assistance (ODA) flows alone are insufficient to meet the investment requirements to implement the 2030 Agenda. The most recent OECD Development Assistance Committee report shows that in 2016, total ODA reached a peak of \$144.9 billion, considerably less than the estimated needs. The work of UNIDO aims at triggering public, international and private-sector investment into industrial development. Concrete examples include the PCP in Senegal, which to date has helped mobilize \$44 million in public investments by the Government, and \$60 million in private-sector investments, with seven companies already operating in the Diamniadio industrial park.

In the PCP Ethiopia, the UNIDO-supported Modjo Leather City has so far triggered investments of around \$100 million through blended financing to support its establishment. Since 2015, UNIDO has leveraged \$854.5 million in investments or co-financing.

Coordination and partnerships

The implementation of the partnerships approach set out by the Lima Declaration has generated an important series of operational agreements between UNIDO and its partners. These include the formalization of agreements with the World Bank, the OECD and several private-sector companies. The objective of these agreements is to amplify the impact of UNIDO operations, to trigger new investments, integrate policy advice and achieve similar development results. Coordinating stakeholders is also crucial, as shown above. Examples from UNIDO interventions include the establishment of coordination mechanisms, multi-stakeholder dialogues, knowledge platforms (such as the Partnership for Action on Green Economy (PAGE)), networks for technical and policy advice (such as the Climate Technology Centre and Network (CTCN)), and platforms to link technology and investments (such as the Private Financing Advisory Network (PFAN)).

Strengthened results framework

In implementing the MTPF 2018–2021, UNIDO interventions are progressively embracing a results-based approach that recognizes the complex pathways to achieve impact, and the need to engage a wide range of actors in a country's industrial system. Such complex thinking will gradually allow the Organization to show its contribution to ISID and the SDGs, building on a programmatic approach to UNIDO interventions, and integrating and exploiting synergies and complementarities across projects and organizational functions.



3

CREATING SHARED PROSPERITY

Many developing countries rely heavily on agriculture as a mainstay of their economies, lacking the infrastructure and resources to industrialize. Incomes in this sector are low, with vulnerable groups, such as women and youth, more likely to be in poorly paid activities, or unable to access productive work. Poverty also lowers the resilience of vulnerable communities to man-made and natural disasters.

UNIDO has a long record of helping countries advance agro-industry through value chain development, with a particular focus on SMEs and on vulnerable groups, ensuring that they can develop the skills necessary to enter productive work. UNIDO also aids recovery efforts in post-crisis communities, by repairing and rebuilding productive capacities.



AGRIBUSINESS AND RURAL DEVELOPMENT



The number of people on the planet is forecast to reach 9.7 billion by 2050, with half the predicted growth in Africa. For the burgeoning global population to sustain itself, food supplies will have to rise dramatically, increasing pressure on already depleted land, water and forest resources. This presents a number of challenges and opportunities for developing countries, where agriculture is often the backbone of the economy.

Currently, 80 per cent of the world's poor are working in rural areas, eking out an existence on small farms with limited capacity to develop any kind of agribusiness. Remote locations and poor infrastructure compound high levels of post-harvest losses, which in turn lead to job, income and food insecurity.

Helping developing countries improve agricultural productivity and diversity by strengthening value chains is critical to lowering rural poverty rates, improving livelihoods and meeting the growing demand for food. This means helping small producers develop SMEs that can connect to markets and create jobs, making the agricultural sector more resilient and competitive.

UNIDO builds capacity on the ground by providing technology and skills training in areas such as food processing and food safety, which help boost off-farm employment, mitigate post-harvest losses, reduce poverty, and build resilience. The Organization also offers training to develop potentially lucrative non-food agribusiness and provides technical information and advice on integrated agro-industrial parks to help leverage funding, such as for those being developed in Ethiopia and Senegal under the PCPs. These endeavours are enhanced by partnerships at the national, regional and international levels. In March, for example, UNIDO and the Government of Ethiopia

organized the “Second International Agro-Industry Investment Forum” in Addis Ababa, to mobilize private investment in agro-processing and other high-potential sectors.

Strengthening public-sector know-how to improve value chains in Colombia

The economy of Colombia has been one of the best performing in Latin America in recent years. Nonetheless, a number of structural weaknesses continue to hinder progress. To graduate from middle-income status the country needs to improve productivity, develop more high-value and inclusive growth, and embrace innovation. The public sector plays a central role in bringing about this change, but needs to enhance its capacity to lead the process.

In 2015, UNIDO embarked on a three-year project funded by the development bank of Colombia to provide government institutions with the analytical tools and capacities to design and implement value chain development, enabling them to produce solid, strategic information which feeds directly into policy.

Working with the Ministry of Trade, Industry and Tourism, and in particular with its Productive Transformation Programme, three value chain



Value-chain development in the coffee sector

development pilot cases were set up in the country's important coffee, cocoa and cotton sectors.

UNIDO provided training to ministry staff on how to better design and develop value chain profiles. They were then able to replicate the experience at the regional level, allowing local government institutions to make more informed decisions on industrial development policy and therefore provide better guidance to the private sector. Over the course of the project, training sessions were carried out in six Colombian cities.

Having one clear methodology allowed the Government to establish a solid approach to identifying strategic industries and value chains, resulting in a more coordinated effort. UNIDO also provided international experts, who shared best practices with businesses and proposed measures to improve performance along the value chain.

Participants learned the necessary tools and capacities for developing competitive value chains, as well as their importance in policymaking terms. Consultation with the private sector helped generate interest among entrepreneurs in taking up proposals to implement new technologically advanced production methods.

WOMEN AND YOUNG PEOPLE IN PRODUCTIVE ACTIVITIES



Women and young entrepreneurs play a critical role in job creation and in developing innovative solutions for sustainable development. However, their contribution often goes unacknowledged. The support needed to foster entrepreneurship, such as well-resourced services from women's business associations, is lacking. Poor access to finance, networks, market information, and education, all limit opportunities for women and young people.

UNIDO adopts an integrated approach for policy advice on entrepreneurship development and technical assistance to help overcome these barriers. UNIDO programmes to support the economic empowerment of young women and men are outlined at the end of this chapter and in the section on entrepreneurship development in the next chapter.

Through participation in important forums and the strengthening of strategic partnerships, support for the economic empowerment of women has increased significantly in 2018.

With UN-Women and FAO, UNIDO successfully developed the second phase of the Italian-funded regional programme for the economic empowerment of women in the Middle East and North Africa (MENA) region. For the first time, the Organization took part in the annual session of the United Nations Commission on the Status of Women, where it co-organized a panel on the economic empowerment of women in the MENA region and partnered with the Union for the Mediterranean in the regional policy dialogue on women's empowerment.

At the global level, UNIDO contributed to the formulation of the new United Nations Youth Strategy "Youth 2030" and the corresponding action plan, launched in September by the Secretary-General.

Strengthening vulnerable communities to build peace in Mali

Mali is one of the world's poorest countries, with just over half of its 18 million people living on less than \$1.25 a day. Since 2012, the north of the country has been mired in a political and humanitarian crisis caused by internal conflict and terrorism, which has seen thousands displaced. A peace deal was brokered in 2015, but violent attacks and clashes between the belligerents continue. The situation has worsened levels of food insecurity in the country and has held back economic growth, particularly in the agriculture sector, which employs over 80 per cent of the population and accounts for around a third of the gross domestic product (GDP).

In the absence of legitimate economic opportunities, vulnerable communities risk being drawn into illicit activities and becoming directly involved in the conflict. In 2015, UNIDO launched a

joint programme with the United Nations Development Programme (UNDP), funded by the United Nations Peacebuilding Fund, to create economic opportunities for women and youth in 10 conflict-affected areas in the Gao and Timbuktu regions.

Women make up over half of the agricultural workforce and produce most of the country's food, but they have far fewer access and ownership rights than men. They are also less able to obtain finance or training.

The recently concluded project benefited women working in food processing and agro-processing, as well as entrepreneurs and young people affected by conflict. Through open dialogue and inclusiveness, it aimed to restore social cohesion and peace within communities, and so build a basis for longer-term stability and well-being.

Under the project, centres were built and training workshops were conducted to provide participants with the skills necessary to develop productive activities. Financing was made available to help with business ventures and young people were given the opportunity to go on work placements, which in some cases led to jobs at local companies. Those taking part improved their skills and became better equipped to start businesses.

In all, 27 women's groups received funding to develop income-generating activities, which had a direct impact on 1,000 women. A total of 19 women's groups were trained in agro-processing techniques and quality management, and 12 groups were trained in agropastoral techniques, financial management and entrepreneurship. To help market the products processed by the women's groups, a trade fair was organized in Gao.

HUMAN SECURITY AND POST-CRISIS REHABILITATION



Man-made or natural disasters will always pose a threat to populations across the globe, but it is the most

vulnerable who are least able to prepare for, or to recover from, such disasters. In the past decade, armed conflict, poverty, food insecurity, terrorism, climate change, and other environmental factors have led to an unprecedented movement of people, with 1.7 billion people leaving the country they were born in. Most of them are from the world's poorest populations.

UNIDO takes a holistic, inclusive approach to building resilience to crises in the most vulnerable communities, so that all areas of society prosper and future risk is mitigated. It contributes to post-crisis recovery efforts by rebuilding productive capacities. Through its work to strengthen and develop productive activities, the Organization helps to forge social equity and cohesion, allowing the development of stable societies and the achievement of the 2030 Agenda.

UNIDO supports refugees, migrants, asylum seekers, women and youth, and other vulnerable groups through its work on training and education, value chains, technology transfer, and institutional capacity-building. As a result of these endeavours, UNIDO helps create new job opportunities and raise employability, improving social cohesion between displaced people and host communities.

Empowering Syrian refugees in Turkey through fashion

The conflict in the Syrian Arab Republic has displaced millions of people. Turkey has taken in around 3.5 million refugees, making it home to the largest number of Syrian refugees in the world. About 10 per cent of the refugees live in temporary protection centres across the country's southern and south-eastern provinces.

If they are unable to work or improve their living situation, refugees, in particular more vulnerable groups such as women and youth, risk becoming less stable, less resilient and in the end can lose hope for the future. There is a great need among the refugee community for knowledge and training to enable them to contribute to society and sustain their own livelihoods.

To address this, UNIDO joined local partners in providing refugees with valuable skills for their full participation in society, helping them to build



Syrian refugees in Turkey showcase their new skills in apparel manufacturing at fashion shows

resilience, and contributing to social stability. The Japan-funded project trained refugees in operating sewing machines, maintaining equipment, pattern making, and managing production. It was delivered by local trainers who were themselves trained by international garment experts. The training took place in the Kahramanmaras and Islahiye camps in central southern Turkey and targeted mainly women and youth.

In total, 1,153 people were taught how to operate a sewing machine and make patterns in on-the-job training, giving them the opportunity to participate in the country's \$933 million garment business. Over a third of those also attended seminars on how to set up a business and obtain a work permit. All of the

participants were registered in the employment pool, run by the Turkish Labour Agency in Kahramanmaras; this is an important step in finding a job. UNIDO provided training for 12 people who could then act as trainers to ensure the sustainability of the project.

Fashion shows held in Ankara and at the Kahramanmaras camp allowed participants to show their achievements since being forced to flee their country, restoring a sense of pride and dignity. Speaking at the show in Ankara, participant Mecid Abdulkrem said: "We started living in camps and times were difficult. This course was very important for its psychological and vocational contribution. Now we have hope for the future."

UNIDO PROGRAMME FOR THE ECONOMIC EMPOWERMENT OF YOUNG WOMEN AND MEN

Across the globe over 70 million young people are unemployed, and many millions more live in working poverty, often lacking the opportunities for training or further education. With 40 million young people entering the workforce every year, creating opportunities for decent work for youth is vital for tackling poverty and ensuring future prosperity.

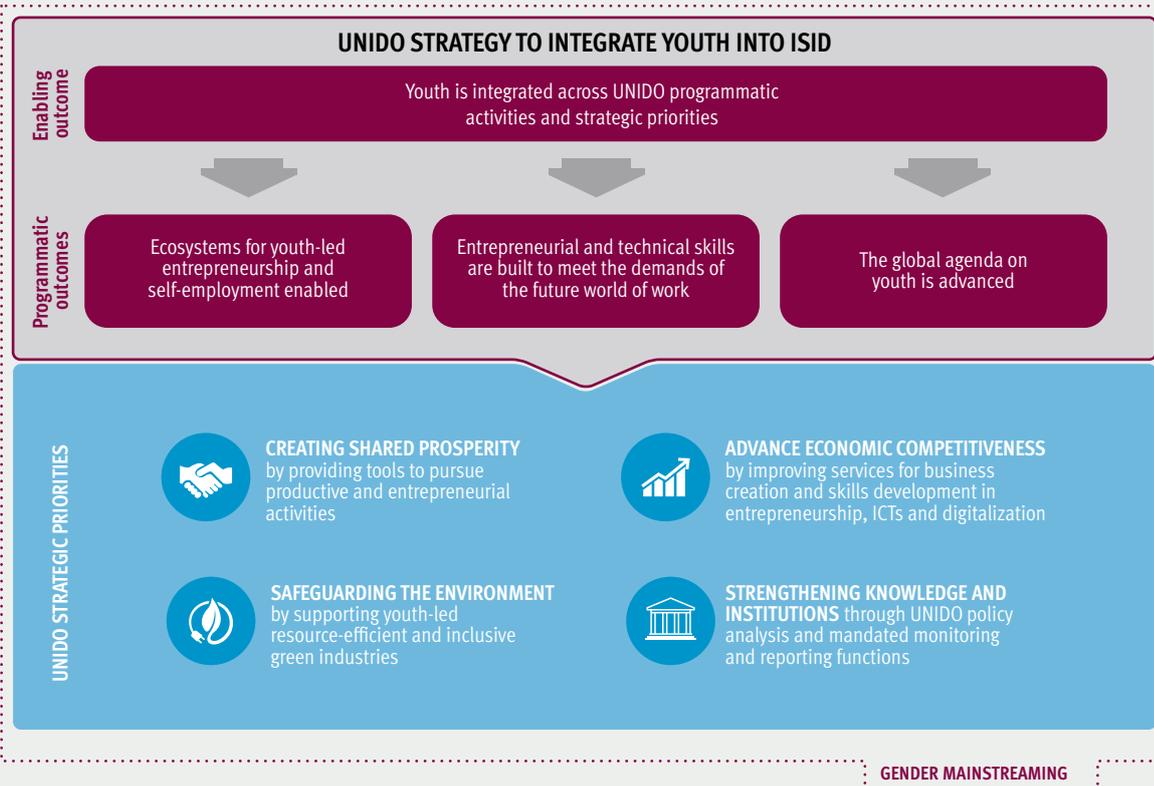
Under its mandate to promote ISID, UNIDO has a long track record in working with countries and businesses to develop the conditions needed to create decent work. It seeks to strengthen opportunities for productive work for youth through entrepreneurship in strategic industries and related services, helping countries and their growing populations reach their full economic potential.

Responding to a request from its Member States, UNIDO is launching a Youth Strategy in 2019, placing the economic needs of young women and men at the heart of its activities. The strategy, similar to the UNIDO policy on gender

mainstreaming, will ensure that youth priorities are integrated across all areas of the Organization, to increase the impact of programmes and projects on youth employment.

UNIDO currently operates youth projects and programmes worth \$34.3 million across 15 countries, which support policies that enable young women and men to enter the world of work through decent employment and entrepreneurship. To date, UNIDO has provided training and advice to over 10,000 beneficiaries, including young women and men in training, employees at institutions and educational establishments, and financial and non-financial service providers.

The Organization takes an innovative and integrated approach to the economic empowerment of youth through programmes, such as the Entrepreneurship Curriculum Programme (ECP), which has so far been introduced in 11 countries, the entrepreneurship training toolkit Start and Grow, implemented in Ethiopia and Myanmar, the Inclusive



Development and Entrepreneurship for All (IDEA) methodology, applied in Nigeria and Senegal, and the cooperation with HP Life for skills development, in Nigeria and Tunisia. In Tunisia, the partnership with the United States Agency for International Development (USAID), the Italian Development Cooperation and HP Life has supported more than 160 start-up businesses since its launch in 2013.

Through long-standing experience in industrial development and a strong presence on the ground, UNIDO works with key stakeholders and partners to raise its impact and for a coordinated approach to current and future initiatives. These include strategic partnerships with fellow United Nations organizations. As part of its PCP in Ethiopia, for example, UNIDO works with the United Nations Conference on Trade and Development (UNCTAD) on the development of a national entrepreneurship strategy, with a strong focus on youth and women. Similarly, the Organization partners with FAO to develop a large-scale joint programme on youth entrepreneurship in agribusiness in Africa.

UNIDO also collaborates with institutional partners such as the European Union, the World Bank and AfDB, youth organizations such as AIESEC and Junior Chamber International, youth business associations in countries of operation, private-sector partners such as Hewlett-Packard, Orange, Scania, and Volvo, and foundations such as Fondazione CRT.



At the global level, UNIDO is well-positioned among the thematic leaders in youth entrepreneurship and self-employment, through its continuous engagement in the Inter-Agency Network on Youth Development, the ECOSOC employment chapter, and the Global Initiative on Decent Jobs for Youth. Within the latter, UNIDO is among the lead agencies in the thematic area on youth entrepreneurship and self-employment, and co-organized the first “Youth Entrepreneurship and Self-Employment Forum” held in Dakar in November.



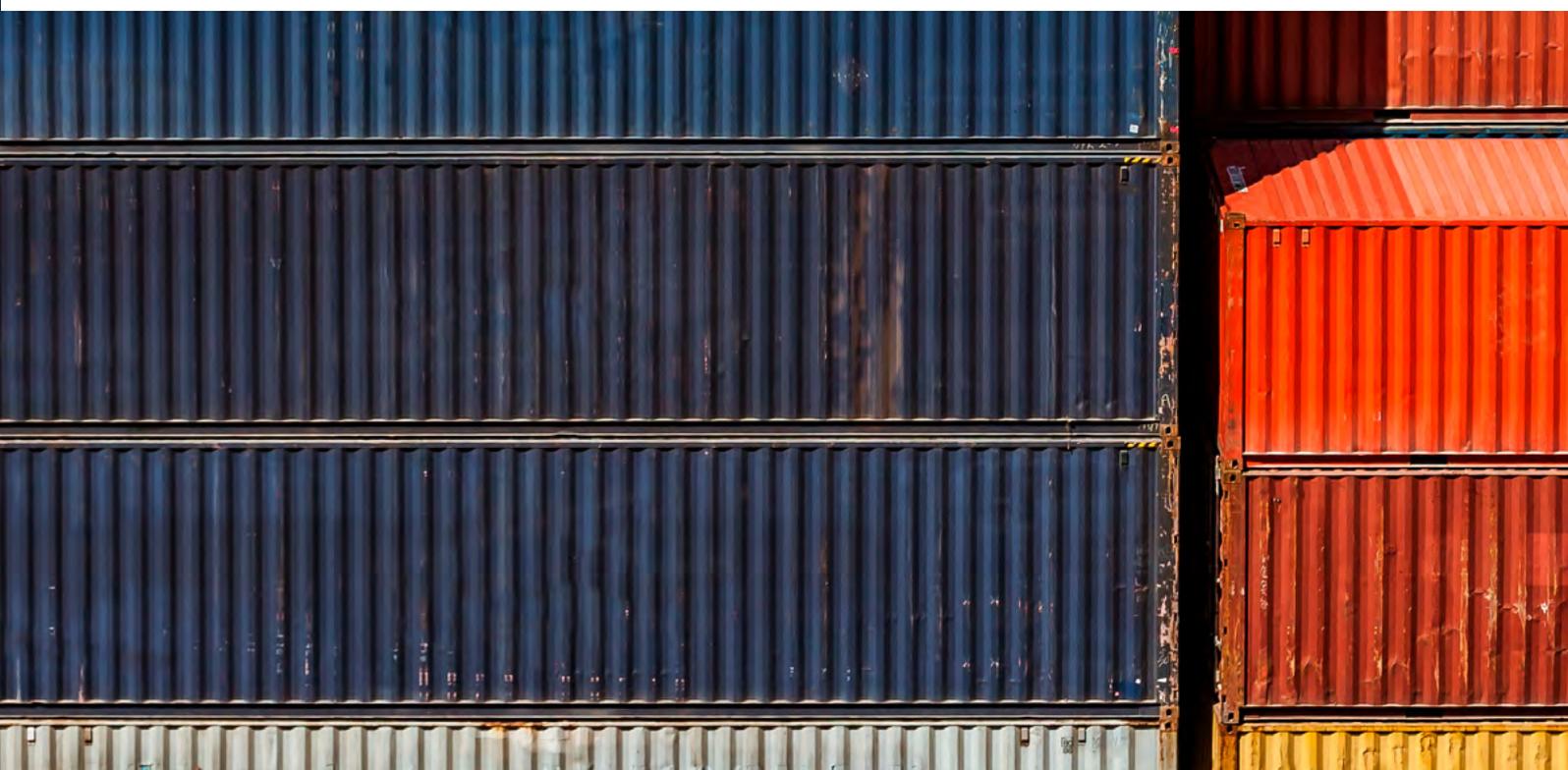


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ADVANCING ECONOMIC COMPETITIVENESS

Inequalities, rising political uncertainty and emerging trade tensions threaten to unsettle the global economic recovery, with investment levels under pressure. To counter these risks and pave the way for ISID, it is necessary to build economic conditions that distribute the benefits of growth more widely. UNIDO works to level the playing field for developing countries, which face particular challenges to access global value chains.

The Organization helps build trade capacity through programmes that raise productivity in SMEs, facilitate technology transfer and allow better access to global markets. It also assists Governments in meeting compliance standards to increase competitiveness, while deploying its power as a convener to share best practices, encourage innovation and attract investors. UNIDO also supports the development of entrepreneurship by building business skills and fostering a more entrepreneur-friendly environment.



INVESTMENT, TECHNOLOGY AND SME DEVELOPMENT



SMEs are central drivers of growth in developing countries, accounting for the majority of jobs created. This makes a thriving, open and modern SME sector essential for fostering more equitable growth and delivering ISID.

But many SMEs face challenges to successfully entering global value chains. These include a poor business environment; difficulties in meeting product quality and environmental standards; and a lack of resources, such as financing, skills and knowledge networks. Success also depends on their ability to innovate and invest, which can be hindered by an unsupportive regulatory environment.

UNIDO works to deliver customized training programmes designed to raise productivity and efficiency levels among SMEs in line with their particular needs, and to develop the standards and skills they require to thrive in competitive global value chains. In turn, this offers opportunities to access the finance and technology needed to create resilient economies and improve livelihoods.

The Organization also builds capacity through the “cluster” approach, which brings together SMEs operating in complimentary industries. They benefit from shared knowledge and from sharing facilities, which cuts costs and improves managerial efficiency. Knowledge-sharing is further developed through ongoing consultations with stakeholders, which reinforce best practices.

UNIDO also helps SMEs adapt to new technology driving areas such as e-commerce, which is expected to account for almost 15 per cent of all retail trade by 2020, twice as much as in 2015. This rapid pace of development profoundly affects global production networks and retail businesses, creating opportunities for SMEs to internationalize their businesses.

Among emerging economies, BRICS countries lead on e-commerce development. Nonetheless, the countries face challenges such as uneven e-commerce regulations and underdeveloped logistical and IT infrastructure. In 2016, UNIDO launched a two-year project to address some of these issues. To strengthen SME development through e-commerce, it targeted SMEs, policymakers, think tanks, and e-commerce platforms.

UNIDO developed an e-commerce training programme to provide SMEs with a strong foundation in e-commerce concepts and skills needed to integrate into established global supply chains, promote knowledge sharing, boost transfer of technologies, and highlight the importance of quality infrastructure and standards in e-commerce. UNIDO has also produced a good governance framework and industry alliance to promote cross-border partnerships in e-commerce.

Industrial cooperation between enterprises from developed and developing countries benefits from impartial brokers that foster and support mutually beneficial investment and technology transfer opportunities. Through its Investment and Technology Promotion Offices (ITPOs) located in nine cities in eight countries (Bahrain, China (Beijing and Shanghai), Germany, Italy, Japan, Nigeria, the Republic of Korea, and the Russian Federation), UNIDO bridges global investment and technology gaps.

Driving efficiency in the automotive component industry in India

A fast-growing Indian economy is good for the country’s automotive component industry, as middle-class demand continues to drive car sales. But many of the large number of SMEs that make up the sector do not meet the quality requirements of original equipment manufacturers and Tier-1 automotive component manufacturers, which operate higher up the production chain.

Looking ahead, the operating environment is likely to get tougher as environmental and safety concerns force a tightening of regulations and disruptive technology requires greater innovation and investment.

To take advantage of opportunities for growth and to compete effectively in a rapidly changing market place, SMEs operating as so-called Tier-2



manufacturers need to improve their skills and technical knowledge.

To address this, UNIDO launched a four-year project with the Automotive Component Manufacturers' Association of India, as part of a partnership programme to help the sector.

This project culminated in 2018, with the employment of international experts to train trainers, who were then deployed to specific SMEs to work with managers and employees on new production methodologies.

In all, 16 national experts provided hands-on training to staff on lean manufacturing techniques, which minimize waste, and on organizational principles.

They learned quality-improving techniques and how to deal with set-up problems at their own workstations, giving employees greater control and a better understanding of how processes are linked.

Regular round-table discussions helped to build knowledge and share best practice and innovation ideas. The success of the project led to other SMEs asking to join the training programme, while those who attended the first part of the training will receive advanced training in 2019.

A total of 152 SMEs benefited from the training, which resulted in an average rise of 46 per cent in productivity and quality in the cluster of firms targeted. There was also a marked improvement in safety, with employees reporting a better, cleaner, more organized workspace. A rise in skills generated a greater sense of pride among employees in their work and higher levels of involvement, with absenteeism also down.

Intelligent manufacturing technology for SMEs

SMEs in China are facing an increasingly challenging environment, with rising costs and intensifying competition. Embracing new smart technology associated with the Fourth Industrial Revolution is one way that firms can raise their competitiveness. Adoption of intelligent manufacturing processes throughout the chain will increase energy efficiency, lower production costs and create a healthier working environment.

Working with the China International Center for Economic and Technical Exchanges (CICETE), UNIDO is implementing a three-year pilot project in Shanghai, China, to improve Information and Communications Technology (ICT) infrastructure in local SMEs, to enable them to benefit from intelligent manufacturing.

UNIDO trains trainers who will then hold workshops and seminars on intelligent manufacturing in selected business associations and subsectors. Participants receive training on the new technology and practices to help them change production processes and access international networks, allowing them to better meet customer needs.

Expected to be scaled up, the demonstration project will raise awareness of intelligent manufacturing among SMEs in Shanghai, supported by the UNIDO International Intelligent Manufacturing Conference, which will act as a platform to exchange views.

In tandem, UNIDO is also collaborating with CICETE, the coordinating agency of the Government of China for UNIDO projects, to strengthen global innovation networks. UNIDO responded to a request from CICETE to establish the Shanghai Global Science and Technology Innovation Center, to develop the

continuous technological upgrading of MSMEs in priority manufacturing sectors.

UNIDO has also helped to establish an annual conference on global science and technology innovation, which acts as a platform for policymakers to exchange knowledge on the latest technologies.

The second “Global Science and Technology Innovation Conference” was held in Shanghai in November and provided a valuable forum for decision makers to showcase the latest technology developments and highlight future opportunities. The conference was attended by around 500 participants from business, academia and the public sector.

COMPETITIVE TRADE CAPACITIES AND CORPORATE RESPONSIBILITY



The benefits of international trade are well known. It provides greater commercial and investment opportunities, helping to boost employment and cut poverty. It can raise competitiveness by cutting the cost of inputs and increasing the value added of products, allowing companies to move up the global value chain. It also increases choice and encourages innovation and diversification.

But a less stable international environment and the possibility of global trade wars threaten to slow trade flows. Developing countries could feel the effects most, as investors respond to the uncertain climate.

Against this less than favourable backdrop, developing countries also continue to face considerable barriers to entering international export markets due to the ongoing tightening of non-tariff barriers, such as product regulations and rules of origin. This is especially true for least developed countries (LDCs), given the higher level of non-tariff barriers on agricultural goods, which make up more of

their exports, and their inability to meet the costs of compliance.

UNIDO has a long record of helping countries overcome these challenges through its technical capacity-building programmes, designed to help countries meet ever more stringent product standards related to quality, health, safety, and the environment. To this end, UNIDO supports national standards organizations, testing laboratories and accreditation bodies, to help ensure their effectiveness. This can be through staff training at SMEs, business associations and national institutions, as well as through the transfer of appropriate technology.

UNIDO also offers a wide range of services to enterprises in developing country, to improve their corporate social responsibility (CSR). These include the establishment of CSR platforms to promote partnership between the public and private sectors; support to companies to develop sector-specific ethics and transparency, based on international standards; the provision of in situ training of local experts who can then support business and institutions; the implementation of pilot interventions to further build skills on the ground; and the establishment of hubs and networks for CSR excellence.

Supporting national quality programmes in the Sudan

The Sudan currently lacks adequate infrastructure to measure the standards and quality of its products, which harms competitiveness and prevents industry from maximizing its potential to trade both internationally and nationally.

Support for companies to meet national and international standards and to comply with technical regulations is therefore critical for the promotion of sustainable growth and the protection of health and safety of the Sudanese population.

In a two-year project, which ended in December 2018 and was funded by the International Islamic Trade Finance Corporation, UNIDO provided technical assistance to the Sudan to overcome technical barriers to trade (TBT) by strengthening its national quality infrastructure and accreditation capacities.

The first part of the project, which was implemented as part of the “Aid for Trade Initiative

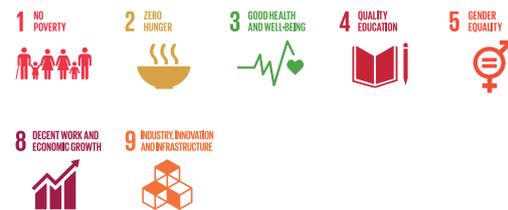


for the Arab States”, focused on developing a national quality policy. UNIDO assisted the country’s National Quality Policy Committee in establishing and adopting a strategy in line with the TBT agreement of the World Trade Organization (WTO). This will help the Government develop its standardization, metrology, accreditation, and conformity assessment.

The second element of the project looked at strengthening accreditation infrastructure through South-South cooperation. Based on its advanced experience in this field, Tunisia was selected to carry out capacity-building activities to help the Sudan provide internationally recognized accreditation services to testing and calibration laboratories.

In all, 15 lead assessors and technical assessors from the Sudanese Accreditation Council were trained by Tunisian experts, a management system was established and three Sudanese laboratories are in the process of obtaining internationally recognized accreditation certificates.

ENTREPRENEURSHIP DEVELOPMENT



As a key driver of employment and growth, entrepreneurship plays important role in sustainable development and poverty eradication. For individuals it creates an opportunity to apply their skills and knowledge. On a broader scale, it can help disadvantaged groups, such as women and youth, gain productive work.

In developing countries, entrepreneurship is on the rise. Africa in particular has seen a boom in recent years, with over a fifth of the working-age population launching start-ups. Countries such as Kenya, Rwanda, Senegal and South Africa are among those where start-ups flourish. They are an important conduit for innovation. But in many countries low

skills and educational development, a lack of access to resources and a restrictive business environment prevent entrepreneurs from reaching their potential.

The Entrepreneurship Curriculum Programme (ECP) is referred to above as a flagship initiative of UNIDO in support of young women and men. It strengthens national capacities to support entrepreneurs and develop skills, opening opportunities for employment, especially among youth. The programme introduces a hands-on entrepreneurship curriculum into secondary schools and vocational colleges to build young people's business skills. Boys and girls in both urban and rural areas learn how to turn ideas into action by exploring creativity, innovation and risk taking, while also becoming familiar with planning and management skills.

As well as setting up the programme, UNIDO works with Governments to help them establish their own programmes in response to particular needs and priorities, and facilitates the sharing of information,

so that lessons can be learned. To date, 11 countries have implemented an ECP, reaching over 2 million students.

Some of the developments in 2018 include: an entrepreneurship sensitization workshop in Afghanistan hosted by UNIDO with 90 participants from the Ministries of Education, Industry and Agriculture, followed by two days of concept planning workshops for curriculum experts as part of a planned curriculum reform and a commitment from the Government to develop a national programme; training for 69 teacher trainers from eight industrial, commercial and agricultural schools in Egypt to identify and integrate entrepreneurial skills into their lessons, which benefited some 800 students; and training for teachers and staff of the Ministry of Education in Nigeria on revised trades and entrepreneurship curriculums and new learner-centred teaching, which led to 720 students receiving new skills in six pilot secondary schools.

UNIDO IN GENEVA

Geneva has a high concentration of United Nations and other international organizations, is a major venue for intergovernmental meetings, and is an operational hub of the United Nations for the implementation of the 2030 Agenda. The UNIDO Office therefore plays a crucial role in strengthening the strategic positioning of the Organization in Geneva, maintaining close contacts with the Permanent Missions to UNIDO based there and promoting cooperation with other Geneva-based international organizations.

On average, UNIDO in Geneva participates in 100 to 200 conferences, meetings and workshops per year and maintains

close partnerships and cooperation with United Nations entities, especially in the areas of trade, investment and technology.

Highlights in 2018 were the high-level panel for "Mobilizing investment for ISID in Africa", organized in the context of the UNCTAD World Investment Forum, the international conference on "Access to quality medicines in Africa and other medical products in francophone Africa" organized by the International Organization of the Francophonie (OIF) and a special session on the Global Manufacturing and Industrialization Summit (GMIS), organized in cooperation with International Telecommunication Union.

SUPPORTING THE PHARMACEUTICALS INDUSTRY IN DEVELOPING COUNTRIES

The development of high-quality local pharmaceutical manufacturing is now widely recognized as an important element in improving access to safe and affordable medicines in developing countries and LDCs. It can also contribute to establishing knowledge-based economies and to creating high-value jobs, both directly and through support for industries.

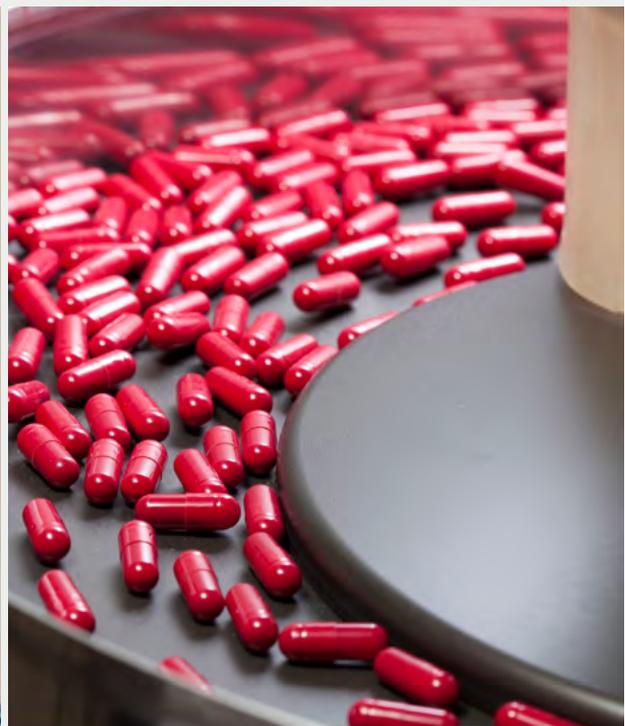
Since 2006, UNIDO has implemented a programme on this issue with the support of Germany. It has focused much of its work on countries and regions in Africa, and the industry is now identified as a priority under IDDA III. Its importance was highlighted in 2018, as Africa Industrialization Day focused on the pharmaceutical industry.

To achieve health and industrial development benefits, the local industry must produce high-quality and affordable products. UNIDO takes a holistic approach to supporting industry, advising on the creation of a conducive environment in which these ends can be achieved.

UNIDO works closely with many partners, including the AUC, UNAIDS, and the World Health Organization. It also engages strongly with the private sector by supporting trade associations, and has been working with 120 companies to assess their compliance with quality standards and provide advice to them.

Through a partnership with the West African Health Organization (WAHO), a framework for the ECOWAS region to guide the upgrading of manufacturing in a consistent fashion across the 15 Member States was validated in 2018. A relationship agreement request from WAHO to develop a comprehensive approach for the implementation of the framework across the region was approved by the IDB in November.

Given the wide-ranging benefits of the project, UNIDO aims to adopt a programmatic approach, enabling it to scale up activities, leverage its convening power, and deliver lasting progress to contribute to, inter alia, SDGs 3 and 9.



LEADING THE WAY ON QUALITY INFRASTRUCTURE

In a highly competitive modern trading environment, it is important for businesses to access and compete in new markets. One critical element in this is the ability to show that goods and services comply with international standards in quality and safety. Governments have a key role to play in providing the right quality policy framework to support businesses in meeting an increasingly complex array of rules and regulations on quality, standardization, accreditation, metrology, and conformity. In many developing countries such policy tools are often lacking.

UNIDO is the largest multilateral player in quality infrastructure development. It has a record of over 40 years of supporting partner countries to raise their competitiveness through quality and compliance with standards.

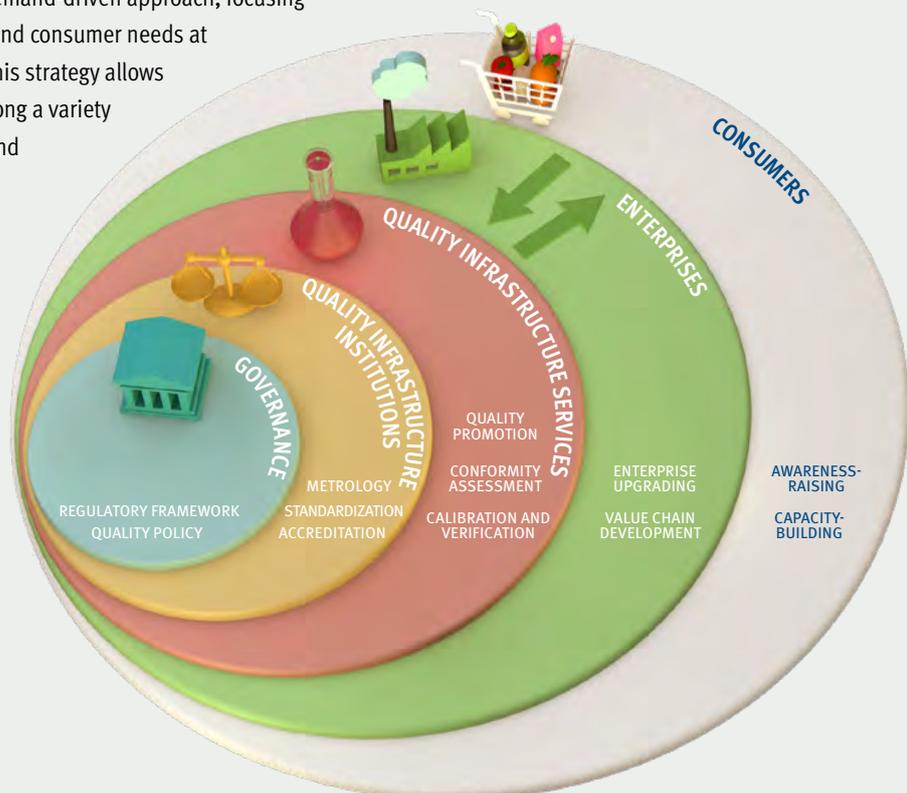
Using targeted interventions that enhance national capabilities of standardization, metrology, conformity assessment, accreditation, and market surveillance, UNIDO helps countries build good governance and quality infrastructures to develop productive capacity and be able to expand their export base.

The Organization takes a demand-driven approach, focusing strongly on the private sector and consumer needs at national and regional levels. This strategy allows it to adapt to specific needs along a variety of value chains, such as fruit and vegetables in West and Central Africa, coffee in West, Central, and East Africa, and cosmetics in Colombia.

Ensuring that quality policy aligns with the business environment and meets the demands of markets facilitates greater market access for businesses, provides new investment opportunities, and ultimately helps firms to boost their competitiveness.

One successful example is a programme started in 2001 with the European Union to develop a quality culture in the Economic Community of West African States (ECOWAS) region. Since 2014, the project has been running in its third phase as the “West Africa Quality System Programme”. One important component of the programme is work to improve testing laboratories in the region, to verify products against international standards.

Under the programme, the Environment and Agribusiness Laboratories (ENVAL) in Côte d’Ivoire has grown from humble beginnings in 1999, with a space of 50 square metres and a capital of \$1,700, into a major operation with some of the most important laboratories in physico-chemical and microbiological analysis in West Africa, capital of over \$608,000, and occupying two buildings.





UNIDO-supported Environment and Agribusiness Laboratories (ENVAL) in Côte d'Ivoire

ENVAL has extended its coverage at national level and established the first textile analysis laboratory in the subregion. It also expanded its activities to include soil, foliage and oil analysis, as well as noise and air quality measurement, and established a number of partnerships with private-sector companies. On his company's involvement with ENVAL, Carrefour quality manager Matenin Cissé said "The reliability of the ENVAL laboratories' analyses, the competitiveness of their testing costs, their optimal delivery times and the good management of their relationship with Carrefour explains why we have chosen this group since 2015 for the testing of our products."

Despite this and other successes, one factor hampering the development of better-quality infrastructure has been a lack of

consensus on how to define it. To fill this gap and help countries steer a clearer path forward, UNIDO launched a project in 2017 to raise capacity and awareness of the importance of designing and implementing effective quality policies. Standardized knowledge on quality policy infrastructure was shared with developing countries, thus enabling them to improve their quality infrastructure and technical regulation frameworks for greater market access.

Working with partners from the International Network of Quality Infrastructure (INetQI), the Finnish-funded project produced a set of recommendations for developing countries, based on a comprehensive review of all data on quality infrastructure frameworks across countries, highlighting best practices and case studies.

The key dimensions of quality policy development, coherence, optimization, governance, inclusiveness and sustainability were agreed upon, followed by a set of guiding principles for the formulation and implementation of quality policy. The *Quality Policy Guiding Principles*, the *Quality Policy Technical Guide* and the *Quality Policy Practical Guide* were launched at a side event organized with the State Secretariat for Economic Affairs of Switzerland during the WTO Technical Barriers to Trade Committee Meeting, held in Geneva in June 2018.

The set of principles allows each country to adapt and tailor the guidance to its specific needs. They also help countries develop their quality policies and infrastructures to best address their needs at a particular stage of their development, to facilitate access to global markets.



Currently implementing a quality infrastructure and trade-related portfolio of more than **€150 million**



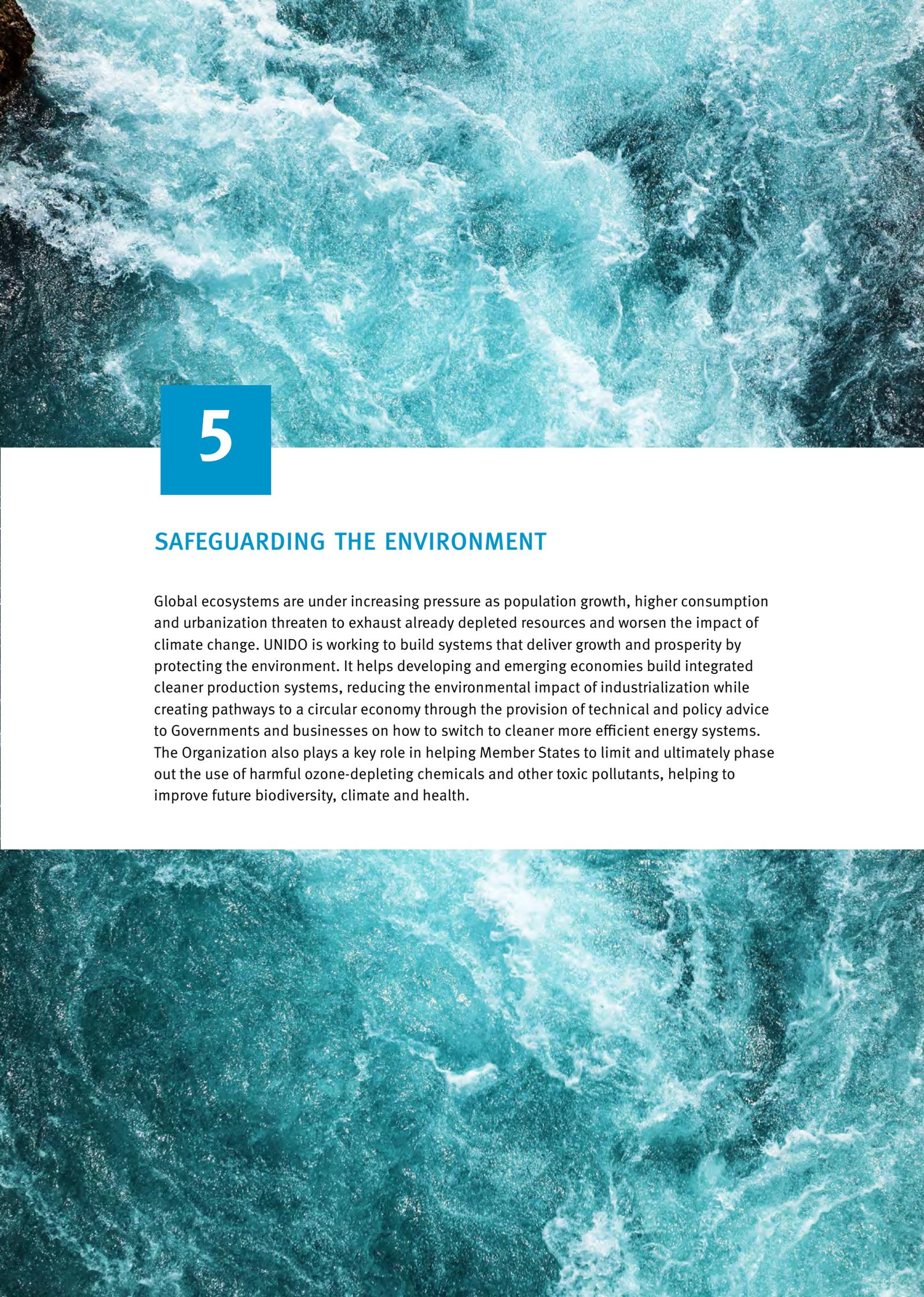
Supported more than **600 laboratories** in recent years in their achievement of international accreditation



Aided more than **100 countries** to develop their quality infrastructure



Guided over **2,000 enterprises** on the path to management systems certification

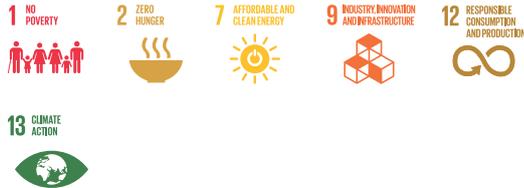


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SAFEGUARDING THE ENVIRONMENT

Global ecosystems are under increasing pressure as population growth, higher consumption and urbanization threaten to exhaust already depleted resources and worsen the impact of climate change. UNIDO is working to build systems that deliver growth and prosperity by protecting the environment. It helps developing and emerging economies build integrated cleaner production systems, reducing the environmental impact of industrialization while creating pathways to a circular economy through the provision of technical and policy advice to Governments and businesses on how to switch to cleaner more efficient energy systems. The Organization also plays a key role in helping Member States to limit and ultimately phase out the use of harmful ozone-depleting chemicals and other toxic pollutants, helping to improve future biodiversity, climate and health.

RESOURCE-EFFICIENT AND LOW-CARBON INDUSTRIAL PRODUCTION



The depletion of finite resources, rising populations, rapid urban expansion, growing middle-class consumption levels, pollution, and anthropogenic climate change are putting enormous pressure on the world's economic and ecological systems. UNIDO is working to counteract these trends by assisting Member States to move to integrated, resource-efficient and low-carbon industrial production. This will alleviate pressures on resources and the environment and help achieve the 2030 Agenda.

In support of these aims, UNIDO promotes green design, repair and recycling, and end-of-life treatment of products. It also provides technical assistance to enterprises and Governments on RECP techniques. These techniques raise efficiency and limit the use of environmentally harmful substances in industrial processes, thereby improving the economic, environmental and social performance of thousands of manufacturing industries.

The focal point of UNIDO activities in this area has been the joint RECP programme, run in collaboration with United Nations Environment Programme (UNEP). Over the course of the programme, UNIDO approved 16 projects with a total budget of \$22.9 million, and eight spin-off projects totalling \$60 million. As of 2017, there were 12 additional projects with RECP components or links under way, or about to be launched. By the end of 2017, the total value of RECP-related projects stood at just over \$580 million.

The final RECP workshop was held in Bangkok in October 2018, providing an opportunity to reflect on the successes and challenges of the programme, which has delivered technical and policy advice on

environmentally friendly processes directly to hundreds of enterprises and Governments in 13 countries, with indirect impacts reaching thousands more.

The work of RECP will now continue under the Global Eco-Industrial Parks Programme (GEIPP). The GEIPP seeks to scale up the RECP approach through the eco-industrial park structure, which brings together enterprises under one common management system, allowing them to share and exchange resources and develop new efficiencies. An International Framework for Eco-Industrial Parks and the associated practitioner's handbook were issued jointly in December 2017 by UNIDO, the World Bank Group and the German Agency for International Cooperation (GIZ).

In 2018, UNIDO also renewed two European Union-sponsored flagship environmental programmes: the SwitchMed programme, which is entering a second phase, including a MED TEST III component; and Greening Economies in the European Union's Eastern Neighbourhood (EaP Green), which will be continued as EU4Environment.



In Kenya, RECP interventions included replacing diesel-fueled trucks with a ropeway system to transport tea leaves

Promoting a transition to a circular economy

As part of its drive to deliver ISID and achieve SDG targets, UNIDO has long embraced the ideas behind the circular economy. It is now increasingly placing these aims at the heart of its programmes, both in its Department of Environment and throughout other areas of the Organization.

The basic idea behind the circular economy is one of regeneration, whereby the making, using and disposal of products, from raw materials extraction to production, distribution, use, waste management and final disposal, are transformed into a continuous, cyclical and regenerative process. This paradigm shift away from our current linear production systems, which are expensive, inefficient and which place enormous burdens on global ecosystems, will necessitate a global system in which goods are made, used, reused, repaired, and then converted once again into new raw materials. Transitioning to a circular economy will require a fundamental shift in how we think about production and consumption. However, there are signs that this is already happening among policymakers, business people and economists.

In making this shift, it is important that the differing needs of developing and developed countries are taken into consideration. A fall in demand for primary goods from developed countries could have a negative impact on poorer nations, in particular LDCs, which rely heavily on exports. At the same time, LDCs and other developing economies may lack the skills and technology necessary to make the circular economy possible. UNIDO is therefore working to ensure that the circular economy will benefit the global economic system, including developing economies. Building on decades of work helping developing countries to move to more resource-efficient, clean industrial products, processes and industrial standards, the Organization is positioning itself as a key provider of technical cooperation to enable the smooth transition to a circular economy approach.

UNIDO offers an integrated policy framework through the creation of synergies between the Organization's environment work and other areas, such as agribusiness and trade, investment and



The fifth Green Industry Conference, Bangkok, October 2018

Held since 2009, the Green Industry Conference (GIC) is the premier global conference on green industry trends and practices, organized every two years by UNIDO and partner organizations. The fifth GIC, held in Bangkok in October, aimed to help Governments, industry leaders and other stakeholders design solutions to advance sustainable development through the greening of industry, in line with the 2030 Agenda. Attended by nearly 600 leaders from Governments, industry and research institutions from 51 countries, the GIC featured keynote presentations and sessions on resource management and circular economy, eco-industrial parks, waste management, greening business and supply chains, and financing for green industrial development. Discussions and interactive online surveys held as part of the conference, highlighted strong support for green industry as a catalyst for achieving a circular economy.

The conference culminated in the adoption of the conference statement, which will inform future international engagements on green industry and provide additional impetus for the promotion of green industry policies, practices and products in industries of developing and transition economies around the world.



innovation. It also produces publications and guidelines on its implementation to help equip countries with the technical know-how to transform their economies, and facilitates exchanges on circular economy measures globally.

In 2018, UNIDO was involved in consultative exchanges on the circular economy with over 30 Member States. The Organization also took part in a number of circular economy events around the world, such as a conference on the circular economy in tourism in South-east Europe in May, an international forum on the circular economy in Peru in September,

and the closing session of the “Second World Circular Economy Forum” in Yokohama, Japan in October. In addition, UNIDO conducted the second training course on “Greening Industry: Pathways to Circular Economy” in Bahrain for policymakers from Asia and the Pacific and the Arab region in December.

Greening economies in European Union Eastern Partnership countries

Over the past two decades, Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, and Ukraine, along with other post-Soviet States, moved from planned to market-based, globally integrated economies. They have recovered from the sharp rise in poverty and inequality that followed the collapse of the Soviet Union, but have not thus far attained the quality of growth and trust in institutions that should accompany economic development.

A number of countries have recognized green development in their national strategies and are on the way to introducing sustainable consumption and production practices. To speed up progress to a greener economy in the six European Union Eastern Partnership countries, UNIDO, UNEP, the United National Economic Commission for Europe, and the OECD launched the EaP Green project, with funding from the European Union and other donors.

The project, which concluded in mid-2018, helped countries achieve a sector shift to a green economy through the adaptation and adoption of practices and technologies for sustainable consumption and production, particularly in food, construction materials and chemicals.

Using demonstration activities and peer learning through RECP clubs, companies were able to identify and deploy the best methods and technologies for the continuous improvement of resource efficiency. In total, around 250 manufacturing sector industries were targeted, while between 2 and 10 RECP clubs were established in each country.

The project was instrumental in changing attitudes to resource use. Peer-group demonstrations were an important part of helping companies shift from their current approach. Local RECP service providers,

trained by international experts, gave companies the tools to change their practices, showing them the benefits of change. Its success has led to the project being extended under EU4Environment, which will be implemented by all the original partners, and the World Bank.

ACCESS TO CLEAN ENERGY FOR PRODUCTIVE USE



Climate change represents the single greatest threat to sustainable development globally, and is hitting the poor and most vulnerable hardest. The urgent need to respond to climate change is driving unprecedented change in how we produce and consume energy, with a growing shift from fossil fuels to renewables and a growth in digitalized, decentralized markets.

To meet the climate goals set out under the Paris Agreement, we need deeper and faster action to deploy low-carbon energy and raise levels of investment in energy efficiency.

Developing countries struggling with rapid population growth, poor infrastructure and growing urbanization, especially in parts of Africa and among LDCs, require particular support to establish decentralized, digitized and decarbonized economies.

UNIDO helps countries create clean energy ecosystems that will transform industry and business by providing technical and policy advice to Governments and businesses on how to deploy smart energy systems to improve access and efficiency.

The comprehensive approach of UNIDO includes: raising awareness by bringing stakeholders together; assisting Governments to build stronger regulatory

environments to support the switch to clean energy; and demonstrating new technology.

For example, through its GCIP, UNIDO works directly with developing country Governments and SMEs to support and adopt innovative, clean technology business models. Developing home-grown innovation will be crucial to the ability of countries to access a fair share of the \$6.4 trillion that will be invested in clean energy technologies in developing countries over the coming decade, \$1.4 trillion of which will be accessible to SMEs.

UNIDO is also active in mobilizing finance and is collaborating with partners to boost further investment through the PFAN.

Private Financing Advisory Network

Shifting to low-carbon energy and climate resistant technologies presents a number of challenges for developing and emerging economies. Chief among these is access to finance. The limited availability of investor-ready projects also halts progress towards adopting these technologies.

PFAN is a multilateral public-private partnership, designed to accelerate private investment into clean energy, with a particular focus on developing country SMEs. It mobilizes private-sector expertise in financing climate-friendly projects and technologies, helping companies select projects that are both economically and environmentally viable. It thereby acts as a bridge between investors, clean energy entrepreneurs and project developers.

Co-hosting the partnership, which was developed by the United Nations Framework Convention on Climate Change (UNFCCC), UNIDO and the Renewable Energy and Energy Efficiency Partnership are responsible for scaling up PFAN by providing technical assistance and easier access to finance for project developers, helping public and private investors to find bankable projects, and increasing business for consultant members in developing countries. This in turn helps to build new markets for climate technologies, develop financial service ecosystems and introduce best practices that can then be replicated.

The initiative has helped, inter alia, to accelerate financial flows into developing country SMEs, improved the capacity of local project developers and supported growth of the private sector. To date, it has raised \$1.4 billion for 113 projects, representing an annual reduction of 3.5 million metric tons of CO₂ and over 890 megawatts of clean energy capacity installed.

In 2018, five financing forums were held, 145 projects appraised, 45 showcased and 14 reached financial closure, raising a total of \$175 million. The PFAN project portfolio currently includes 146 projects valued at \$7 billion, representing 40 million tons of CO₂ equivalent.

In addition, UNIDO has built synergies between PFAN and other UNIDO programmes, extending its reach and enabling it to provide more integrated services to support climate technology.

In May, for example, a pilot initiative between GCIP and PFAN supported five market-ready GCIP-backed start-ups to receive financial advice from PFAN experts and exposure to the PFAN investor network.

GCIP, the largest cleantech acceleration programme in the world, has a solid record in helping hundreds of enterprises to accelerate innovative technology solutions through training in business and product development and facilitated finance for enterprises with innovative climate technologies. It is expected to cover 25 countries by 2025, as it moves into a second phase, GCIP 2.0, supporting commercialization in select high-impact enterprises.

Global Network of Regional Sustainable Energy Centres programme

Another barrier holding back the successful adoption of sustainable energy and low-carbon technologies in developing countries is the small, fragmented nature of the market, coupled with slow progress on strengthening innovation and entrepreneurship.

Greater economies of scale and a greater focus on supply-side solutions would help to address these challenges. One effective way to do this is to raise levels of integrated regional cooperation between countries, the private sector and civil society.

Building integrated regional markets that follow joint standards and a common framework would cut

investment risk and foster trade in sustainable and low-carbon products and services. Better regional coordination would also reduce duplication and fragmentation that often leads to the inefficient use of international funding, and would facilitate the implementation of international climate agreements.

However, in many parts of the developing world, the institutional capacities to promote regional sustainable energy cooperation are weak, with Governments often lacking resources to oversee complex technical sustainable energy processes.

UNIDO launched the Global Network of Regional Sustainable Energy Centres (GN-SEC) programme to speed up the development of integrated and inclusive sustainable energy markets in developing countries. Through the programme, UNIDO helps regional organizations to establish sustainable energy centres, provides technical services in the first operational phase of the centres and acts as a facilitator for better dialogue between Member States and regional organizations.

Since its launch in 2010, GN-SEC has evolved into a multi-stakeholder partnership comprising a network of sub-centres for Africa and the Arab region, and is now expanding into Central America, Central Asia and the Hindu Kush-Himalayan region. The centres act as knowledge hubs and a platform for the exchange of ideas, complementing and accelerating national efforts to promote renewable energy and energy



GN-SEC at the High-level Conference on Sustainable Energy and Development, October 2018

efficiency for productive uses in key sectors and to strengthen domestic energy entrepreneurship and innovation.

Delivering ISID through sustainable cities

More than half of the world's population lives in cities, and this level is expected to increase to two thirds by 2050. Urbanization, while bringing opportunities for growth and human well-being, exerts pressure on resources and on the environment's capacity to absorb waste and emissions. Cities currently account for 70 per cent of energy-related CO₂ emissions and consume 70 per cent of the world's resources.

Ensuring that urban growth is sustainable will be critical for future prosperity and for our ability to tackle climate change. This is only possible if cities embrace low-carbon technologies, infrastructure and innovation, becoming green hubs for climate action.

UNIDO is therefore supporting the transition to low-carbon and resilient sustainable cities as part of its commitment to delivering ISID. Without building the sustainable infrastructure and services needed in an increasingly urbanizing world, it will be difficult to develop the competitive sustainable industry sector needed for future jobs and prosperity. It will also be impossible to meet the Paris Agreement targets and the SDGs, unless low-carbon technologies and circular economy approaches are integrated into urban development.

UNIDO sustainable city projects help countries to address joint urban-industrial challenges, by providing technical assistance on policies, planning, and regulatory environments, and by carrying out pilot demonstrations on new technologies.

UNIDO engages with stakeholders to implement demonstration projects in areas such as transport and waste management. These prove the value and profitability of low-carbon technologies, and the positive results help raise awareness among local and international investors and encourage new funding for clean technology enterprises.

In 2018, UNIDO supported sustainable clean energy solutions in a number of cities across the globe including: the manufacturing of low-carbon energy-efficient mobility and piloting of smart grid



technologies in Malaysia; improving urban air quality through policy and partnerships in Côte d'Ivoire; piloting renewable energy-electric vehicle integration and manufacturing in China; and increasing waste diversion and recovery as well as developing waste-to-energy in India.

Sustainable city development in Malaysia

Around three quarters of the population of Malaysia live in cities and this is expected to rise to 82 per cent by 2030. The rapid pace of urbanization is putting pressure on the environment, making it harder for the country to combat climate change and to develop sustainably.

Ongoing dependence on fossil fuels, including coal, poor public transport and growing demand for cars, high air pollution levels, a lack of green spaces and inefficient buildings are all contributing to growing greenhouse gas emissions.

In cooperation with the Government of Malaysia, UNIDO is implementing a new demonstration project that supports sustainable urban planning and management and facilitates technology adaptation, helping to mitigate climate risks.

As part of the Global Environment Facility (GEF)-funded Sustainable Cities Integrated Approach

Pilot, at the local level the project focuses on the south-western city of Malacca as a pilot city. At the national level, it promotes a regulatory framework and business model that will encourage sustainable investment and the adoption of green technology in additional cities. A National Sustainable City Development Framework is planned to provide guidelines to scale up the project.

For cities with solar renewable resources, piloting technologies such as smart grids, smart charging, the re-use of electrical vehicle (EV) batteries for energy storage, and solar thermal cooling will be tested to increase renewable energy and energy efficiency in buildings and renewable energy for EV charging.

These measures will help Malaysia to develop integrated policy and technical regulations that remove barriers to EV and renewable energy integration.



Electric buses in Malaysia improve public transportation and protect environment and climate

IMPLEMENTATION OF MULTILATERAL ENVIRONMENTAL AGREEMENTS



The recently issued Intergovernmental Panel on Climate Change report on climate change provided stark warnings on the urgent need for global action to contain man-made environmental degradation. The work of UNIDO on assisting developing countries to implement multilateral environmental agreements (MEAs), particularly the Montreal Protocol on Substances that Deplete the Ozone Layer, provides a timely illustration of what can be achieved to combat climate change.

Between 1990 and 2018, UNIDO helped avoid the use and potential emission of over 340 million tons of CO₂-equivalent per year. The Kigali Amendment to the Montreal Protocol foresees the phase-down of hydrofluorocarbons (HFCs), which were designed to replace ozone-depleting substances but are themselves powerful greenhouse gases. Activities

under this amendment will contribute even more to climate change mitigation, preventing up to 0.5 degrees Celsius of global warming by the end of this century through direct emissions. The impact may even be greater, as there is a requirement to maintain or improve the energy efficiency of products affected by the Kigali Amendment.

As a leading global implementing agency of MEAs, which include the Montreal Protocol, the Stockholm Convention on Persistent Organic Pollutants (POPs) and the Minamata Convention on Mercury, UNIDO works with Member States to limit the negative effects of industrial production on the environment and on human health by promoting the enhanced production of green goods and services. Such agreements are crucial for developing countries, which are home to most of the world's industrial production, while also facing the most severe consequences of environmental degradation.

At the technical level, under the Montreal Protocol UNIDO assists industries in converting manufacturing processes and products to operate with substances that have no impact on the ozone layer. In addition,

VIENNA ENERGY FORUM

Since its launch in 2009, the biennial Vienna Energy Forum (VEF) has become one of the largest and most important international platforms for discussing global sustainable energy solutions.

Exceptionally, the VEF held a special session in May 2018, ahead of the HLPF review of SDG 7.

Under the theme of “Powering Innovation for Prosperity”, delegates discussed the importance of speeding up the transition from fossil fuels to renewable energy, as a vital step in achieving the 2030 Agenda and the Paris Agreement.

Sessions focused on energy system transformation, innovative climate technology, partnerships and entrepreneurship as vehicles for increasing energy access. They explored ways to foster economic growth and prosperity by achieving SDG 7. Discussions also highlighted the vast market potential of clean energy technology for sustainable industrialization.

Bringing together over 350 leaders from Governments, intergovernmental organizations, civil society, and the private sector, the forum concluded with the message that a systematic

approach, covering the complete technology lifecycle, including research and development, demonstration, deployment, and commercialization, was needed to scale up the deployment of climate-friendly clean energy.



The Austrian Foreign Minister and the Under-Secretary-General for the United Nations Department of Economic and Social Affairs attend the Special Session of the VEF 2018

UNIDO helps to build skills and knowledge on how to manage industrial gases in a sustainable way through recovery and re-use, as well as ensuring proper methods for installation and maintenance of refrigeration and air-conditioning equipment. UNIDO has been implementing hydrochlorofluorocarbon (HCFC) phase-out management plans in 86 countries.

In relation to the Minamata Convention, UNIDO is conducting initial assessments in 24 countries and leading action plans to minimize and ultimately eliminate the use of mercury in the artisanal and small-scale gold mining sector.

Through these activities, UNIDO changes entire industrial sectors by phasing out substances that degrade the environment, thereby helping to improve future biodiversity, climate and health indices and to foster more competitive and sustainable industries.

In 2018, UNIDO stepped up action in all three MEA areas. Since the adoption of the Kigali Amendment to

the Montreal Protocol in 2016, which came into force in January 2019, UNIDO has been increasingly aligning its activities to encompass energy efficiency measures in addition to introducing new technologies that do not harm the ozone layer.

Under the Stockholm Convention, a more coherent approach was developed to bring projects closer into line with the aims of the circular economy. An important step in this direction came in November with a meeting of around 50 UNIDO partner countries in Vienna under the heading “Circular Economy: Development of Recycling Industries”.

In September, UNIDO also hosted an international expert group meeting on the sustainable management of mercury waste, to begin to build a road map for an integrated approach to mercury waste management. This was further explored at the second meeting of the “Conference of the Parties to the Minamata Convention on Mercury” in November in Geneva.

TRANSFORMING THE MANAGEMENT OF PERSISTENT ORGANIC POLLUTANTS IN CHINA

Over the past four decades the Chinese economy has developed at an unprecedented pace, but this rapid growth has come at a high environmental price, with pollution levels surging. One important source of pollution is the widespread use of pesticides in the country's large agriculture sector.

By 2004, when they were banned under the Stockholm Convention, a total of 574,000 tons of pesticides containing POPs had been produced in the country. These chemicals have been proven to cause a series of health problems from allergies to cancer, reproductive disorders and damage to the immune and nervous systems.

A lack of knowledge among plant owners and limited national infrastructure or regulations to deal with the issue led to unsafe storage of POPs pesticides, with waste often left in open containers in vacant buildings or other empty spaces located in built-up areas. As a result, toxic chemicals seeped into the soil and groundwater, while powdered chemicals also escaped over time into the air, posing a health risk. Solutions such as burning the pesticides created more pollution in the form of fly ash.

The Government of China, which is committed to fulfilling its obligations under the Stockholm Convention to restrict or eliminate the production of POPs, recognized the importance of tackling the issue. However, its action plan, launched in 2007, lacked technical detail and was hampered by limited institutional know-how.

In response to a request from China, UNIDO initiated a five-year GEF-backed project to provide technical and policy support. The aim of the project was to dispose of 10,000 tons of accumulated POPs pesticides waste and 1,000 tons of dioxin-rich incinerator fly ash in fulfilment of Stockholm obligations. This would be achieved through strengthening the legal and regulatory framework for environmentally sound management and disposal of POPs waste, improving institutional capacity, and removing POPs pesticides waste and dioxin-rich incinerator fly ash from targeted contaminated sites and disposing of them safely.

In all, the project soundly disposed of 6,354 tons of pesticide POPs (DDT/HCT) and 42,000 tons of soil contaminated



by DDT/HCH, far above the original target. On POPs the aim was to eliminate 8.97 g of toxic equivalency (TEQ) from pesticides but the final figure achieved was 43 g TEQ, five times the target. In terms of fly ash around 106.9 g TEQ was destroyed, three times higher than expected.

But the project's success is not only measured in numbers. It is one of few GEF projects to have effected real transformative change to the system, making it sustainable in the long term. Extended three times before finally ending in December 2018, the project has succeeded on all measurable levels, scoring highly for effectiveness, relevance, and efficiency. It has made a tangible difference to the health of affected populations, with estimates ranging from 4 to 15 million people, and to the environment. For example in Hunan Province alone, the removal of POP pesticides at the Natian chemical plant greatly reduced the risk of contamination of the Xiangjiang river, which supplies drinking water to the city of Changsha, with a population of 4 million.

At the outset, 17 barriers to the sound management and disposal of POPs were highlighted. The project addressed all of the barriers and identified 30 policy instruments to

improve regulations and standards at the national, regional and city level.

Real change was made possible through a highly integrated approach, which focused on good communication with all stakeholders across 13 provinces and/or cities, showing the benefits of the project at each stage. Although this initially slowed progress, it meant that public administrators, local communities and businesses felt a high degree of ownership, which was a key factor in the project's success. It also quickly raised knowledge levels, which helped to break down barriers. One unexpected benefit of this was the high level of co-financing, which at \$80 million was twice the figure originally envisaged.

At the technical level, a policy was developed on removing barriers to the adoption of best available techniques and best environmental practice for the management and disposal of POPs, thus building sustainability. The fact that most technologies could be adapted in an industrial setting facilitated engagement with business and eased uptake.

Pilot projects were carried out to prove to policymakers the suitability of international standards to Chinese conditions, if they were initially unconvinced. This also helped push the adoption of new technologies. Firms, such as cement plants, that embraced new technologies were given a new source of income when many were faced with the prospect of closure due to overcapacity. Thanks to the project, the previously lengthy and expensive process to attain permits to treat hazardous waste has been simplified, with 50 firms now granted permission to handle toxic waste compared to only 2 previously.

The project also provided the principal guidance to 13 provinces and/or cities on the regulation of POPs and hazardous waste management, which is being adopted with the support of the Foreign Economic Cooperation Office. These regulations, where they have been adopted and mainstreamed, have been critical in generating incentives for cities and companies to adopt new technology, acting as a catalyst to long-term change.



Reduced health risk at **103** sites, with **3,000** to **730,000** inhabitants each



High risk of contamination of drinking water reduced for **4 million** people (city of Changsha)



Disposal of **6,352** tons pesticide POPs and **42,000** tons contaminated soil



50,000 tons of dioxin-rich fly ash disposed of and **30,000** tons treated



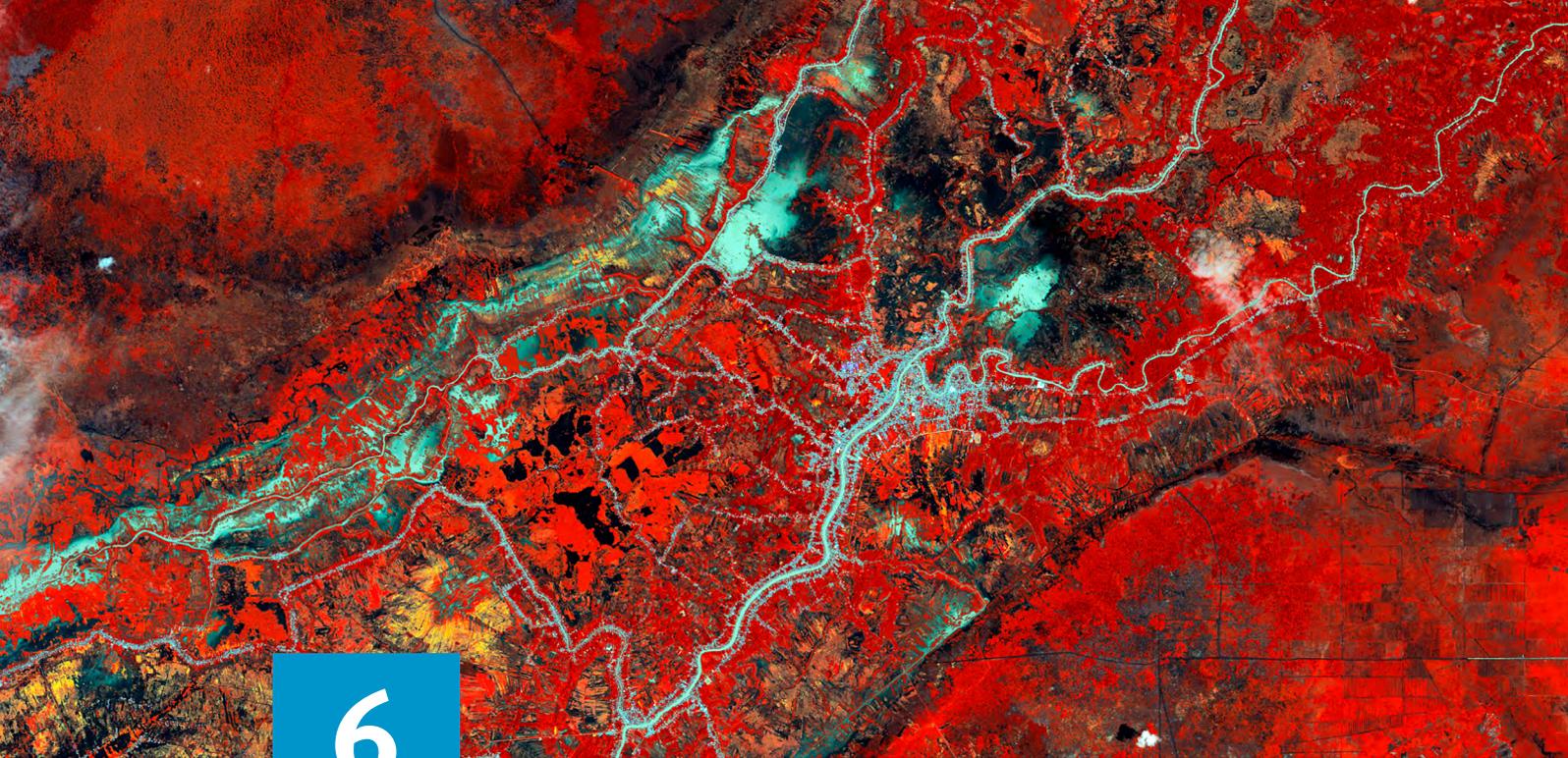
Human health risk for Beijing (population **20 million**) and Tianjin (population **1 million**) reduced



Further POPs disposal in **13** provinces and/or cities



Ownership and co-financing (**\$80 million**)

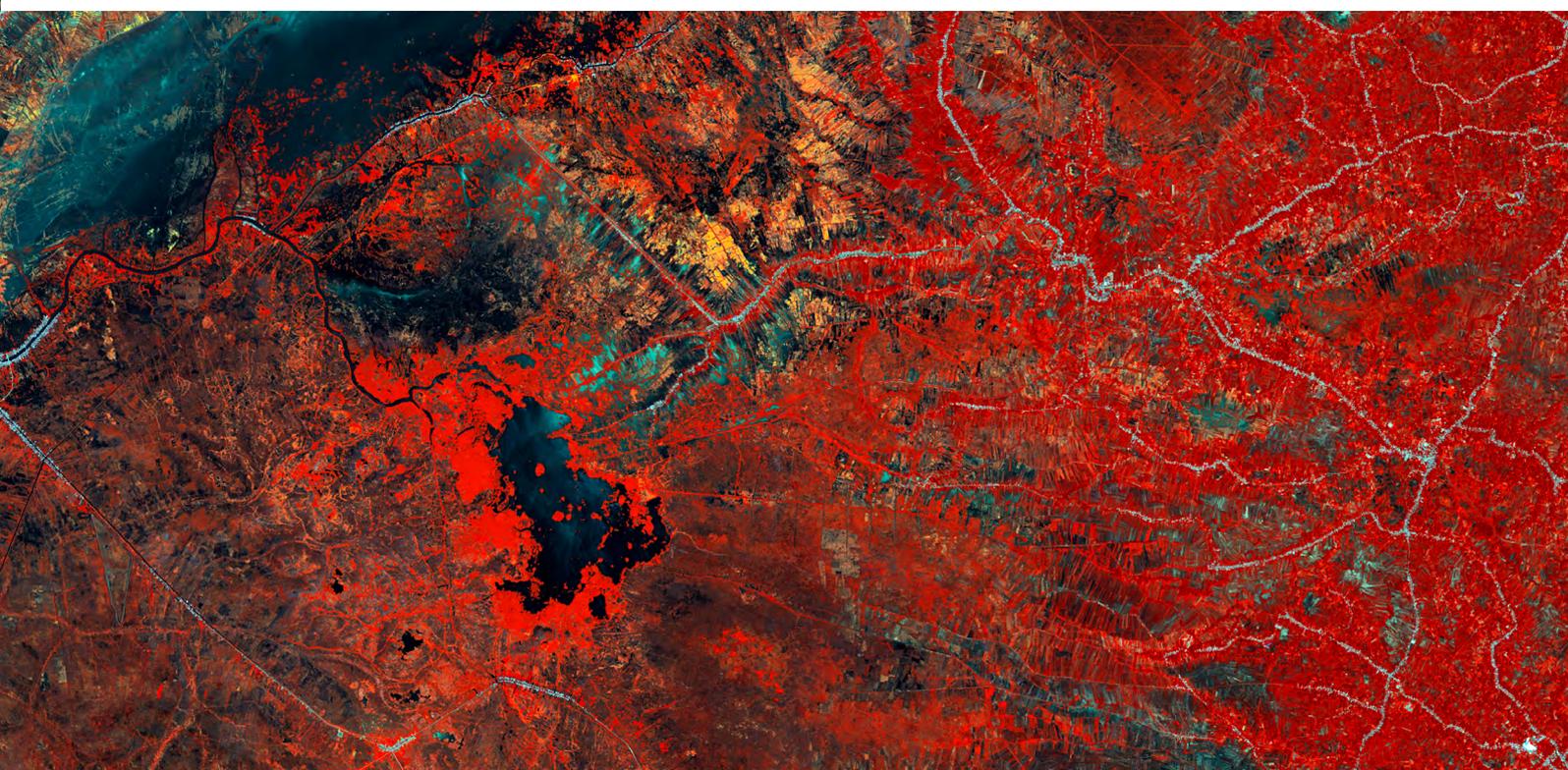


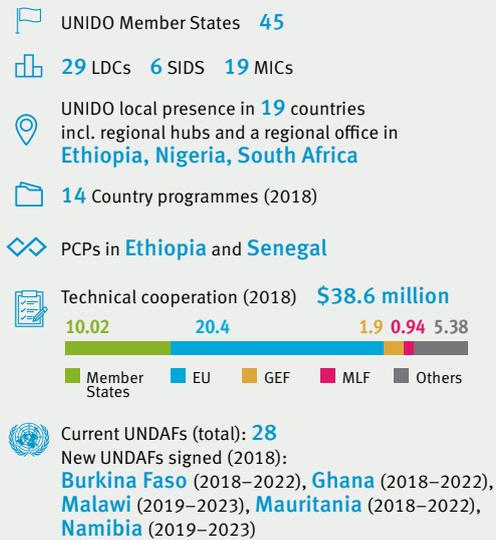
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REGIONAL PERSPECTIVES

In an era of globalization, interconnectedness is essential for resolving the plethora of existing development issues. In this context, UNIDO carries out its mandate at country, regional and international levels, in line with the varying needs of individual Member States. It supports greater levels of cooperation between regions as a vital component in efforts to boost investment, growth, and prosperity, and to tackle a wide range of cross-border challenges, such as climate change adaptation.

UNIDO pays particular attention to LDCs, which face some of the greatest development challenges, while also providing support to middle-income countries (MICs) and economies in transition in such areas as industrial competitiveness, trade and SME development. UNIDO places increasing importance on partnerships with Governments, international organizations and the private sector, inter alia, to achieve its aims and deliver ISID.





AFRICA

After drought and sinking commodity prices stymied growth in 2016, African economies recovered in 2017 and continued to grow steadily 2018, thanks to sound macroeconomic policies and progress in structural reforms.

Nevertheless, improving growth figures disguise persistently high levels of poverty, with the urban poor, women and youth most likely to be left on the margins. Structural changes need to go deeper to build more diverse economies that can boost productivity and deliver jobs and skills to a rapidly growing population. This will require policies that stimulate domestic investment, including infrastructure investment, science, technology and innovation, and which help to diversify exports, deepen rural-urban linkages, build stronger institutions via real regional integration, and promote green industry.

UNIDO at work in Africa

UNIDO plays a central role in guiding economies along this path, due to its unique position as the lead implementing organization for the IDDA III. UNIDO is involved in a number of practical programmes to

deliver on the decade, including the Action Plan for Accelerated Industrial Development of Africa, which seeks to mobilize financial and non-financial resources for ISID.

The Organization delivers on the ground, inter alia through its PCPs and country programmes. There are 14 ongoing CPs and seven about to get under way, five of which are with LDCs. The African continent is also where UNIDO piloted its PCP approach, with PCPs originally established in Ethiopia and Senegal. The new approach is gaining strength, with nine African countries requesting a PCP in 2018.

In Senegal, UNIDO supported the Ministry of Investment and Partnership Promotion in conducting the reform of the legal, regulatory and institutional frameworks governing the organization and functioning of special economic zones (SEZs) by providing technical input to the draft legislation, which created greater incentives for foreign investors.

The mobilization of partners continued on the basis of the completed pre-feasibility studies for the establishment of three agropoles in the north, centre and south of the country. The Government of Senegal and the AfDB, along with other partners coordinated

through the National Working Group on Agropoles, have committed and disbursed resources for the feasibility studies of the three agropoles. The hubs will act as a magnet to attract further investment into high-potential value chains, generating income and jobs, raising production levels and supporting development. Also, in November 2018, the Diamniadio integrated industrial park was inaugurated by President Macky Sall, an IDDA III champion. Through the PCP, UNIDO played a significant role in establishing the park by providing technical assistance with the development of its business model and investment incentive package, and with the finalization of legal, regulatory and institutional aspects related to the management and administration of the park.

In Ethiopia, over 300 applications were received by the Regional Industrial Park Development Corporation for a place in one of four planned integrated agro-industrial parks. Seven companies have been approved so far, including five international companies from China, the Netherlands, the Republic of Korea, and the Sudan.

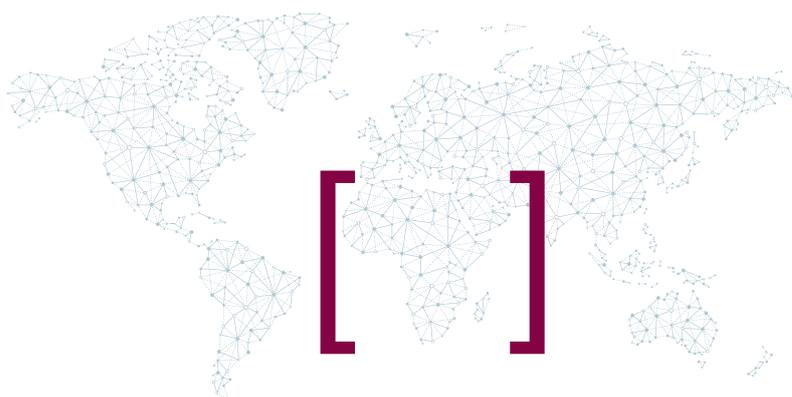
To date, the PCP has mobilized a total of \$300 million of public finance for large-scale industrial infrastructure projects. Under the PCP, UNIDO assists the Government in investment promotion by mobilizing additional funding from partners, preparing investment portfolios and organizing investment fairs, such as the second “International Agro-Industry Investment Forum”, which was held in Addis Ababa in March.

At country level, Nigeria started a new, largely self-funded CP (2018–2022), building on the previous six-year country programme (2012–2018), which saw standards in trade, competitiveness, and productivity improve. The new programme will focus, inter alia, on industrial governance, MSMEs, SEZs, industrial parks, and private-sector development.

The year has been characterized by deepening and expanding partnerships. UNIDO engaged Governments to back its PCP strategies. It has also held a number of events to generate more financial resources and improve collaboration with major donors. One example is the donor round table, which took place in Mauritania in July 2018, following the launch of a new country programme there.

In May 2018, a new memorandum of understanding was signed with the AfDB to further coordinate efforts to implement the IDDA III.

In March 2018, the African Continental Free Trade Area (AfCTFA) was launched in Kigali, Rwanda. Signed by 49 of 55 members of the African Union, it marks a major milestone towards deepening trade integration in the region. If successfully implemented, it will create the one of the world’s biggest single markets, with 1.3 billion people and a combined GDP of \$3 trillion. UNIDO is actively supporting the initiative as an important vehicle to help countries achieve sustainable development. Regional integration is key to industrialization, economic diversification and job creation. Increased trade and foreign investment will also help strengthen regional value chains, making it easier for SMEs to become more competitive.





UNIDO Member States **20**

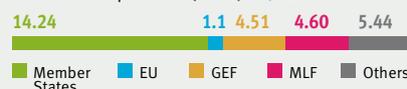
4 LDCs 1 SIDS 12 MICs

UNIDO local presence in **8** countries, incl. an ITPO, and a regional hub in **Egypt**

2 Country programmes (2018)

PCP in **Morocco**

Technical cooperation (2018) **\$29.9 million**



Current UNDAFs (total): **11**
New UNDAF signed (2018): **Egypt** (2018–2022)

ARAB REGION

The Arab region is facing a wide number of political and economic challenges. Political instability, a lack of regional cooperation, governance issues, and creeping desertification all threaten to stifle prospects for growth. GDP recovered modestly in 2018, but sustained levels of higher growth are needed to drive job creation to deal with the issue of youth unemployment, estimated at over a quarter of 15 to 24-year-olds. Harnessing their productive potential will be key to building prosperity in the region.

UNIDO at work in the Arab region

UNIDO is working with regional partners such as the Islamic Corporation for Insurance of Investment and Export Credit, the Arab Bank for Economic Development in Africa and the Arab Industrial Development and Mining Organization to help attract investment, support industrial development plans and deliver technical assistance. It also works closely with Governments, non-governmental organizations and other United Nations agencies.

In March 2018, for example, the United Nations signed a new Partnership Development Framework with Egypt. Running to 2022, the framework focuses on inclusive and sustainable economic development

and job creation. As a contributing partner, UNIDO will focus on providing technical assistance and training to drive the participation of women and youth in productive activities, measures to boost growth in rural areas, climate change adaptation and mitigation and energy diversification.

The year also saw the launch of the first PCP in the region. In response to a request from the Government of Morocco, the PCP will help the country achieve long-term development goals as defined in the country's industrial acceleration plan. In parallel, at the end of 2018, UNIDO and the Government of Egypt made a commitment to operationalize a PCP in the country in 2019.

UNIDO has two ongoing country programmes in the region. In Lebanon, UNIDO is working to strengthen women's economic empowerment and enhance the competitiveness of olive oil and soap producers, while in the Sudan, as part of the production component of the country programme, 730 small-scale farmers adopted approved techniques in the rain-fed production of sesame between May and November.

UNIDO is working with the private sector in Egypt to raise overall competitiveness and open new markets. The Organization is helping to identify job

opportunities for youth, promote the circular economy and green technologies, and develop MSMEs. It also emphasizes the development of agro-industries, the promotion of value chains and of sustainable investment in renewable energy and energy efficiency.

In Jordan, the crisis in the Syrian Arab Republic, the slow revival of economic cooperation with Iraq, and a slowdown in the activities of the Gulf Cooperation Council, have all weighed heavily on the economy. In response to the Syrian crisis, UNIDO is implementing projects on selected value chains in creative industries. It is also providing development assistance to the country's SMEs and institutions to promote women's empowerment for ISID, enhance regional trade in food by helping the industry to harmonize standards, and to support the development of green industry and sustainable production practices through the project "Transfer of environmentally sound technology in the South Mediterranean region (MED TEST II)".

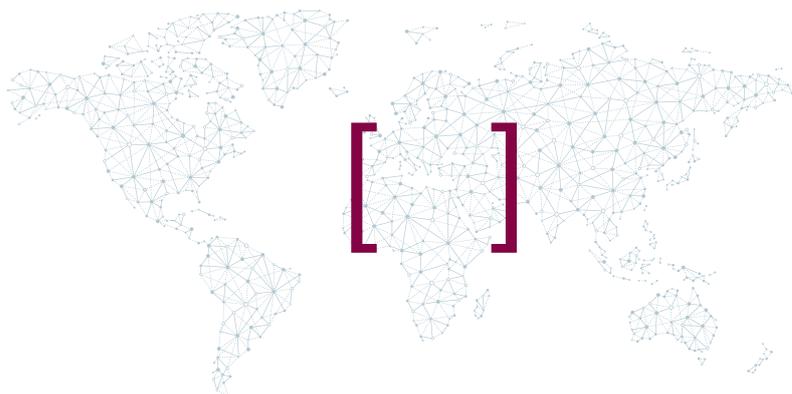
Turning challenges into opportunities in the Southern Mediterranean

Under demographic, social and economic pressures, the Southern Mediterranean countries are facing a rapid growth in demand for natural resources. For industry, this means higher production costs and

greater uncertainty over supply of inputs, as the price for imported raw materials, in particular for energy, continue to rise.

As part of the European Union-funded SwitchMed programme, UNIDO is implementing the MED TEST II project to show how adopting RECP practices can help companies to become more efficient, less polluting and more competitive.

Using the transfer of environmentally sound technology (TEST), UNIDO and its public- and private-sector partners are introducing industry, entrepreneurs and service providers to practices that allow them to switch to more sustainable consumption and production patterns. UNIDO is working with Governments to help devise national action plans to move to sustainable consumption and production. It also assists private-sector businesses to adopt these practices and gives support to entrepreneurs to set up green businesses. Thus far, 1,830 measures have been identified to cut demand for raw materials, energy and water. These would save 3.6 million cubic metres of water, 701.3 GWh of energy and 33,623 tons of raw materials, achieving savings equivalent to €41.3 million. UNIDO has so far carried out over 120 demonstrations, which showcase the potential of RECP and provide a hands-on experience to build skills and knowledge among stakeholders.





UNIDO Member States **31**

11 LDCs **10** SIDS **26** MICs

UNIDO local presence in **14** countries, incl. ITPOs, as well as a regional hub and regional offices in **China, India** and **Thailand**

8 Country programmes (2018)

PCP in **Cambodia**

Technical cooperation (2018) **\$35.1 million**

7.1 1.96 9.91 16.04 0.07

Member States EU GEF MLF Others



Current UNDAFs (total): **16**

New UNDAFs signed (2018): **Cambodia** (2019–2023), **India** (2018–2022), **Pakistan** (2018–2022)

ASIA AND THE PACIFIC

The Asia and the Pacific region is home to the world's fastest-growing economies. It will continue to drive global growth, with GDP growth estimated at 5.6 per cent in both 2018 and 2019. Despite this dynamism, however, many countries are facing a wide range of challenges that could threaten long-term prosperity. Principally, these are rapid population growth, accelerating urbanization, climate change, impact of disruptive technologies, natural resource depletion, poor access to energy, low competitiveness, and the risk of a slowdown in trade.

UNIDO at work in Asia and the Pacific

UNIDO activities address these major challenges. The Organization is currently implementing 91 technical cooperation projects in the region, representing a third of its global portfolio. The projects reflect the huge economic diversity of the region, which accounts for 60 per cent of the world's population. Improving competitiveness, increasing prosperity, developing green industry, and supporting SMEs are just some of the areas targeted by UNIDO with help from its many partners.

For example, in May 2018, UNIDO concluded an agreement with the Economic Cooperation Organization, a Eurasian intergovernmental body, to promote tourism and job creation focusing on conservation projects. Earlier in the year, UNIDO joined with the intergovernmental knowledge platform International Solar Alliance to bring stakeholders together globally to promote solar energy, raise awareness, and strengthen the technical capacities of the global network of sustainable energy centres.

UNIDO is also cooperating with the Greater Mekong Subregion Economic Cooperation initiative, comprising Cambodia, China, the Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam, on a number of projects, including a value-chain project in Viet Nam to build a modern mango export system for the country.

The Organization also continues its involvement in the Belt and Road Initiative, a \$1 trillion Chinese-funded infrastructure and investment programme to improve regional cooperation and connectivity and develop a new silk road economic belt over land and

sea. It is working to boost cross-border investment among participating countries, build partnerships, improve trade, and promote sustainable cities. UNIDO held a number of events in support of the initiative in 2018, including the Bridge for Cities Roadshow, which took place in Vienna in October and showcased examples of sustainable urban-industrial solutions in Chengdu and Shanghai in China, Trieste in Italy, and Vienna.

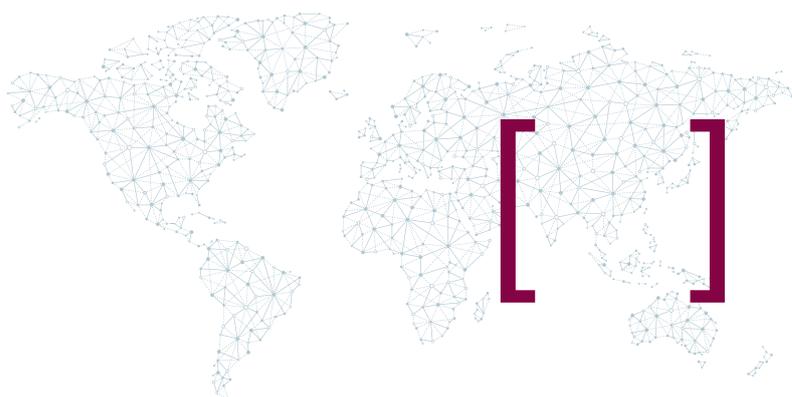
UNIDO successfully concluded the “Fostering inclusive and sustainable industrial development in the New Silk Road Economic Belt” project, which supported the development of industrial corridors, technology and industrial parks in Azerbaijan, Tajikistan, Turkmenistan, and Uzbekistan, as part of efforts to strengthen cross-border cooperation and regional integration.

Meanwhile, the new PCP in Cambodia was launched in 2018, with the establishment of a working group to steer the programme’s activities. The programme drew interest from the private sector with logistics solution provider Worldbridge International joining UNIDO and UNDP to build resilient infrastructure and foster innovation under the PCP framework. The company will focus on green logistics and SMEs, helping to reduce existing barriers to development and to provide new opportunities for foreign investment and local start-ups.

To foster interregional cooperation, UNIDO supported the Beijing Summit of the Forum on China-Africa Cooperation, which was held in September. It included subforums in the areas of investment promotion, private-sector development and local pharmaceutical production in Africa.

Help for SMEs and support for innovation were also themes of many events organized by UNIDO in 2018, including the first China International Import Expo in Shanghai, China in November, designed to stimulate a rise in the flow of imports to China from developing countries. UNIDO demonstrated the benefits and impacts of its projects in areas such as e-commerce, quality infrastructure and food safety, showing how the development of quality infrastructure, stronger trade capacity and innovation can help advance ISID in developing countries by enabling their SMEs to access the Chinese market.

In October, UNIDO organized the fifth Green Industry Conference in Bangkok, in cooperation with United Nations Economic and Social Commission for Asia and the Pacific, under the title “Green Industry for Sustainable Development”. Over 400 policymakers, representatives from civil society, industry, and academia gathered to discuss how to develop solutions that will embed sustainability into industry, demonstrating the opportunities for green growth in transition and emerging economies.





EUROPE AND CENTRAL ASIA

Europe and Central Asia enjoy a relatively high rate of development with stable if unremarkable rates of economic growth. Despite this, there is a wide range of inequalities across the region. Youth unemployment remains high and certain areas suffer from high levels of social exclusion and a lack of access to social services and finance. Young women in particular are more likely to lack access to training, education or jobs, with labour-force participation rates of women significantly below those of men.

UNIDO at work in Europe and Central Asia

UNIDO is cooperating with Governments, international organizations and the private sector to push a catalytic and transformative shift in the region’s economies towards ISID and to achieving the conditions required for meeting SDG 9 and other related SDGs.

In 2018, UNIDO enhanced its relationship with emerging donors to expand its range of projects, increasing the Organization’s portfolio in the region to a total net contribution of €500,000. Poland emerged as a new donor in support of sustainable energy in Georgia, Czechia allocated funds to a project on terroir

products in Georgia, Slovenia co-funded a project on tomato value chain development in Egypt, while additional support was provided by the Russian Federation for an interregional project on women’s economic empowerment and entrepreneurship.

UNIDO activity in the region focuses on technical cooperation and training to help industries become more resilient in the face of climatic and environmental change. This means supporting industry to apply new approaches to production and consumption that take into account system-wide effects in an effort to create better strategies. Based on this, UNIDO is working in increasingly closer cooperation with Governments and institutions to design the right policies for a sound environmentally sustainable framework.

One example of increased cooperation is the PCP for Kyrgyzstan, which has been instrumental in the formulation of an industrial strategy for the country. Following successful meetings in Bishkek in March, UNIDO prepared a draft industrialization strategy in collaboration with the State Committee for Industry, Energy and Subsoil Use of Kyrgyzstan that provides a

road map towards a modern, competitive, inclusive and sustainable industrial sector from 2018 to 2022 and assesses opportunities looking further ahead to 2040.

New platforms to drive women's economic empowerment, leadership and entrepreneurship

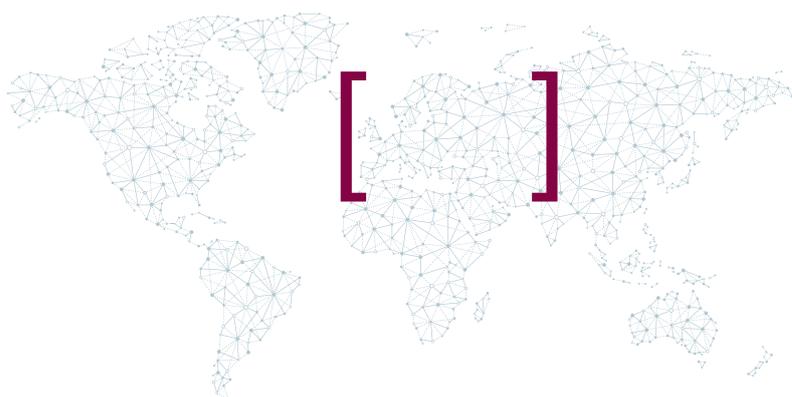
Women's empowerment is recognized as a vital component of the 2030 Agenda, enshrined as a Goal in itself (SDG 5) and because of its impact on achieving all other Goals.

Building on its role as a global networking platform, UNIDO organized two successful events in 2018 that took the message on women's economic empowerment, leadership and entrepreneurship to wider audiences and provided an important forum for all stakeholders to meet and exchange ideas. As part of the prestigious St. Petersburg International Economic Forum in May, UNIDO held an international forum event on "Increasing the contribution of women to economic growth and prosperity: Creating an enabling environment", which offered important networking opportunities between the international business community and Russian policymakers.

Later in the year, UNIDO took the opportunity to share information during a forum on women's entrepreneurship at the Eurasian Women's Forum, also held in St. Petersburg. Over 2,000 participants came together to share experiences on how to scale up successful models to increase the number of women entrepreneurs globally.

The discussions generated practical recommendations on how to harness the immense potential of women in economic development while securing future commitment from the Russian Federation on measures to support entrepreneurship development and the economic empowerment of women in the region.

The events also resulted in a planned initiative to design and develop a moderated training package on the most advanced digital tools, helping women entrepreneurs primarily from the countries of the Commonwealth of Independent States to scale up their businesses and make them more efficient and sustainable. Training services will be designed taking into account legislation, condition and quality of services, availability of digital tools, and other factors existing in the selected countries of the region.





LATIN AMERICA AND THE CARIBBEAN

In 2017, improved domestic demand and better-performing exports pulled growth into positive territory for the first time since 2014. However, the slowdown of global trade, rising political tensions and the prospect of higher United States interest rates hitting investment levels mean that recent gains could be tempered.

Many MICs in the region continue to have a dependency on commodities, high indebtedness, weak infrastructure, and low rates of productivity and innovation.

The region is committed to the 2030 Agenda as a way to overcome these structural challenges. Many countries have highlighted the need to develop greater integration, to lower poverty and inequality, to embrace sustainable environmental development and to push technological innovation. Increasing financial flows to MICs, building new capacities and broadening private-sector interventions will also be crucial to overcoming barriers to development.

UNIDO at work in Latin America

In 2018, UNIDO activity in the region was concentrated mainly on industry and environment, with the majority of initiatives focusing on assisting Governments on

fulfilling their commitments under MEAs. Particular emphasis was placed on the Montreal Protocol and on climate change.

Several countries across the region have achieved high shares of energy generation with renewables. UNIDO continued to support countries in boosting the expansion of solar, bioenergy and waste-to-energy applications, while energy efficiency in industry also remained a central programme of UNIDO in the region.

Following the recommendations expressed by members of the Latin American and Caribbean Group (GRULAC), renewed efforts were made in the promotion of agro-industry, biopharmaceutical and advanced technologies. The region represents approximately 13 per cent of global agricultural trade and holds one third of the world's freshwater resources. Programmes for the development of agro-value chains, fostering entrepreneurship and quality infrastructure were implemented during this year.

In 2018, UNIDO expanded the range of funding sources, successfully increasing the number and value of Governments' self-funded programmes, partnerships and South-South and triangular cooperation.

One practical vehicle was the UNIDO Latin American and Caribbean Trust Fund, funded by voluntary contributions, and aiming at increasing regional cooperation on ISID under which four regional projects were implemented, benefiting most countries in the region.

In October 2018, UNIDO held an international conference in Panama on the challenges and opportunities of achieving SDG 9 in the region. The conference led to the establishment of the LAC SDG 9 Accelerator, which brings together regional representatives through public-private partnerships, South-South cooperation, networking and alliances to help speed up the implementation of SDG 9.

In September, the UNIDO Director General visited the Plurinational State of Bolivia, Ecuador and Mexico, promoting the Organization's programmes in the region. During the visit, a new country programme was signed with the Plurinational State of Bolivia to implement projects on eco-industrial parks, cleaner production systems and the development of the pharmaceutical industry, with a strong focus on social inclusion, job creation, skills and training.

The new country programme will also bring benefits to the Organization's other three country programmes in the region, notably in Cuba, El Salvador and the Bolivarian Republic of Venezuela.

Furthermore, in January, the implementation phase of the PCP was launched in Peru with five technical cooperation projects in different fields, including export quality in coffee and cocoa, integrated value chain development in aquaculture, and sustainable industrial zone development.

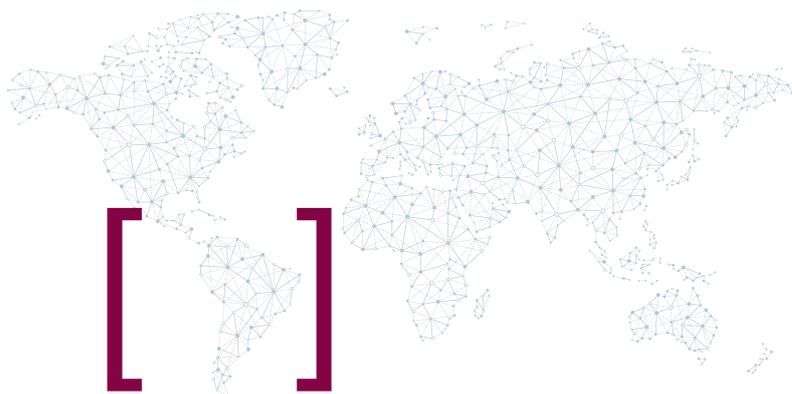
Fuelling small-scale renewable energy in Chile

In response to commitments on climate change and to a need to lower energy costs, Chile has made a formal commitment to increase the share of renewable energy in its overall energy mix. The country has achieved significant success in meeting this objective through large-scale photovoltaic solar power and wind power projects. However, smaller-scale projects have been less successful, such as those developed to promote self-consumption where users generate and consume their own energy, with the ability to sell excess on to the grid.

UNIDO is implementing a project to help SMEs in the dairy sector to develop self-consumption using biogas. The project helps farmers overcome some of the considerable barriers they face, including high start-up costs, limited access to funding, a lack of knowledge, and the limited presence of local suppliers.

Working with the Government, UNIDO is training farmers in the Los Lagos and Los Rios regions on how to operate and develop biogas systems through a series of workshops, meetings and field visits. To ensure long-term development, UNIDO is also sharing knowledge with public institutions, biogas engineering firms, universities and research centres.

The ongoing project has been successful in raising awareness among SMEs on the benefits and pitfalls of biogas as a renewable energy source and is expected to lead to the establishment of pilot biogas technology in the sector.



MIDDLE-INCOME COUNTRIES

Diverse in size, income and population, MICs are home to 5 billion people, including 73 per cent of the world's poor. But MICs also account for a third of global GDP, making them important engines of growth.

A total of 97 UNIDO Member States fall into the category of MICs. UNIDO programmes take into account the specific challenges facing the countries, such as industrial competitiveness, institutional capacity, good governance, and the need for enhanced knowledge-sharing.

As part of an extensive consultation process, UNIDO prepared a proposal to strengthen the Organization's engagement and partnerships with MICs, which it discussed with MIC Members. The document intends to establish priority areas for cooperation on ISID, and to address common challenges faced in achieving ISID in MICs. UNIDO undertakes to further consult its Member States in 2019 on this proposal.



7

CROSS-CUTTING PRIORITIES

UNIDO provides a variety of services that cut across all the three thematic priorities of the Organization, enhancing programmes and policies to achieve ISID. Key among these are the relationships UNIDO has with its partners, ranging from civil society to financial institutions, which bring fresh knowledge and know-how, while strengthening the Organization’s ability to deliver on the ground. Practical implementation of programmes is further bolstered by the PCP approach.

Another area which touches all aspects of the Organization, and which is vital for promoting inclusiveness, is gender equality and women’s empowerment. UNIDO implements a gender mainstreaming strategy across its programmes, policies and projects, supported by a dedicated gender mainstreaming unit.



GENDER EQUALITY AND WOMEN'S EMPOWERMENT

UNIDO strengthens the gender dimension of ISID as a vital prerequisite for achieving the 2030 Agenda. The Gender Equality and Empowerment of Women Strategy (GEEW) 2016–2019 provides a road map for mainstreaming gender considerations throughout all UNIDO programmes, policies and organizational practices. A systematic screening and review system ensures that gender perspectives are integrated in the initial stages of project development, and the UNIDO gender marker tracks and monitors financial resource allocation to projects with gender-related activities. A participatory mid-term review of GEEW found that one of the areas of most improvement was the design quality of gender-responsive projects over the previous year, due to ongoing efforts to increase awareness of linkages between gender and industrialization, and knowledge on integrating gender considerations in project development and implementation.

As recommended by the mid-term review, and in line with the Director General's pledge to address the

gender balance of the Organization's workforce, UNIDO developed a Gender Parity Action Plan for implementation in 2019 aligned with the Secretary-General's System-wide Strategy on Gender Parity. A Gender Equality Mobilization Award was established to recognize projects, programmes and organizational practices that advance GEEW. Several nominations were received for a wide range of efforts by individual staff members and teams, highlighting exceptional work for gender equality being done at all levels of the Organization.

Examples of notable activities included the first in a series of regional training sessions, developed in cooperation with UN-Women and UNECA, to equip national statisticians from the East African region with expertise in collecting and analysing gender-gap indicators in industrial statistics. The Organization showcased its work to support women's economic empowerment at a side event during the sixty-second session of the Commission on the Status of Women, co-organized with UN-Women and FAO; at a side event organized by CTCN and Women and Gender during COP 24; at the twenty-second St. Petersburg International Economic Forum, in cooperation with the civil society organization OPORA; and at the Eurasian Women's Forum.



DRIVING SUSTAINABLE INDUSTRIALIZATION IN AFRICA

Reflecting international agreement on the importance of industrialization to Africa's future development, the United Nations declared 2016–2025 as the Third Industrial Decade for Africa. UNIDO is charged with leading global efforts to drive sustainable industrialization on the continent and is working to achieve this through strong public-private partnerships and a close cooperation with a broad range of stakeholders.

UNIDO co-organized an event on the margins of the seventy-third session of the General Assembly in September, to discuss synergies between IDDA III and the implementation of the recently launched AfCFTA. The high-level meeting called for strategic partnerships with financial institutions and the business sector to leverage additional resources for infrastructure, innovation and industry. The event also launched the championship initiative, with seven Heads of State from Côte d'Ivoire, Kenya, Malta, Niger, Senegal, South Africa, and Zambia taking on the role of IDDA III Champions. In December, the Head of State of Egypt joined the ranks of IDDA III Champions.

In an endeavour to put IDDA III into action, UNIDO developed a programme framework in 2017, which outlined objectives and pillars of implementation. A UNIDO road map for the implementation of IDDA III, prepared in 2018, serves as basis for the joint IDDA III road map to be developed with IDDA III partners in 2019. The UNIDO road map is based on six pillars: outreach and global forums; enhanced support for

industrial policy instruments; technical cooperation programmes in line with the areas identified in the IDDA III resolution; enhanced cooperation with the AUC and the African regional communities; and partnership initiatives and resource mobilization.

Africa Industrialization Day (AID) serves as a platform for dialogue on pan-African industrialization and is organized in close cooperation with the African Union and UNECA. It showcases the continued relevance of industry as a powerful engine for sustainable development and poverty eradication. AID celebrations enhance partnerships for the implementation of IDDA III.

The AID celebration at UNIDO Headquarters on 20 November 2018 focused on achievements and challenges in the local manufacturing of pharmaceuticals. UNIDO also celebrated AID in around 20 field locations, in close cooperation with the respective host countries. The event in Madagascar was attended by the Prime Minister, the Minister of Industry and the Minister of Economy, the representatives of the African Union and of development partners.

The European Investment Bank (EIB) and UNIDO co-hosted the Africa Day 2018 in Addis Ababa. The Director General of UNIDO and the President of the EIB led a high-level discussion, alongside the President of Ethiopia. Part of the African Union's Africa Industrialization Week, the event focused on sustainable industrialization in Africa, mobilized partners and increased the Organization's visibility.



Deputy Secretary-General Amina Mohammed at the IDDA III high-level event, September 2018



UNIDO Director General addressing the Africa Day 2018, Addis Ababa

At UNIDO Headquarters, a series of awareness workshops were conducted on harassment, including sexual harassment, the abuse of power, and discrimination. The workshops have reached over 600 staff, consultants and interns thus far, sparking illuminating discussions among UNIDO employees on how to react when one becomes aware of such behaviour and on how to enable a supportive, harassment-free work environment.

In the context of the International Day of the Girl 2018, an information-sharing session promoted the work of UNIDO on skills development and entrepreneurship education for adolescent girls and young women. During an event on Father's Day, the Vienna-based organizations joined together to raise awareness of the role of fathers in addressing the unequal distribution of unpaid care work between men and women.

UNIDO has finished implementation of the first phase of the United Nations System-wide Action Plan for Gender Equality and the Empowerment of Women (UN-SWAP). The UN-SWAP 1.0 laid out a framework of performance standards on gender-related work for all United Nations entities to meet. UNIDO was recognized both for performing best among technical

entities in 2017, and as the entity demonstrating the most progress during the reporting period 2012–2017.

PARTNERSHIPS AND SOUTH-SOUTH COOPERATION

In 2018, UNIDO continued to expand its partnerships with IFIs, the business sector, the GEF, and the Green Climate Fund (GCF), among others.

In terms of cooperation with IFIs, technical consultations to accelerate partnerships took place with the World Bank, the AfDB, and the Asian Development Bank throughout 2018; UNIDO and the AfDB also signed a memorandum of understanding and a Fiduciary Principles Agreement. Furthermore, UNIDO explored partnership prospects with the Exim Bank of China and the Islamic Development Bank and partnered with the EIB to organize the EIB Africa Day in Addis Ababa.

When it comes to the business sector, UNIDO engaged with partners through projects, PCPs, and multi-stakeholder platforms, such as PFAN. New partners include Alibaba Group Holding Limited, the Bureau of International Recycling, and the World Packaging Organization. UNIDO also contributed to private-sector work-streams of the United Nations development system reform and forged closer collaboration with the United Nations Global Compact in areas of mutual interest.

With more than 60 GEF-6 projects under implementation in 2018, the UNIDO-GEF portfolio remains solid. The GEF-7 replenishment cycle started in July 2018 and was marked with the sixth GEF Assembly in Da Nang, Viet Nam. UNIDO actively participated in the Assembly and organized side events on UNIDO-GEF priority topics, laying the groundwork for a successful partnership under GEF-7. UNIDO has also engaged with the GCF by signing a framework agreement to become a GCF readiness projects delivery partner, supported by the GCF readiness funding.

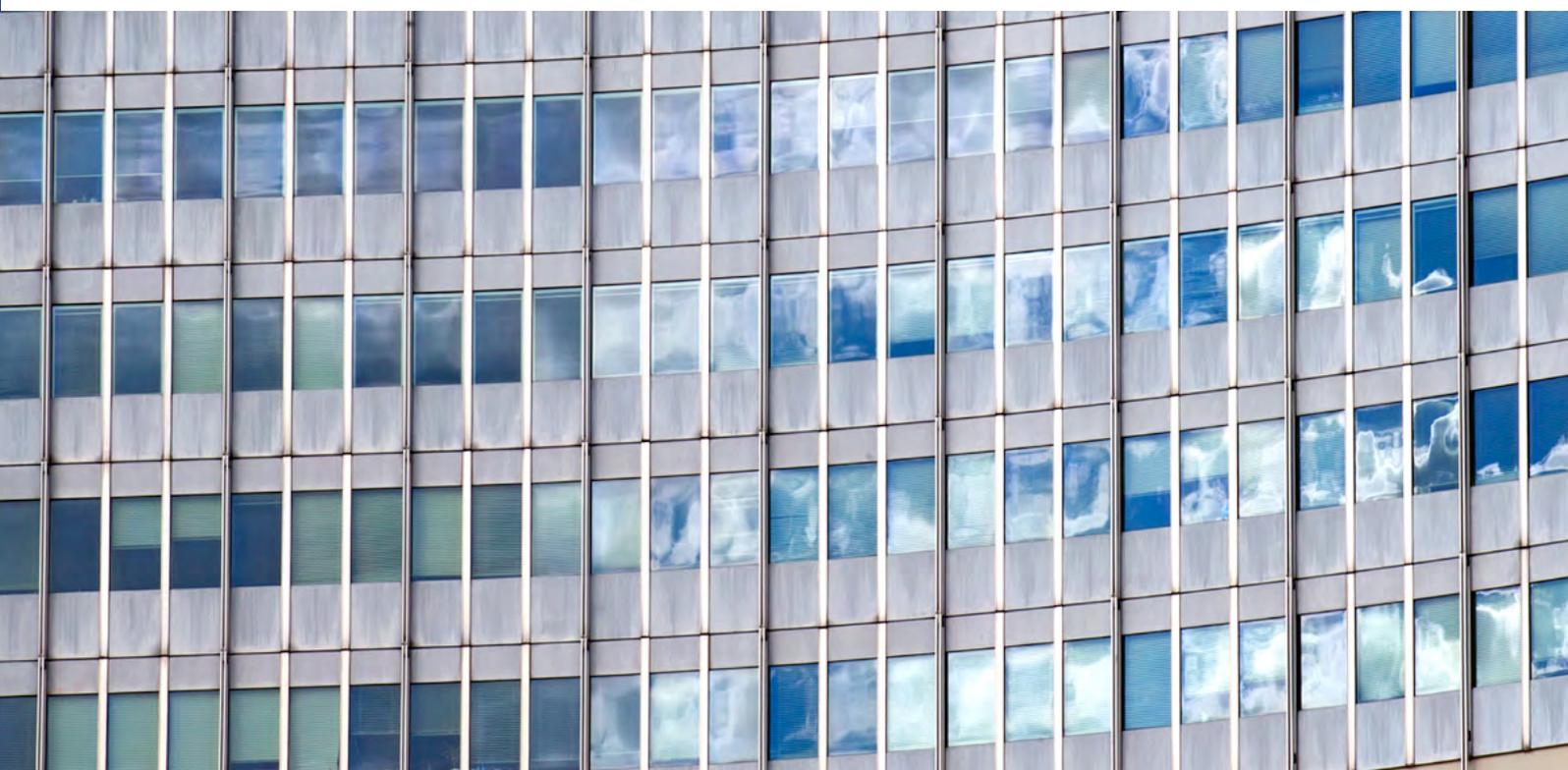




8

MANAGING UNIDO SERVICES

UNIDO relies on a wide range of support and administrative services which are critical to the effective functioning of the Organization. These include human resources, evaluation and oversight, procurement, buildings management, legal advice, and technology support. UNIDO undertakes regular reviews and assessments of these services to ensure that they provide the best possible support, facilitating the fast and efficient delivery of the technical services the Organization provides to Member States. The success of these ongoing improvements is reflected in the continuing high demand for UNIDO technical cooperation programmes.



FUNDING AND FINANCIAL CONTRIBUTIONS

Funding for technical cooperation activities

The year 2018 was another remarkable one for UNIDO and bears testimony to the increased relevance of its mandate and the Organization's capacity to deliver effectively. The total amount of funds mobilized for its services reached a record level of \$273 million, an increase of 38.3 per cent over 2017. As a result, the portfolio of projects and programmes for future implementation also witnessed an unprecedented increase to \$579.5 million (all figures are net of programme support costs unless otherwise stated).

Voluntary contributions for UNIDO technical cooperation activities remained at a high level at \$204.2 million, as did the level of UNIDO technical cooperation delivery, which reached \$189.7 million.

In geographical terms, funding partners allocated \$38.7 million for programmes and projects in Latin America and the Caribbean, a record high after seven years of continuous increase. For Africa \$38.2 million was allocated, \$37.4 million for global and interregional initiatives, \$35.1 million for Asia and the Pacific, \$29.9 million for the Arab region, and \$24.5 million for Europe and Central Asia.

The thematic focus of funding partners remained similar to past years, with \$130 million allocated to programmes and projects in the area of safeguarding the environment, \$41.7 million for creating shared prosperity, and \$34.3 million for advancing economic competitiveness.

For an overview of the thematic and geographic distribution of approvals from Governments and the European Union, please refer to appendix B of this report.

Funding from Governments and the European Union reached a record level of \$107.4 million of which the latter contributed \$34.7 million. The main funding partners with net approvals exceeding \$1 million were

Italy and Japan with \$9.6 million each, followed by Switzerland with \$9.1 million, Sweden with \$4.7 million, China with \$4.5 million, the United States with \$4.3 million, the Russian Federation with \$4.2 million, the Republic of Korea with \$3.8 million, Austria with \$3 million, Finland with \$2.2 million, Norway with \$1.5 million, Germany and Morocco with \$1.5 million each, and Bahrain with \$1.3 million. In addition, \$2.5 million, including programme support costs, was received from China for future allocation.

Global Environment Facility and the Green Climate Fund

After record contributions witnessed in 2017, funding from the GEF in 2018 amounted to \$57.2 million, which reflects the cyclical nature of the GEF trust fund. In 2018 GEF funding partners jointly pledged \$4.1 billion towards its new four-year cycle, referred to as GEF-7. It is expected that UNIDO services in the fields of climate change mitigation and adaptation, chemicals and waste, land degradation and biodiversity, as well as in the GEF Impact Programmes on Food Systems and Sustainable Cities will receive similar support in the new GEF-7 investment cycle as they did in the previous GEF-6 cycle.

In December 2018 UNIDO and the GCF signed a readiness framework agreement to enable developing countries to partner with UNIDO on activities enhancing their access to the GCF.

The Multilateral Fund for the Implementation of the Montreal Protocol

The Multilateral Fund for the Implementation of the Montreal Protocol (MLF) continued to be an important funding partner of UNIDO with net contributions reaching \$31.5 million in 2018, representing a 40 per cent increase over the contributions of 2017. In addition to the continued successful engagement with the MLF, UNIDO also collaborated with the Kigali Cooling Efficiency Programme through new initiatives, which bring energy efficiency dimensions to the conversion to new technologies that are both ozone- and climate-friendly.



Funding from the United Nations and multi-partner trust funds

Funding from entities of the United Nations Development System and multi-partner trust funds remained modest with net approvals of \$3.9 million, of which \$2.5 million was contributed by UNDP. It is expected that the United Nations Development System reform process will increase the relevance of multi-partner trust funds.

UNIDO-managed trust funds

In line with General Assembly resolution 71/243 on the quadrennial comprehensive policy review, UNIDO has pursued its efforts to promote more predictable, flexible, and decreasingly earmarked voluntary contributions. In this regard, increased funding of thematic trust funds remains of critical importance for UNIDO to swiftly respond to requests of its Member States and to efficiently contribute to the 2030 Agenda.

The main contributions (including programme support costs) to UNIDO thematic trust funds in 2018 were provided by China with \$2.5 million towards the

Partnership Trust Fund, Finland with \$0.9 million towards the Trust Fund on Food Security and the Trust Fund for Trade Capacity-Building, as well as by Malta and Peru towards the Partnership Trust Fund.

Funds allocated from thematic trust funds towards technical cooperation activities amounted to \$2.6 million (net of programme support costs).

STAFFING

In the year under review, UNIDO continued to support development of existing staff and recruitment of new talent for the Organization. Almost 130 vacancy announcements for staff and non-staff positions were filled or are in the process of being filled. UNIDO also signed two partnership agreements with national academic institutions in Japan and the Republic of Korea on interns and three new agreements on partner experts.

To further strengthen staff capacity, UNIDO launched a Management and Leadership Development Programme, joined Lynda.com, a renowned e-learning

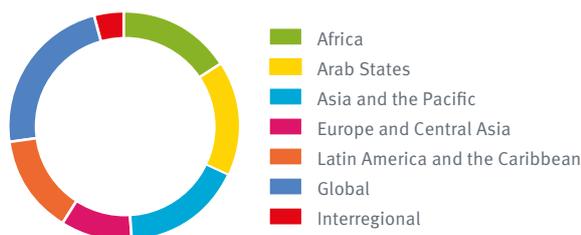
platform, and introduced a mentoring programme. As part of ongoing efforts to build a supportive and open working environment UNIDO delivered a series of workshops over the course of the year aimed at implementation of its zero-tolerance policy on workplace harassment and bullying.

At the same time, the Organization continued to harmonize and align its rules and regulations with the latest resolutions of the General Assembly and decisions of the International Civil Service Commission.

QUALITY MONITORING AND PROGRAMME APPROVAL

Quality monitoring is a continuous function that is evidence-based, objective and impartial. It uses systematic collection and analysis of data on the quality of UNIDO initiatives, both before entry into portfolio and during implementation, and provides advice to assure adherence to specified quality criteria, such as relevance, efficiency, effectiveness, impact, and sustainability. It informs strategic decision-making, contributes to the Organization's integrated results performance framework (IRPF) "Level 3. Programme Management Effectiveness: Portfolio management, results-based management (RBM), and monitoring and evaluation (M&E)", and reports data on IRPF indicators 3.1, 3.3, and 3.9.

Six mid-term reviews were quality assured in 2018, for projects with a funding level above \$2 million. These serve as a monitoring tool to identify challenges, risks, corrective measures, and good practices.



Regional distribution of newly approved programmes and projects

In 2018, a total of 203 submissions were processed for internal review and approval. The Executive Board reviewed 123 new programmes and projects. The Board approved 95 per cent of these with 63 per cent of projects subject to conditions, which led to improvements such as adherence to RBM principles, UNIDO formal quality assurance requirements, and enterprise resource planning (ERP) compliance.

Disaggregated by thematic areas, shared prosperity accounted for 37 per cent of projects submitted, safeguarding the environment for 34 per cent, advancing economic competitiveness for 16 per cent, and cross-cutting issues for 13 per cent.

EVALUATION AND INTERNAL OVERSIGHT

Independent evaluation and internal oversight at UNIDO are essential to enhance the effectiveness and efficiency of the Organization. These distinct but closely linked functions strengthen accountability, help assess the adequacy of risk management mechanisms and the overall results and impact of services, and support ongoing learning and improvement.

UNIDO set up a new Office of Evaluation and Internal Oversight in January 2018, combining these two independent but complementary areas. The evaluation function provides vital facts and figures on results and practices, which inform programmatic and strategic decision-making processes within the Organization. Over the course of the year, UNIDO conducted more than 30 project evaluations and country-level evaluations in Colombia and India. It also carried out a thematic evaluation on staff competency development and embarked on an impact evaluation of UNIDO programmes related to industrial energy efficiency.

Some changes were made in how internal oversight is carried out to improve the overall quality and delivery of the service. The Audit Advisory Committee (AAC) started operation in early 2018 and has already provided valuable advice to further strengthen governance and oversight. On the advice of the AAC, the internal audit work programme is being

increasingly aligned with UNIDO business objectives, strategies and risks.

Overall, the Office is striving for closer collaboration with substantive programmes and departments to add value to operations through the findings of internal audit activities. As part of this effort, as of 2018, audits include agreed management action plans to address recommendations.

In 2018, two financial statement audits, two country office audits and one headquarters audit were issued.

LEGAL SERVICES

The Office of Legal Affairs provides legal advisory services to all major programmes and organs of UNIDO, defends the interests of the Organization in litigation matters, and plays a proactive role in protecting the legal status and privileges and immunities of UNIDO. In 2018, the Office again received hundreds of requests for assistance and advice, and reviewed the drafts of numerous legal instruments and other documents. The Office continued to provide support for technical cooperation activities, including the PCP, and assisted in the conclusion of several strategic cooperation agreements, such as the “Fiduciary Principles Agreement” with the AfDB and the African Development Fund, the “Strategic Cooperation Framework (2018-2022)” with the Government of China, and the memorandum of understanding on working arrangements with the African Union. In addition, the Office regularly furnished advice in connection with preparations for the resumed seventeenth session and the third special session of the General Conference.

INFORMATION TECHNOLOGY SERVICES

UNIDO set up a new Information Technology Services Division, responsible for implementing IT strategies, setting and enforcing common IT standards and best practices, and for managing corporate IT services. The new team increased the focus on services and client orientation, including the introduction of one unified, streamlined IT Service Desk.

UNIDO IN BRUSSELS

The Brussels Office provides strategic advisory services and policy advocacy to reinforce the vision and objectives of UNIDO at European Union institutions, including the European Council, the European Commission, the European Parliament, and the European Investment Bank (EIB), as well as the Secretariat of the African, Caribbean and Pacific Groups of States, major European think tanks, the International Organisation of the Francophonie (OIF), Belgium, and Luxembourg.

In 2018, UNIDO participated in a number of significant events, such as the first OIF Economic Forum held in Yerevan and the Seventeenth Summit of the Heads of State and Government of the Francophonie, also held in the Armenian capital, which marked a renewed partnership with OIF and its Member States.

The EIB jointly hosted Africa Day with UNIDO, launching a joint contribution on “Financing Africa Industrialization”. Other events attended by UNIDO during the year include the European Commission’s European Development Days, the European Union-UNIDO high-level review meetings, the European Union-UNIDO conference on the circular economy, Global Diaspora Week at the European Parliament and Africa Industrialization Day.

Technical cooperation funded by the European Union has significantly increased in 2018. It continues to focus, in geographical terms, on sub-Saharan Africa and the Mediterranean region. Thematically, the deepened cooperation has been further diversified.

Finally, 2018 brought UNIDO closer to the United Nations family in Brussels, with all United Nations offices there now located under one roof.

In terms of governance, UNIDO established an organization-wide ICT Working Group to support applicable strategies and policies, ensuring alignment of ICT activities and management priorities, to maximize value, improve services, and reduce risk.

UNIDO engages with the United Nations System to share knowledge and collaborate, in particular through Digital and Technology Network (formerly ICT Network) of the United Nations System Chief Executives Board for Coordination. Additionally, the Organization signed a memorandum of understanding with the United Nations International Computing Centre (UNICC), becoming a member of its Management Committee and benefiting from a selection of IT services tailored to the United Nations family on a cost-recovery basis.

Efforts on the UNIDO Transparency Initiative continued through the Open Data Platform and the International Aid Transparency Initiative (IATI). From October 2018, the Organization started to publish monthly information in line with the IATI standard.

UNIDO carried out numerous improvements to its ERP, Knowledge Management and Collaboration, and Web Systems. It upgraded its ERP, reducing IT risks and enabling new features, including the introduction of a Management Dashboard for data-driven insights and corporate mobile applications.

In 2018, UNIDO also received an OpenText Elite Award in the category “Making a Difference”, for its achievements with the Knowledge Management and Collaboration System, based on OpenText.

PROCUREMENT

The overall volume of procurement exceeded \$156 million in 2018, with over 8,200 purchase orders, reflecting its importance in the implementation of UNIDO technical cooperation activities. To support continued progress in this area, UNIDO published a new edition of its *Procurement Manual* in July 2018, which provides improved instructions for the supplier relationship management system, following lessons learned since the implementation of the ERP system. The new manual also incorporates best practices on gender, sustainable procurement, risk management, and project execution arrangements.

In 2018, the Procurement Services Division entered into a number of long-term agreements for regularly required goods and services, helping the Organization to manage resources more effectively and to profit from economies of scale in areas such as project web design, standardized IT equipment, services related to the PCP and PFAN, office furniture, and various services for facility management.

BUILDINGS MANAGEMENT

The Buildings Management Services (BMS) Division is responsible for the smooth, reliable and safe operation of all technical facilities and installations at the Vienna International Centre (VIC). The division is continually exploring new approaches and techniques to improve cost effectiveness, supply new equipment and create a welcoming and healthy working environment for employees and visitors.

In 2018, security gates 4 and 5 were refurbished, improving the overall experience for visitors and staff, and the sanitary rooms at gate 1 were renovated and expanded.

Wi-Fi access and coverage at the VIC was improved, with approximately 170 additional access points installed in dedicated areas in buildings D and E.

Improvements were also carried out to the outdated stand-alone heating and cooling system in the United Nations Federal Credit Union, which was replaced with a state-of-the-art fan coil solution, connected to the heating, ventilation and cooling system of the VIC, thus reducing energy consumption. At the same time, the 40-year-old pressure increase pumps for drinking water and the low voltage distribution system in building D were replaced.

Thanks to the untiring commitment of BMS, the VIC became the first climate-neutral United Nations headquarters in 2015, and received the UNFCCC certification for 2016 as well. Climate neutrality was again reached for 2017.

Annex

INTEGRATED RESULTS AND PERFORMANCE FRAMEWORK

TIER I. DEVELOPMENT RESULTS

Level 1. Global development results

Level 1 shows the broader industrial development context in which UNIDO operates. It is an assessment of progress towards inclusive and sustainable development (ISID) and the relevance of UNIDO interventions for achieving SDG 9 and other industry-related Goals.

Industrialization-related indicators showed slow progress since last year. While most indicators slightly improved, considerably more needs to be done to reach the Sustainable Development Goals (SDGs).

Manufacturing value added (MVA) indicators (**IRPF INDICATOR 1.1/SDG INDICATOR 9.2.1**) show a relatively stable, if not slightly declining, trend both in terms of MVA as a share of GDP and of MVA per capita. In 2018, global manufacturing slowed down in both developed and developing regions, due to emerging trade barriers. Nevertheless, the global share of MVA in GDP increased from 15.1 per cent in 2009 to 16.5 per cent in 2018, owing to the wide recovery from the recent recession and the relocation of manufacturing production from industrialized to developing countries. Although the share of MVA in GDP in least developed countries (LDCs) continued to grow, reaching 13.2 per cent in 2018, MVA per capita in LDCs accounted for only \$109, significantly lower than in industrialized countries (\$5,880). The growth of the manufacturing share in LDCs was driven particularly by Asian economies and manufactured goods exporters. However, the share changed relatively little if it is to reach the 2030 target.

Globally, the share of manufacturing employment in total employment (**IRPF INDICATOR 1.2/SDG INDICATOR 9.2.2**) declined from 15.3 per cent in 2000, to 14.2 per cent in 2018, as countries gradually reallocate production factors from agriculture and low value-added manufacturing towards higher value-added manufacturing and services. The share of manufacturing employment in total employment in

LDCs increased in 2018 to 7.95 per cent, from 5.7 per cent in 2000.

Thanks to technological progress and improved management practices, there is evidence of a consistent reduction in the global environmental footprint of manufacturing activities. Global carbon emission (**IRPF INDICATOR 1.5/SDG INDICATOR 9.4.1**) dropped at an average annual growth rate of almost 3 per cent from 2010 to 2016. However, in 2016, 91 per cent of urban dwellers still breathed air that did not meet the air quality guidelines value for particulate matter of the World Health Organization (WHO), and more than half were exposed to air pollution levels at least 2.5 times above that safety standard.

In 2016, medium-high and high-tech goods (**IRPF INDICATOR 1.6/SDG INDICATOR 9.B.1**) accounted for 44.7 per cent of global MVA. Demand for these goods rises with increasing income levels. In addition, production is largely located in developed regions (49.8 per cent compared to 10.4 per cent in the LDCs in 2016).

Poverty (**IRPF INDICATOR 1.7/SDG INDICATOR 1.1.1**) has fallen rapidly in recent decades. The latest global estimate suggests that, in 2013, 10 per cent of the world's population, or 736 million people, were poor – a third of the 1990 value. The vast majority of the world's extreme poor live in sub-Saharan Africa and Southern Asia. The proportion of the world's working poor (**IRPF Indicator 1.7/SDG indicator 1.1.1**) has also declined significantly over the past two decades, falling from 26.9 per cent in 2000 to 9.2 per cent in 2017, with reductions seen in all regions of the world. Nevertheless, young workers continue to be disproportionately affected, with the global youth working poverty rate consistently over 5 percentage points higher than the adult rate.

While more efforts are needed, ensuring access to affordable, reliable and modern energy for all has moved one step closer as a result of recent increases in access to electricity, in particular in LDCs, and of improvements in industrial energy efficiency. From 2000 to 2016, the proportion of the global population with access to electricity (**IRPF INDICATOR 1.8/SDG INDICATOR 7.1.1**) increased from 78 to 87 per cent, with the absolute number of people living without

access to electricity decreasing to just below 1 billion. Reducing energy intensity (**IRPF INDICATOR 1.9/SDG INDICATOR 7.3.1**) is crucial for offsetting CO₂ emissions and making energy more affordable. Global energy intensity decreased by 2.8 per cent in 2015 from 2014, doubling the rate of improvement seen over the period 1990 to 2010. This is in line with the estimated 2.7 per cent annual rate of reduction in global energy intensity over the period 2016–2030, needed to reach the SDG target.

Achieving the SDGs requires considerable progress in balanced economic growth, to which ISID contributes. Globally, in 2016, real GDP per capita (**IRPF INDICATOR 1.10/SDG INDICATOR 8.1.1**) grew at 1.3 per cent, less than the average 1.7 per cent rate recorded in 2010–2016. For LDCs, the rate fell sharply, from 5.7 per cent over the period 2005–2009,

to 2.3 per cent over the period 2010–2016. The global unemployment rate (**IRPF INDICATOR 1.11/SDG INDICATOR 8.5.2**) was 5.6 per cent in 2017, down from 6.4 per cent in 2000, with a slower decline since 2009, when it reached 5.9 per cent. Young people are three times more likely to be unemployed than adults, with the global youth unemployment rate at 13 per cent in 2017. Trade indicators (**IRPF INDICATOR 1.15/SDG INDICATOR 17.11.1**) also show a regression in the last few years.

This context shows the need for the international community to intensify its efforts to support ISID. Some of the solutions are provided by the Organization's integrated approach: a snapshot of the current results is shown below (IRPF Levels 2-4).

> INDICATORS 1.1 AND 1.2/SDG 9.2

SDG Target: Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.



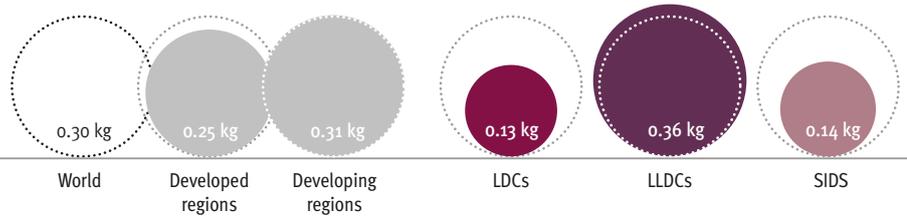
Level 1. Global development results (continued)

> INDICATOR 1.5/SDG 9.4.1

SDG Target: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

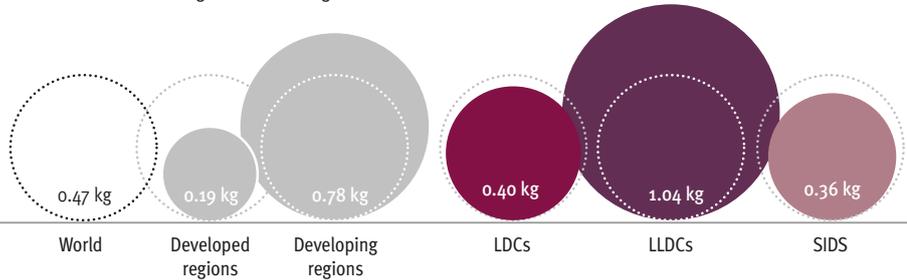
**Indicator 1.5/
SDG indicator 9.4.1:**
CO₂ emission
per unit of value added
(kg CO₂ equivalent per US\$
constant 2010 PPP GDP)

2016



**Indicator 1.5/
SDG indicator 9.4.1:**
CO₂ emission
from manufacturing industries
per unit of manufacturing value added
(kg CO₂ equivalent per US\$
constant 2010)

2016

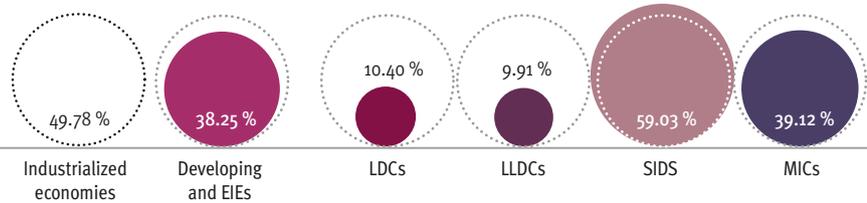


> INDICATOR 1.6/SDG 9.b.1

SDG Target: Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.

**Indicator 1.6/
SDG indicator 9.b.1:**
Proportion of medium and
high-tech industry value added
in total value added

2016



> INDICATOR 1.7/SDG 1.1.1

SDG Target: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.

**Indicator 1.7/
SDG indicator 1.1.1:**
Proportion of employed
population below the
international poverty line
("working poor") (%)

2017



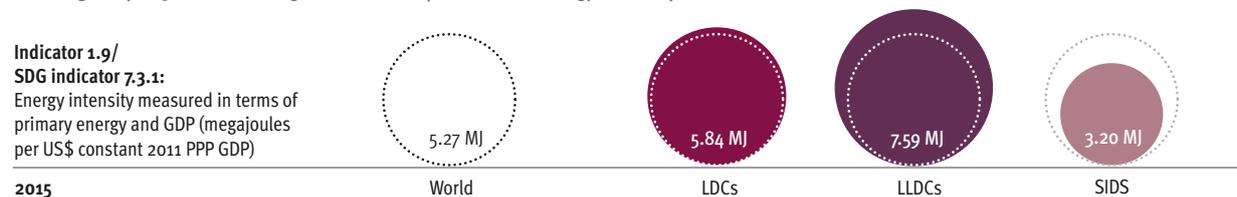
> INDICATOR 1.8/SDG 7.1.1

SDG Target: By 2030, ensure universal access to affordable, reliable and modern energy services.



> INDICATOR 1.9/SDG 7.3.1

SDG Target: By 2030, double the global rate of improvement in energy efficiency.



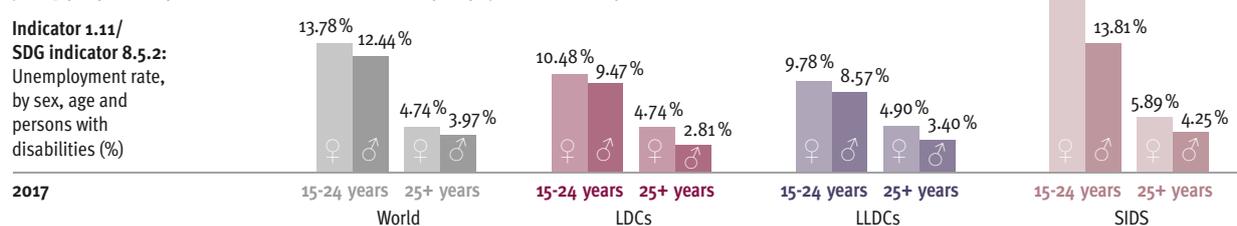
> INDICATOR 1.10/SDG 8.1.1

SDG Target: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.



> INDICATOR 1.11/SDG 8.5.2

SDG Target: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.



> INDICATOR 1.12/SDG 11.6.2

SDG Target: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

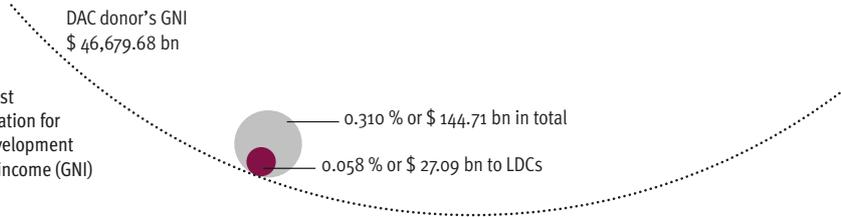


Level 1. Global development results (continued)

› INDICATOR 1.13/SDG 17.2.1

SDG Target: Developed countries to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance (ODA/GNI) to developing countries and 0.15 to 0.20 per cent of ODA/GNI to least developed countries; ODA providers are encouraged to consider setting a target to provide at least 0.20 per cent of ODA/GNI to least developed countries.

**Indicator 1.13/
SDG indicator 17.2.1:**
Net official development assistance, total and to least developed countries, as a proportion of the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) donors' gross national income (GNI) (billions of constant 2016 USD)

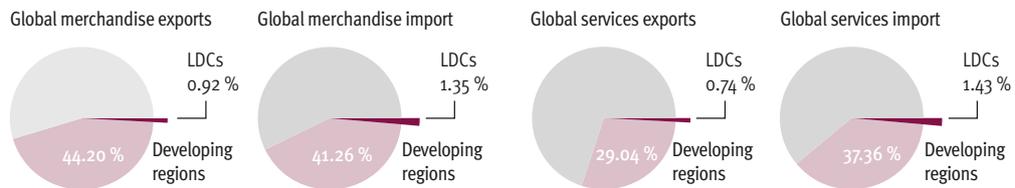


2017

› INDICATOR 1.15/SDG 17.11.1

SDG Target: Significantly increase exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.

**Indicator 1.15/
SDG indicator 17.11.1:**
Developing countries' and least developed countries' percentage share of global exports (%)

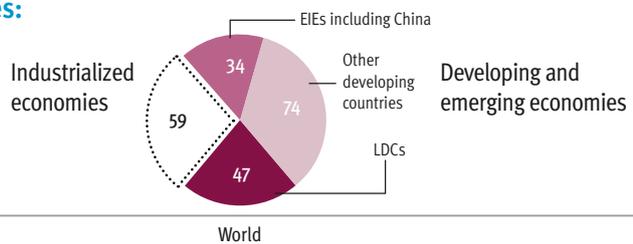


2016

Industrial competitiveness and innovation capacities:

› INDICATOR 1.16

Indicator 1.16:
Stage of industrialization (# of countries)



2018

Level 2. Country results with UNIDO ISID support

Level 2 shows measures of UNIDO support for its Member States in achieving their desired ISID results, and establishes the link between UNIDO technical cooperation implementation and its strategic priorities. UNIDO is currently working on a new set of corporate results indicators. The current set reflects snapshots of country coverage, which are not indicative of the size of the Organization's portfolio in each country, as a proxy for more accurate results metrics.

The year 2018 shows a slight expansion of the programmatic presence of UNIDO in supported

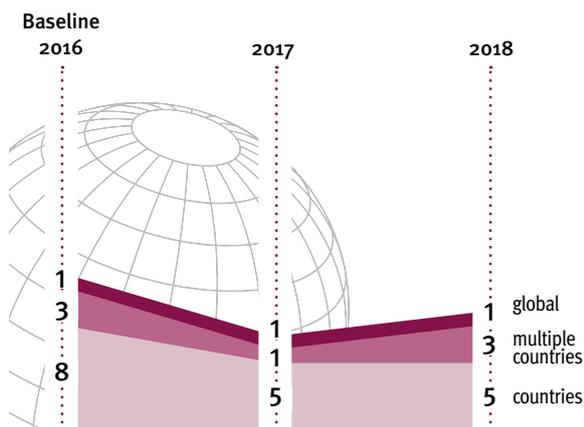
countries, as the strategic orientation of its technical cooperation portfolio moves to larger, multi-country programmes, to increase the efficiency and effectiveness of its operations.

Despite limited available funding, statistical capacity-building (**IRPF INDICATOR 2.1**) remains a priority for the Organization. The social inclusiveness component of its programmatic support is palpable in its gender-related portfolio, which remains at constant levels in 2018 (**IRPF INDICATOR 2.3**). The year saw an increase in the number of supported countries in agribusiness and human security-related areas (**IRPF INDICATOR 2.2**), with a total of 30 countries. Support to post-crisis countries (**IRPF INDICATOR 2.4**) also increased.

UNIDO complements its expertise and services with the resources and know-how of the private sector. In 2018, projects to support higher levels of institutional and business capacities in entrepreneurship, innovation and enterprise development were active in 24 countries, 3 more than in 2017. **IRPF INDICATOR 2.6** shows a decline in the number of countries supported in integrating SMEs into national and global value chains. This year's strong focus on formulation is expected to improve these figures over the next few years: the results reported herewith do not include 22 additional countries and two additional regions

Industrial statistical capacities:

> INDICATOR 2.1



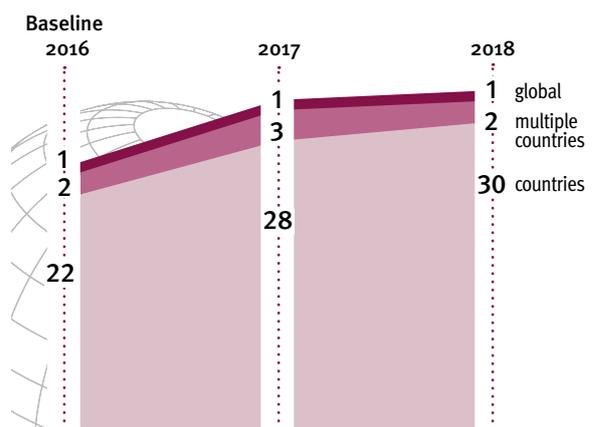
Strengthened industrial statistics systems and related institutional capacities of countries (# of countries)

covered by projects already in the final approval stages before implementation.

In 2018, UNIDO was operating programmes in 92 countries to help meet their obligations under MEAs (**IRPF INDICATOR 2.8**), an increase of 7 since 2017. The support to countries on low-emission strategies and emission technologies (**IRPF INDICATOR 2.9**) increased slightly, to reach 53. Montreal Protocol activities in Africa and in Latin America and the Caribbean also increased, partly attributable to new projects to assist countries to ratify the Kigali Amendment.

Countries with UNIDO programmes that create shared prosperity:

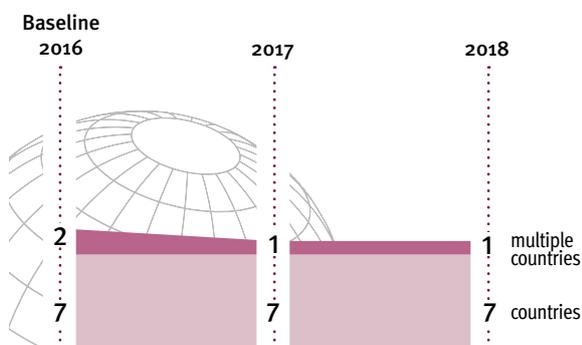
> INDICATOR 2.2



Increased capacities of countries to address food security and other human security threats through industrial solutions (# of countries)

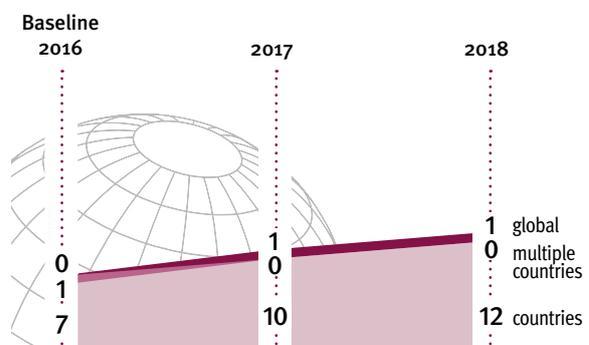
Countries with UNIDO programmes that create shared prosperity:

> INDICATOR 2.3



Countries with enhanced participation and equal opportunities for women in political, economic and public life (# of countries)

> INDICATOR 2.4

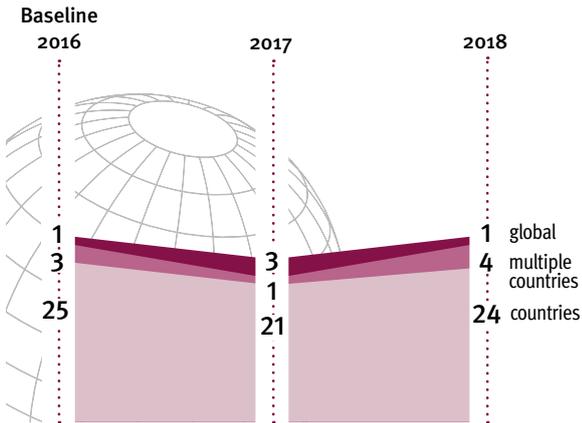


Countries in a post-crisis situation with increased livelihood opportunities for affected populations via restoring micro and small-scale enterprises, rehabilitation of damaged agricultural or industrial infrastructure, and employment creation (# of countries)

Level 2. Country results with UNIDO ISID support (continued)

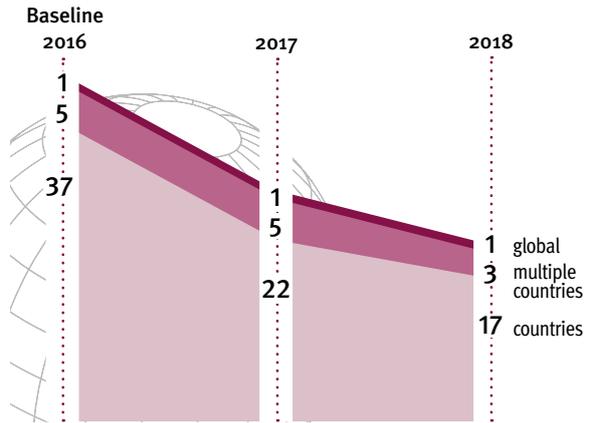
Countries with UNIDO programmes that advance economic competitiveness:

› **INDICATOR 2.5**



Higher levels of ISID achieved in countries, through entrepreneurship, creativity and innovation, through the formalization and growth of enterprises, or through higher levels of private sector investments (# of countries)

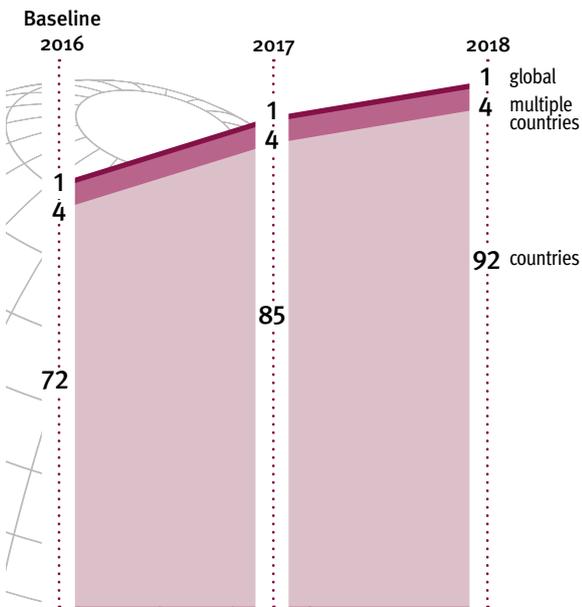
› **INDICATOR 2.6**



Increased capacity of countries to integrate small and medium industrial and other enterprises into national and global value chains and markets (# of countries)

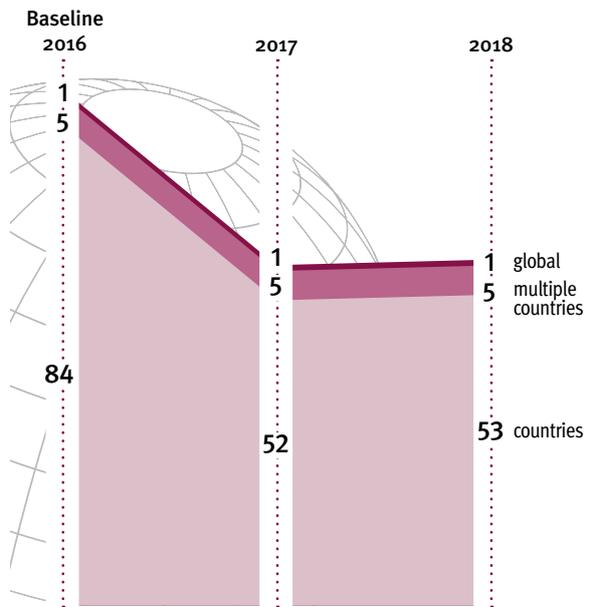
Countries with UNIDO programmes that safeguard the environment:

› **INDICATOR 2.8**



Enhanced capacity of countries to implement multilateral environmental agreements (MEAs) and mainstream into national and subnational policy, planning, financial and legal frameworks (# of countries)

› **INDICATOR 2.9**



Countries with enhanced capacities to manage transformational shifts towards a low-emission and resilient development path, including through low-emission technologies (# of countries)

TIER II. ORGANIZATIONAL PERFORMANCE

Level 3. Programme management effectiveness

Level 3 measures the programme management performance of the Organization, based on the monitoring of the quality of programmes and projects at entry and at completion, the degree to which UNIDO mainstreams Gender Equality and the Empowerment of Women (GEEW) strategy, partnership mobilization, and other cross-cutting priorities.

In 2018, the geographical distribution of UNIDO interventions (**IRPF INDICATOR 3.1**) increased sharply, with approvals of projects in the Latin America and Caribbean region having more than doubled to 17 new projects. The overall design quality of programmes and projects positively rated decreased slightly in 2018, but remained well above the 2016 baseline levels. The data on quality at completion (**IRPF INDICATOR 3.4**), to be gathered from a planned triennial synthesis evaluation, were unfortunately unavailable at the time this report was finalized.

An important outcome of UNIDO activities is the leveraging of investments or co-financing. **INDICATOR 3.6** shows that Programmes for Country Partnerships (PCPs) have contributed to the mobilization of a cumulative amount of \$854.5 million since 2015, against a 2018 target of \$827.5 million. An additional \$870.6 million is projected to be leveraged during 2019, for an expected total cumulative amount of over \$1.7 billion.

The implementation of the Organization's GEEW policy and strategy resulted in the inclusion and appraisal of gender elements being mandated at the project design stage. This resulted in a steady increase in the overall quality design, with regard to GEEW categories (**INDICATOR 3.8 and 3.9**), with indicator 3.9 reaching 89 per cent in 2018. Significantly more projects now mainstream gender more comprehensively in their design ("significant attention"). This is also partly attributable to increased organizational and donor requirements for gender mainstreaming since 2015.

Improvements in communication processes and tools led to a significant increase in the number of visitors to the unido.org website (**IRPF INDICATOR 3.12**).

Level 4. Organizational effectiveness and modernization

Level 4 focuses on the Organization's internal performance. This level monitors the capacity of UNIDO to manage its processes effectively, and its ability to rise to challenges and adapt to change.

The publication on the International Aid Transparency Initiative (IATI) platform in 2018 underlined the further improvement of the Organization's transparency activities and resource management (**IRPF INDICATOR 4.1**), which reached a score of 4.7/5. In 2018, UNIDO continued to increase the efficiency of workflows related to its policymaking organs sessions, with **IRPF INDICATOR 4.3** reaching 89 per cent, 9 per cent above the target.

As a result of the Organization's engagement with Member States, in particular through the Informal Working Group on PBC-related issues in 2018, modest improvements were made in the collection rate of assessed contribution (**IRPF INDICATOR 4.4**). Following efforts to improve staffing levels, the vacancy ratio (**IRPF INDICATOR 4.6**) decreased by 1 per cent in 2018. This rate is expected to decrease further in 2019.

The decrease in **IRPF INDICATOR 4.7** is due to a shift in the funding cycles of GEF and MLF to 2019. The major reduction in **IRPF INDICATOR 4.8** is due to a drop in delivery from European Union projects of approximately \$14 million.

Human resource indicators (**IRPF INDICATOR 4.10, 4.11, 4.12**) maintained the 2017 target in terms of geographical diversity of human capital, and showed a slight increase in managerial and technical training. Gender parity efforts are evident in internationally recruited female staff (an increase of 2.5 per cent), with parity being achieved at the P-2 level.

Efficiencies gained from launching the new *Procurement Manual* in July 2018, along with associated improved processes, partly explain the excellent performance of **IRPF INDICATOR 4.13** (only 87 days average procurement time), compounded by better monitoring of the performance of UNIDO contractors (**IRPF INDICATOR 4.15**).

TIER II. ORGANIZATIONAL PERFORMANCE

Level 3. Programme management effectiveness

INDICATOR		2015 Baseline year	2018 Target	2017 Reported	2018	STATUS	
Portfolio management, results-based management (RBM), and monitoring and evaluation (M&E)							
3.1: No. of programmes/projects approved by the Executive Board (EB) per region*	AFR	39	N/A	34	20	-	
	ARB	17		15	20		
	ASP	22		19	21		
	EUR	9		11	12		
	LAC	10		8	17		
	INT and GLO	19		33	33		
	Total	116		120	123		
3.3: Percentage of programmes/projects whose design quality was rated satisfactory at entry (%)	Overall design quality	67**	-	86	79	-	
	Relevance	87**		100	96		
	Technical design	74**		95	100		
	Logframe, risks and M&E	31**		48	50		
	Efficiency	82**		71	93		
	Implementation arrangements	82**		90	89		
	Sustainability	51**		48	79		
Gender	59**	80	89				
3.4: Quality of technical cooperation: programmes/projects rated moderately satisfactory or higher, at completion (%)	2012-2015	Relevance (HS+S/MS)	91/6	≥ 2012-2015	-	N/A	-
		Effectiveness (HS+S/MS)	61/32		-		
		Efficiency (HS+S/MS)	53/28		-		
		Likelihood of sustainability (HS+S/MS)	30/56		-		
		Programme/project management (HS+S/MS)	66/25		-		
		M and E (HS+S/MS)	46/22		-		
Partnership mobilization, gender mainstreaming and knowledge management							
3.6: Amount of partnership-based co-financing/leveraging achieved (million US\$). The amount in brackets is cumulative since the baseline year (2015).		0	(827.5)	390 (497.3)	357.2 (854.5)	■	
3.8: Percentage of programmes/projects with gender-informed design as captured by the UNIDO gender marker (%)	Gender as central focus	0.8	≥ baseline	0.9	0.8	■	
	Significant attention to gender	16.6		21.3	22.9		
	Some attention to gender	53.5		65.4	61.7		
	No attention to gender	6.9		4.5	5.5		
	To be evaluated	22.2		7.8	9		
3.9: Percentage of programmes/projects whose gender mainstreaming design was rated satisfactory at entry (%)	Gender overall		≥ previous year	80	89	■	
	Gender relevance			90	100		
	Gender analysis			80	89		
	Operational measures to ensure gender-equitable participation and allocation of resources			95	89		
	Sex-disaggregated indicators and targets			75	86		
3.12: Monthly visitor count of UNIDO public website (visitors/month)	Avg. sessions/mon (visits)	82,000	73,000	71,000	77,000	■	
	Avg. users/mon (visitors)	57,000	46,000	46,000	53,000	■	

* Indicator 3.1 does not include Montreal Protocol projects as they do not follow the same approval process.

** Figures for 2016.

Level 3. Programme management effectiveness *(continued)*

		2015 Baseline year	2017 Reported	2018
Montreal Protocol projects	AFR	7	12	19
	ASP	6	5	4
	EUR	18	12	13
	West Asia Arab States	16	2	6
	African Arab States	12	4	10
	LAC	22	12	24*
	INT and GLO	3	2	1
	Total	84	49	77

*One TF project: approved for a bilateral donor (such as France, Italy, Japan, Spain) and implemented by UNIDO on behalf of the country.

TIER II. ORGANIZATIONAL PERFORMANCE

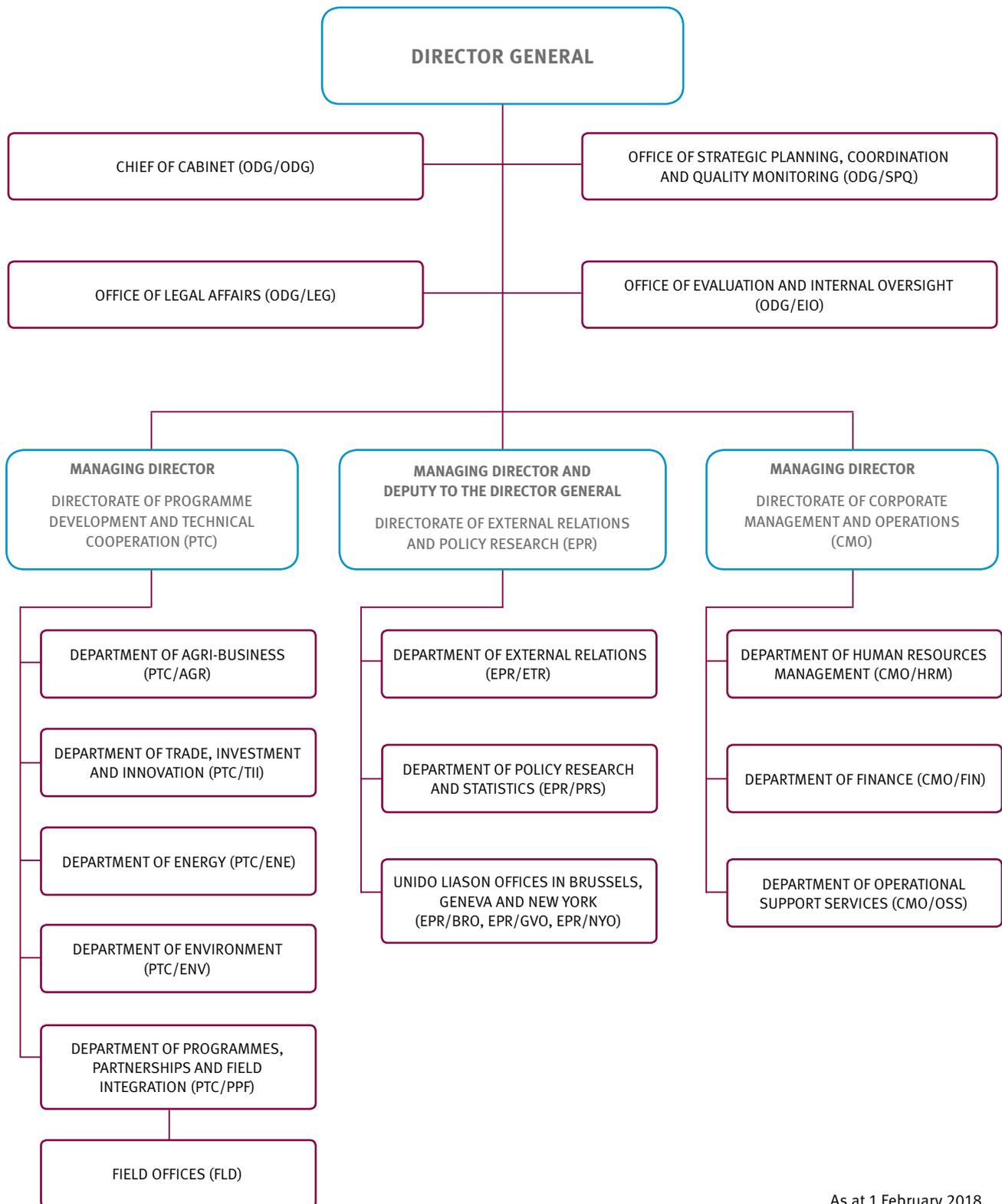
Level 4. Organizational effectiveness and modernization

INDICATOR	2015 Baseline year	2018 Target	2017 Reported	2018	STATUS	
Governance and management						
4.1: Transparency of activities and resource management (index, 0-5)	4.5	4.5	4.5	4.7	■	
4.3: Policymaking organs sessional documents issued in line with legislative deadline and language requirements (%)	54	80	85.2	89	■	
Asset and resource management, alignment, mobilization and stability						
4.4: Collection rate of assessed contributions (%)	87.8	N/A	88	89.5		
4.6: Vacancy ratio (%)	10.7	N/A	13	12		
4.7: Voluntary contributions (million US\$, net approvals)	204.96	N/A	217.903	204.20		
4.8: Focus of technical cooperation activities per thematic area (%)	Advancing economic competitiveness	-		24	20	
	Creating shared prosperity	-	N/A	17	17.7	
	Safeguarding the environment	-		53	59	
	Cross-cutting services	2		7	3.4	
4.9: Budget utilization rate (%)	83	N/A	85.7	86.4		
Capacity development and knowledge management						
4.10: Geographical diversity of UNIDO human capital:	(a) Percentage of Member States nationals under staff contract represented (out of total number of Member States) (%)	46	50	57.4	50	■
	(b) Percentage of Member States nationals under all types of contracts (staff and ISA) (out of total number of Member States) (%)	82	80	84	81	
4.11: Gender parity and equality (at different grades) (%)	Internationally recruited staff (M/F)	67/33	Internationally recruited staff, ≥P-5, experts/consultants: +1% increase in share of women compared to baseline; locally recruited staff: M/F: 50%/50%	66.7/33.3	64.2/35.8	■
	≥P-5 (M/F)	78/22		78.1/21.9	74.5/25.5	■
	Locally recruited staff (M/F)	51/49		51.7/48.3	54.5/45.5	■
	including GS	-		64/36	66.1/33.9	■
4.12: Breakdown of UNIDO training programmes (%)	Effectively accomplish strategic objectives through managerial and technical skills upgrading	40.7		62.4	62.7	
	Strengthen internal structures and communications	59.1	N/A	36.3	24.3	
	Other general competencies upgrading	0.2		1.3	12.3	
Business modernization and operational management						
4.13: Average procurement timelines (calendar days)	81.2	remain within ±10%	104	87	■	
4.14: Average number of companies bidding for a UNIDO procurement action (# of companies)	4.8	remain unchanged, rounded to 5	3.6	3.5	■	
4.15: Satisfactory contract and contractor performance evaluation (%)	98.48	>90	98	99.4	■	
4.16: Percentage of sustainable procurement transactions (%)	N/A	N/A	-	N/A	-	
4.17: Quality of enterprise resource planning (ERP) system, based on client surveys (index)	2014-2015 66%	2018-2019 70%	-	70%	■	

ABBREVIATIONS

AUC	African Union Commission
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
BRICS	Brazil, Russian Federation, India, China, South Africa
CTCN	Climate Technology Centre and Network
EaP Green	Greening Economies in the European Union's Eastern Neighbourhood
ECP	Entrepreneurial Curriculum Programme
ECOSOC	United Nations Economic and Social Council
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
EnMS	Energy Management Systems
ERP	enterprise resource planning
FAO	Food and Agriculture Organization of the United Nations
GCF	Green Climate Fund
GCIP	Global Cleantech Innovation Programme
GDP	gross domestic product
GEEW	Gender Equality and Empowerment of Women
GEF	Global Environment Facility
HLPF	high-level political forum on sustainable development
IATT	United Nations Inter-agency Task Team
IDB	Industrial Development Board
IDDA III	Third Industrial Development Decade for Africa
IDEA	Inclusive Development and Entrepreneurship for All
IFI	international financial institutions
IRPF	integrated results and performance framework
ISID	inclusive and sustainable industrial development
ISO	International Organization for Standardization
LDC	least developed country
MEA	multilateral environmental agreement
MIC	middle-income country
MLF	Multilateral Fund for the Implementation of the Montreal Protocol
MSME	micro, small and medium-sized enterprise
MTPF	medium-term programme framework
MVA	manufacturing value added
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PCP	Programme for Country Partnership
PFAN	Private Financing Advisory Network
POP	persistent organic pollutant
RECP	Resource-efficient and Cleaner Production
SDG	Sustainable Development Goal
SME	small and medium-sized enterprise
STI	science, technology and innovation
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WHO	World Health Organization
WTO	World Trade Organization

UNIDO ORGANIZATIONAL STRUCTURE



As at 1 February 2018.



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“Inclusive and sustainable industrial development is critical for achieving the 2030 Agenda for Sustainable Development in Africa. It generates jobs, reduces poverty, hunger and inequality, empowers women, expands opportunities for young people, while also improving health, safeguarding the environment and tackling climate change.”

[António Guterres, Secretary-General of the United Nations](#)
on the occasion of the Africa Industrialization Day 2018

“I truly believe that, in all aspects, UNIDO and the international community, national authorities, the private sector and civil society, should explore areas of close collaboration, so that together, we can promote sustainable industrial development, whilst always keeping in mind the targets set by the 2030 Agenda and its global Goals for sustainable development.”

[Marie-Louise Coleiro Preca, President of Malta](#)
on the occasion of accepting to become a UNIDO Goodwill Ambassador

“We are delighted to partner with UNIDO, as we work together to strengthen Africa’s industrial base, and the opportunities for inclusive private sector development. Funding innovative production methods will improve output and efficiency. Investment across value chains can create vibrant centres of excellence across the continent and help Africa deliver on its promise of inclusive growth and employment.”

[Werner Hoyer, President of the European Investment Bank](#)
on the occasion of Africa Day 2018 in Addis Ababa



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