

**Industrial Development Board****Fifty-second session**

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Item 12 of the provisional agenda

United Nations development system reform**United Nations development system reform****Report by the Director General**

In its decision IDB.46/Dec.12, the Board requested the Director General to regularly report on United Nations development system reform-related matters to the Programme and Budget Committee, the Industrial Development Board and the General Conference of UNIDO.

I. Background

1. The present report provides an update on the United Nations development system (UNDS) reform, as part of a series of reports on the matter presented to policymaking organs of UNIDO since 2018. With major elements of the reform in place since January 2019, such as the reinvigorated United Nations resident coordinator (UNRC) system, the repositioning of the UNDS is delivering positive results.¹ United Nations General Assembly resolution [75/233](#) of December 2020 welcomes the progress achieved in implementing the UNDS reform resolutions [71/243](#) and [72/279](#), and reiterates the call for continued support towards the achievement of the internationally agreed Sustainable Development Goals (SDGs).

II. Recent developments

2. The repositioning of the UNDS targets stronger inter-agency cooperation and coordination, along with an improved multilateral response to accelerate the implementation of the 2030 Agenda for Sustainable Development. UNIDO continues to support the reform efforts, while working to ensure that inclusive and sustainable industrial development receives appropriate attention and the Organization's own business model and that reforms align well with and complement UNDS reform initiatives.

¹ Several such results are highlighted in the Secretary-General's annual reports to the operational activities for the development segment of the Economic and Social Council, recently in report [A/78/72-E/2023/59](#).



3. As of the time of preparation of this report, there were 52 per cent male and 48 per cent female UNRCs from 57 different nationalities. In 2023, the number of UNRCs originating from different agencies continued to increase. Currently, UNRCs originate from 25 different agencies, one being from UNIDO, who is based in Bahrain.
4. The Organization continues to further strengthen its engagement with UNRCs and its position as an active member in United Nations country teams (UNCTs). Based on its own results data, UNIDO was engaged in 103 UNCTs in 2022 and 110 in 2023, while joint interventions or joint programmes increased from 170 in 2022 to 237 in 2023.
5. The UNIDO regional bureaus and field offices are currently contributing to 105 United Nations Sustainable Development Cooperation Frameworks (UNSDCFs). In 2023, UNIDO signed 18 new UNSDCFs for Algeria, Bhutan, Brazil, Burundi, Cabo Verde, Cambodia, Egypt, Gabon, India, Libya, Morocco, Nepal, Nigeria, the Pacific (covering 14 countries and territories), the Philippines, Sao Tome and Principe, South Sudan and Zambia.
6. Several of these UNSDCFs highlight UNIDO's leadership in the "prosperity" and "planet" pillars at the country level. The continuous strengthening of UNIDO's engagement provides an opportunity to effectively promote its mandate within the United Nations Sustainable Development Group (UNSDG) and in common programming processes of the UNDS at the country level.

Funding

7. Contributions for UNIDO's technical cooperation activities resulting from inter-agency cooperation, including from multi-partner trust funds, remained with \$7.7 million in 2023 at a similar level as in previous years.
8. As reported previously, the network of UNRCs, their offices and the United Nations Development Cooperation Office (DCO) are funded, in accordance with resolution [72/279](#), through a hybrid model based on (i) a one per cent coordination levy (on tightly earmarked third-party non-core contributions); (ii) the UNSDG cost-sharing arrangement; and (iii) voluntary contributions to a dedicated special purpose trust fund.
9. The voluntary contributions for the UNRC system remained below expectations in recent years, creating a chronic funding shortfall for the UNRC system with a funding gap of \$85 million in 2022 and \$64 million in 2023. Following consideration by the Economic and Social Council (ECOSOC) and informal consultations with United Nations Member States in 2023, the Secretary-General presented a proposal to essentially replace the voluntary contributions pillar of the hybrid model by assessed contributions to the regular budget of the United Nations. The one per cent levy (estimated to contribute \$50.3 million) and UNSDG cost-sharing portion (with \$77.5 million) remain unchanged. If approved, the proposal would become effective from 2025 onwards.
10. In 2023, the Organization received from its funding partners an amount of \$890,149 through the administration of the one per cent coordination levy, which it transferred to the United Nations Secretariat.
11. As in 2022, UNIDO provided a UNSDG cost-sharing contribution of \$2.24 million in 2023. In line with the programme and budgets 2024–2025, the contributions for 2024 and 2025 are foreseen to remain at the same level. Despite a planned data update for the calculation of cost-sharing allocations, DCO maintained the amounts at the same level for 2024.
12. In the case of a review of the UNSDG cost-sharing formula, UNIDO will engage actively in consultations with DCO and UNDS partners to arrive at a fair, balanced, predictable and sustainable outcome.

Funding Compact

13. The Funding Compact, developed in 2019 as part of the UNDS reform, was based on the mutual understanding that achieving the 2030 Agenda would require efforts on the sides of both the UNDS and Member States, and that significant changes in development funding were imperative.

14. While both Member States and the UNDS have made progress in implementing the Compact, several important commitments have not been met.² Five years after its adoption, and with some targets expiring, the Funding Compact is being reviewed in a consultative process with Member States that started in December 2023. The draft of the new Compact will be presented to the ECOSOC operational activities for development segment in May 2024.

Efficiency agenda

15. The implementation of the efficiency agenda guided by the Business Innovations Group is a key component of the UNDS reform. It aims at maximizing programmatic gains, changing the culture of corporate business operations and strengthening client orientation and satisfaction. The efficiency agenda contains four key elements, that is the Business Operations Strategy (BOS), Common Back Offices (CBO), Common Premises and Global Shared Services Centres.

16. In support of this agenda, the Organization fulfilled the co-location target, with 61 per cent of its current field offices being located in common premises. However, this figure may fluctuate, as cost efficiency determines the location of UNIDO offices.

17. Business operations strategies are maximizing economies of scale between UNDS entities, mostly in service administration. Based on BOS data collected at the UNCT level, UNIDO participation in BOS resulted in cost avoidance of approximately \$300,000 in 2023. Due to the centralization of corporate services at UNIDO headquarters and the light staffing and limited resources of the Organization's field offices, cost avoidance was reported predominantly under the service line administration services.

18. In 2023, six countries were chosen as the first group to roll out the CBO, the United Nations' local shared service centres. UNIDO is analysing each service offer on a case-by-case basis to appraise the operational and financial impact. The Organization is joining the CBO in Kenya and Viet Nam.

19. UNIDO has achieved significant efficiency gains and cost savings in its core service functions over the past years. The Organization's own corporate services remain highly competitive and are more cost effective than services outsourced to other UNDS entities. UNIDO continues to seek further opportunities in the efficiency agenda, particularly at the country level, and to engage on a case-by-case basis, i.e. where operationally and financially beneficial.

Reporting

20. The Organization contributes to system-wide reporting, including via the UNSDG data portal (UN INFO) and by providing data for the UNSDG output indicator framework, which is summarized in the annex to the annual report of the UNSDG Chair.³ UNIDO reports on four of its integrated results and performance framework indicators: ECO.2 (Firms with improved labour productivity); ENV.1 (CO₂-equivalent emissions reduced (tons)); ENV.2 (Pollutants reduced or phased out (tons)); and SOC.2 (Small and medium-sized enterprises with increased inclusion in value chains), which form part of SDG indicators 9, 13, 12 and 8 respectively.

² See the latest Funding Compact indicator table (May 2023) available at the time of writing at: <https://ecosoc.un.org/sites/default/files/d7-files/files/documents/2023/annex-fundingcompact-indicators-2023.pdf>.

³ The annex titled "Measuring the UN contribution towards the SDGs" can be found at: <https://unsdg.un.org/resources/unsdg-chair-reports>.

III. Outlook

21. The four-year cycle of the latest quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR), adopted by the General Assembly in December 2020 through resolution [75/233](#), is coming to an end. A new QCPR resolution providing policy-level guidance to enhance coordination and efficiency, and the overall contribution of the UNDS for the advancement of the 2030 Agenda will be negotiated in the last quarter of 2024. The preparations for the QCPR resolution are informed by a progress report of the Secretary-General on its implementation and other documentation presented at the ECOSOC operational activities for development segment.

IV. Action required of the Committee

22. The Committee may wish to take note of the information contained in the present document.
