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**Implementation of the medium-term programme
framework, 2006-2009**

**Implementation of medium-term programme framework, 2006-
2009, including South-South cooperation, regional programme
for Latin America and the Caribbean and UNIDO access to
the Global Environment Facility**

Report by the Director-General

Reports on the implementation of the medium-term programme framework 2006-2009, including South-South cooperation, the regional programme on Latin America and the Caribbean, and UNIDO access to the Global Environment Facility.

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I. Introduction

1. This document reviews the implementation of the medium-term programme framework (MTPF) for 2006-2009. In doing so, it builds on the information provided in documents IDB.31/6, IDB.31/CRP.2 and IDB.32/13. In keeping with the practice employed in those documents, the present document is structured according to UNIDO's three areas of thematic focus: poverty reduction through productive activities, trade capacity-building, and environment and energy. This reporting on UNIDO's technical cooperation activities is complemented by a report on the implementation and refinement of UNIDO's research programme. In addition, this document reports on measures adopted to strengthen UNIDO's field presence and operations. Finally, in response to requests received from the Member States, this document presents updated information on UNIDO's efforts to promote South-South cooperation, implement the regional programme for the Latin America and Caribbean (LAC), and generate increased access to funding from the Global Environment Facility (GEF).

2. In this connection it may be noted that reporting on the programmatic enhancements referred to in document IDB.32/13 has been mainstreamed into the appropriate sections indicated above. Thus, the establishment of regional centres for South-South cooperation is covered within the broader framework of South-South cooperation in Section VII below, while the development of a programme to reduce youth unemployment is covered in section II and the expansion of the existing UNIDO programme to promote the use of renewable energy and biofuels is covered in section IV.

II. Poverty reduction through productive activities

3. Under this thematic area, UNIDO provides a full set of programmes aimed at promoting the development of a vibrant industrial sector on the one hand, while creating opportunities for the poorer and more marginalized strata of the population to benefit from economic growth and modernization on the other. This strategy is based on the realization that sustainable and broad-based economic growth is required to reduce poverty, and thus to achieve the first of the Millennium Development Goals. Throughout history, industry has been the engine of economic growth, changing the structure of economies and generating income opportunities. For growth to be inclusive and truly pro-poor, however, specific measures have to be taken to enable the poor to make the most productive use of the resources they possess, e.g. in terms of capacity-building of relevant institutional partners, or improving the entrepreneurial capacities of disadvantaged or vulnerable groups such as women or ethnic minorities.

4. The programme on industrial policy, business environment and institutional support assists in building the capacities of national institutions to support a competitive private sector, in strengthening institutional structures for the provision of specialized information and business development services and in promoting public-private policy dialogue and partnerships. Under this programme, UNIDO has provided policy advice to the governments of China, Moldova, Mordovia (Russian Federation), Rwanda, Saudi Arabia and the Syrian Arab Republic. Integrated industrial information networks have been developed in Morocco and Mozambique.

In Viet Nam, UNIDO has collaborated with the Agency for Small and Medium Enterprise (SME) Development to finalize the SME Development Action Plan 2006-2010, to implement a nationwide registration reform programme based on a computerized single-point business, tax and statistics registration system, and to launch an internet-based government business portal.

5. UNIDO's services for the development of agro-processing and value chains focus on strengthening linkages between agriculture, industry and markets. The activities encompass the transfer of food-processing technology, the upgrading of food-processing skills, the promotion of food safety in the processing environment, and interventions to improve competitiveness and productivity at the processing level. Projects are being implemented in Burkina Faso, Cameroon, Ghana, Madagascar, Mali, Morocco, Mozambique, Niger, Nigeria, Sierra Leone, Uganda and the United Republic of Tanzania. New technologies, such as the use of biomass energy for drying, have been introduced. The Eastern Africa bamboo project in Ethiopia and Kenya is providing training and technology demonstration, developing the sustainable supply of raw bamboo materials, improving bamboo products, and diversifying into new markets. Regional programmes for the development of the cotton-textile-garment value chain and of the leather and footwear industry are also under way in Africa.

6. The promotion of domestic investment, foreign direct investment (FDI) and business alliances constitutes a further cornerstone of UNIDO's efforts to modernize the industrial sectors of beneficiary countries. An example is given by the Asia-Africa Investment and Technology Promotion Centre, which has marketed 632 investment project profiles and 52 sector analyses, held 34 seminars in Asia attracting 1,324 businesspeople, and arranged 16 missions to Africa for potential Asian investors. Another example is the Orissa investment promotion programme in India, which has resulted in the preparation of appropriate training manuals and the refurbishment of infrastructure for the local investment promotion agency, as well as the holding of promotional seminars in various business centres in India and the establishment of networks with counterpart agencies in Japan and the United Kingdom.

7. A particularly important activity is the recurring FDI survey of Africa, the latest of which covered 15 countries and was launched at the AfrIPANet meeting in Johannesburg in June 2006. The survey information provides a critical input for evidence-based policy formulation and informed decision-making by the private sector. It has been used as a basis for the preparation of a regional investment programme for Africa, which was presented to a meeting of African public and private sector stakeholders in Addis Ababa in March 2007 where it was endorsed for submission to the Conference of African Ministers of Industry (CAMI) and the Summit of African Union (AU) Heads of State. It has also been agreed that the survey data, especially from next generation surveys, will be placed on an investment monitoring and governance platform. This will be established in partnership with Microsoft Corporation, and will form the centrepiece of UNIDO's web presence for investment in Africa. The model will be replicated for other regions and will form the basis of UNIDO investment programmes in the future.

8. UNIDO remains committed to the promotion of relevant technologies and their diffusion within the private sector. In the Nuba Mountains region of Sudan, UNIDO supports a programme for the local manufacture and diffusion of animal drawn

agricultural implements, such as the Nuba hoe. This has created significant gains for farmers both in area cultivated and yields.

9. In addition to the measures described above to promote broad-based industrial development, the second leg of UNIDO's strategy towards the reduction of poverty entails assistance to poor and marginalized groups in society, including those most exposed to the risk of sliding unexpectedly into poverty as a result of a local crisis. The key principle behind these initiatives is to ensure that the local economy provides sustainable opportunities for these vulnerable people to use their assets productively, thereby securing improved income as well as accessing new skills and an enhanced appreciation of market opportunities. By targeting economic insecurity, environmental hazards and the lack of social capital at the community level, this programme helps to meet the objectives of human security. Key targets for such interventions remain women, young people, people in rural areas, and people in post-crisis situations. Examples of UNIDO services in these areas are given in paragraphs 10 to 14 below.

10. The rural and women's entrepreneurship development programme has strengthened and diversified its activities to build competitive entrepreneurial capabilities among rural and urban population groups, including women and youth. In 2006 the programme responded to an increasing number of countries giving priority to the development of entrepreneurial skills among their youth. The entrepreneurship development curriculum, developed and tested in eight pilot schools in Mozambique, is being expanded nation-wide at the request of the Government. A similar curriculum is being introduced in 134 schools in Timor-Leste. Other initiatives are under way in Namibia and Sudan.

11. Assistance in women's entrepreneurship development in Eritrea, Iran (Islamic Republic of), Kenya, Morocco, Uganda and Viet Nam addressed weaknesses in entrepreneurial, technical and organizational skills, and access to business services. In Namibia, the capacity of small business trainers and advisers to strengthen entrepreneurial self-help groups in rural areas and carry out industrial extension services for productivity improvements improved. Rural women's cooperatives have been assisted in Ghana to connect with local and foreign markets for fish and palm oil.

12. The UNIDO initiative to reduce youth unemployment has evolved into a United Nations system-wide collaborative effort. In February 2007 UNIDO organized a high-level consultative meeting in Ghana with the African Union, the United Nations Office for West Africa (UNOWA) and the Secretary-General's Youth Employment Network (YEN). The meeting called for the development of a multi-stakeholder youth employment programme for the Mano River Union countries (Guinea, Liberia, Sierra Leone) and Côte d'Ivoire. UNIDO has started to develop such a programme with ILO, UNDP, FAO, the World Bank, YEN, and UNOWA, and is separately formulating a programme to address this subject in other regions.

13. In Indonesia, UNIDO is assisting the provincial Government in implementing the Maluku development strategy to contribute to the stabilization of the fragile post-crisis situation after years of ethnic conflicts. In Sudan a joint FAO-UNIDO programme has been established to promote community-based, agro-related micro- and home-based manufacturing activities connecting rural communities with sustainable markets. Agro-processing also constitutes an important component of

UNIDO's post-crisis assistance to Afghanistan, Burundi, Congo, Democratic People's Republic of Korea, Democratic Republic of the Congo, Iraq, Rwanda, Sierra Leone, and northern Uganda.

14. Emphasis is being placed on the development of new technologies that increase the productivity of the assets of vulnerable groups while ensuring its environmental viability. A programme is under way to promote new energy-efficient and eco-friendly technologies for manufacturing materials for low-cost housing in Africa, Asia and Latin America. The first demonstration centre was set up in Mozambique at the end of 2006, which resulted in the formulation of new programmes for Sierra Leone and Sudan and requests from Namibia and Nigeria. The International Centre For Materials Technology Promotion provided training to 45 specialists, leading to technology transfer projects for Afghanistan, Colombia, Mozambique and Sudan.

15. UNIDO has been active in mitigating the effects of pollution on poor communities, in particular through the GEF-funded global mercury project to introduce clean technologies in artisanal gold mines in Brazil, Indonesia, Lao People's Democratic Republic, Sudan, United Republic of Tanzania and Zimbabwe. Efforts have also been initiated to mitigate the effect of arsenic in the drinking water of poor communities in Bangladesh through the use of household-level filters and the launch of community-level arsenic removal units.

16. The lack of reliable and affordable energy services in rural areas is one of the key barriers hampering rural development in developing countries. UNIDO therefore continues to improve the access of the poor to reliable energy services with productive uses and income generation activities (such as water pumping for irrigation, grain grinding and handicrafts activities) in Cambodia, Cuba, Ghana, Kenya, Maldives, Mozambique, Rwanda, Sri Lanka, Sudan, United Republic of Tanzania and Zambia. In this connection, UNIDO provides technical assistance for:

(a) Harnessing the potential of new and renewable sources of energy for rural electrification (e.g. through the establishment of small hydro-power plants in Rwanda, the construction of mini-grids based on renewable energy in Zambia, and the use of biofuels for power generation in Cuba);

(b) Linking rural energy services with productive activities to generate local employment and raise income levels (e.g. through the establishment of a mini-grid based on solar energy to promote night fishing and refrigeration in Zambia, the provision of solar energy-based information and communication technology services in Mozambique, and hybrid renewable energy projects in the Maldives and Laccadives); and

(c) Demonstrating the economic and social benefits of rural energy services (e.g. for a school and hospital in Rwanda).

The main beneficiaries of UNIDO's rural energy projects are poor communities and the relevant agencies, organizations and partners devoted to supporting them in developing countries.

17. The programme for SME cluster and network development seeks to strengthen synergies among enterprises and between the private and public sectors. Presently UNIDO is implementing nine such projects in eight countries – Colombia, Ecuador, India, Iran (Islamic Republic of), Morocco, Nicaragua, Pakistan and Senegal. The

programme has promoted joint activities, such as the establishment of common service centres, the improvement of local physical infrastructure, the creation of technical schools, the establishment of linkages with markets, the operation of joint showrooms, and the adoption of joint approaches to product innovation. Nearly 150 institutions are promoting cluster development using UNIDO methodologies and training tools. The majority of them are private sector institutions (consultancies, non-governmental organizations (NGOs), associations of SMEs). Global training programmes are being conducted for government institutions, private sector associations and policymakers, and an internet-based toolbox is available to support distance learning. Cluster-to-cluster cooperation programmes have also been developed in India and Viet Nam, especially with a view to promoting South-South cooperation.

III. Trade capacity-building

18. UNIDO's activities in trade capacity-building (TCB) are intended to enhance the capacity of beneficiary countries to participate in global trade and hence increase their economic growth. The ability of enterprises in these countries to trade internationally depends increasingly on their ability to enter into global value chains established by transnational corporations. On the one hand, this requires working on the supply side, enabling enterprises to manufacture exportable products in the quantities and at the quality required by the markets. On the other hand, it requires evidence of the conformity of these products to the relevant international standards.

19. In this context, UNIDO supports:

- (a) The identification of potentially competitive sectors and products;
- (b) The upgrading of manufacturing processes and manufactured products to internationally acceptable standards;
- (c) The diffusion of modern and relevant technologies;
- (d) The creation of export consortia;
- (e) The promotion of corporate social responsibility (CSR); and
- (f) The design and implementation of commodity-based trade capacity-building programmes, in cooperation with international partner agencies such as WTO, ITC and FAO.

20. Since a globally recognized conformity assessment infrastructure is a precondition for effective trade participation, UNIDO develops capacities in standards bodies; devises projects enabling precision manufacture, quality assurance and the ability to perform internationally recognized product testing and calibration, and helps to establish and/or strengthen accreditation institutions and upgrade their capacity to accredit laboratories, system certifiers and inspection bodies. During 2006 UNIDO supported the WTO/G-8 Aid for Trade initiative, and incorporated the recommendations of the Aid for Trade Task Force into the Organization's strategic approach to trade capacity-building. Hence UNIDO's TCB programmes are increasingly being recognized as a good model for the implementation of the Aid for Trade initiative.

21. The development of supply capability necessitates the identification of sectors and products with an export potential. Training programmes to disseminate UNIDO's methodology for analyzing industrial competitiveness at subsector and product level have been expanded, and the establishment of competitiveness units, which continuously monitor and analyze export trends as well as benchmarking performance, has been encouraged. The methodology for trade analysis developed in Cameroon and Ecuador in the past two years was introduced in Paraguay during 2006. Publications have included industrial competitiveness reports at country level, individual product analyses as well as comprehensive surveys of the cost of doing business.

22. Technical support has been provided in establishing regional and national productivity centres and enhancing enterprise productivity and export capacity. Several major programmes to support industrial restructuring and upgrading have been concluded. One programme, for the countries of the West African Economic and Monetary Union (UEMOA), was completed in 2006, and a second phase, covering the eight UEMOA countries as well as the non-UEMOA member States of the Economic Community of West African States (ECOWAS) and Mauritania, commenced in early 2007. Another programme is being implemented in cooperation with WTO to support the cotton producers of the West African region. Under this programme, the first version of the *UEMOA Cotton Quality Manual* was published in July 2006 in French to provide a practical tool and reference for continuous quality improvement and valorization of cotton in African countries.

23. In the field of strengthening the standards, metrology, testing and quality (SMTQ) conformity assessment infrastructure of its beneficiary countries, UNIDO continued to support standards institutions as well as technical barriers to trade (TBT) and sanitary and phyto-sanitary standards (SPS) enquiry points through regional programmes in the Mekong region, the South Asian Association for Regional Cooperation (SAARC), UEMOA, ECOWAS, and the East African Community (EAC), and through country projects in Afghanistan, Egypt, Lebanon, Mozambique, Pakistan, Sri Lanka, United Republic of Tanzania. With funding from the Government of India and the Norwegian Agency for Development (Norad), for example, UNIDO has been working towards improving the SMTQ infrastructure, and hence the competitiveness of exports, in the SAARC countries of Bangladesh, Bhutan, Maldives and Nepal. In December 2006 a UNIDO/Norad project on strengthening international certification was launched in Sri Lanka. In Pakistan, UNIDO and the World Bank launched a joint study in 2006 on challenges faced by Pakistani exporters in complying with the SPS requirements in international markets. UNIDO's contribution focused on the fisheries sector, where Pakistan is now in the process of significantly upgrading its industry in line with the recommendations of the study.

24. In Egypt, UNIDO launched an innovative project on the traceability of food products, which is becoming an important requirement for the European markets in particular, since the adoption of new European Union legislation in 2005. The project, which is being jointly implemented by UNIDO and the Ministry of Trade and Industry, adopts an innovative approach to trade capacity-building by linking debt swaps and trade-related technical cooperation to overcome TBT/SPS constraints. Under the debt-swap agreement with Italy, the UNIDO traceability project benefits about 5 million people.

25. During 2006, various new programmes were also initiated in sub-Saharan Africa during 2006, such as a technical cooperation programme related to standards and technical regulations in Mozambique, and the \$2 million TCB project for the United Republic of Tanzania focusing on strengthening the capacity of the Tanzania Bureau of Standards (TBS) to comply with TBT/SPS systems requirements and deliver globally accepted metrology, testing, quality and certification services. In December 2006, the TBS Metrology Laboratory was granted the Accreditation Certificate by the South African National Accreditation System (SANAS), making it the first laboratory to obtain accreditation in the country. Also during 2006, a three-year, \$2.5 million project, was launched with the support of Norad to enable the three EAC countries to ensure the compliance of their agro-industrial products with international market requirements.

26. UNIDO's support activities in technology management and technology foresight enable Governments to formulate new policies and strategies for technology development and innovation, taking into account future trends and opportunities. During 2006 new projects were initiated for the food industry in the Central and Eastern Europe and Newly Independent States (CEE/NIS) and Andean regions. Moreover, a regional virtual (networking) centre for technology foresight in the CEE/NIS countries was launched. A national seminar on managing intellectual property of SMEs in the "High-Technologies Park", organized jointly by UNIDO and World Intellectual Property Organization (WIPO), was conducted in January 2007 in Belarus. In India, a technology diffusion and support programme for small-scale industries is under implementation to provide technical assistance to the machine tool, stone, toy and lock sectors. In the machine tools sector alone, the programme has helped the beneficiary producers to increase their production by 25 per cent – from \$115 to \$144 million, and their exports are set to grow from \$600,000 per year to \$25 million per year.

27. UNIDO is promoting the adoption of modern and relevant technologies, especially in the agro-processing sector, needed to meet the quantity and quality requirements of world markets. The Organization has also been implementing programmes to enhance automation technology and process control in the agro-industrial sector, carry out testing and evaluation of agricultural machinery, and promote the optimization of production through the utilization of CAD/CAM systems. In Ethiopia, for example, UNIDO prepared a strategy for the leather and leather products industry in cooperation with the Ministry of Trade and Industry. The implementation of this strategy has helped the country to increase leather exports by 20 per cent in the 12 months to July 2006 (from \$66 million to \$76 million).

28. Upgrading and optimizing technology processes, and improving food safety and quality infrastructure in particular, has contributed to increased capacity to cope with SPS and TBT in countries such as Algeria, Bangladesh, Burkina Faso, Cuba, Ethiopia, Ghana, Iran (Islamic Republic of), Lebanon, Morocco, Mozambique, Uganda and the United Republic of Tanzania. The services provided by UNIDO in this context included:

(a) Assistance to improving and updating the legislative framework and food control systems, with six food control systems having been upgraded;

(b) Institutional capacity-building involving the strengthening of food inspection services and other competent authorities, and the upgrading of six laboratories; and

(c) Assistance to enterprises in the implementation of food safety management systems, including HACCP/ISO 22000, traceability and organic certification. Training was given to 515 people, including 230 women, in this field during 2006.

29. The promotion of SME export consortia remains a priority. UNIDO is currently implementing such projects in Jordan, Morocco, Peru, Tunisia and Uruguay. Eleven export consortia have been formed in Tunisia and more than 10 institutions are engaged in their promotion. In Peru, the project is accompanying six groups toward the creation of export consortia. At the global level, a training course on export consortia was conducted in June 2006 in cooperation with the Italian Federation of export consortia and the International Training Centre of ILO.

30. Recognizing that SMEs in developing countries are particularly challenged by the adoption of CSR principles, UNIDO has launched the Responsible Entrepreneurs Achievement Programme (REAP) to support their efforts in this field. REAP contributes to international initiatives of good corporate governance, in particular to the United Nations Global Compact and the upcoming international standard on social responsibility (ISO 26000), by promoting the capacity of SMEs to respond proactively to the requirements of global markets, not only with regard to cost, quality and delivery, but also to environmental and social issues. At the global level, UNIDO, together with UNODC, is developing a practical guide for SMEs on measures to defend themselves against corruption. In South-Eastern Europe, UNIDO is currently running an awareness-raising programme for the dissemination of CSR methodologies for SMEs in Bosnia and Herzegovina, Bulgaria, Romania and Serbia, as a follow up to an earlier CSR programme implemented in Croatia.

IV. Environment and energy

31. UNIDO has continued to implement cleaner production (CP) projects and programmes in Armenia, Bulgaria, Egypt, Lebanon, Montenegro, Nicaragua, Romania, Serbia, The former Yugoslav Republic of Macedonia and Ukraine. The main delivery mechanisms have been National Cleaner Production Centres (NCPCs), whose services have included technical support to SMEs, competitiveness enhancements, sustainable use of raw materials, water and energy, and the promotion of environmentally sound technologies, as well as policy support to governmental institutions. Pilot projects have also been launched in Egypt, Mexico and the Russian Federation to encourage chemical leasing, an innovative CP-based business model. The regional programme for Latin America and the Caribbean, which is comprised of 14 countries, and its internet-based knowledge management system were also developed further. Recognizing that after 15 years of activity their joint NCPC programme can be further upgraded, UNIDO and UNEP have started a joint evaluation of the global network of NCPCs with a view to assessing their capacities and potential for additional higher value-added services. This will allow the introduction of improved management, and increased coordination between the UNIDO/UNEP network of CP centres and other CP centres.

32. After the approval of the Strategic Approach to International Chemicals Management (SAICM) by the International Conference on Chemicals Management in Dubai in February 2006, UNIDO started several new business-oriented initiatives aimed at ensuring sound management of chemicals. UNIDO is a member of the Executive Board of the Quick Start Programme, also established at the Dubai Conference, and is developing projects to be funded under this mechanism. The NCPCs will be called to play a leading role in the successful implementation of SAICM.

33. UNIDO has continued to formulate and implement projects funded by GEF focusing on the sustainable use of water resources. These have included large regional projects dealing with fisheries management, coastal and marine pollution reduction and habitat restoration in 16 West and Central African countries, and in the countries sharing the Gulf of Mexico Large Marine Ecosystem. An important milestone was the establishment of the Interim Guinea Current Commission by 16 Ministers of Environment, as a regional consultation and coordination mechanism to assure the integrated management and sustainability of the Guinea Current Large Marine Ecosystem in West and Central Africa. The services provided include capacity-building for the industrial sector to improve water productivity, reuse and recycling, as well as the introduction of government policies and training in the adoption of the ecosystem approach and the sustainable use of the living resources of aqueous ecosystems.

34. In addition, the preparatory phases of two other projects funded by GEF were implemented in 2006. One focused on the reduction of the environmental impact of coastal tourism through the introduction of policy changes and strengthening public-private partnerships. The other was aimed at enhancing the conservation and rational utilization of medicinal, aromatic and pesticidal plants through sustainable land management and related measures.

35. UNIDO's activities have also included the testing of a number of new technologies for water management: pipeline diagnostics, cleaning and rehabilitation, and water filtration using revolutionary carbon nano-structures as filters. UNIDO offered these technologies within the framework of East-South cooperation for the Middle East during the Water for the Middle East Conference in Bahrain in January 2007.

36. In the context of the Montreal Protocol, UNIDO assisted enterprises in 53 countries to move away from technologies and practices using ozone depleting substances (ODSs). These activities led to the phase-out of some 2,270 ozone depletion potential (ODP) tons of such substances, and 47 countries have achieved the necessary phase-outs, as planned. In support of this work, some 15 well-attended national training workshops were organized and public awareness activities were undertaken. In addition, a number of countries issued new legislation and licensing systems for ODSs.

37. In the field of persistent organic pollutants (POPs), UNIDO assisted 41 countries with the preparation of their national implementation plans (NIPs). Nine of these countries have completed their NIPs and submitted them to the Conference of the Parties to the Stockholm Convention: Armenia, Burundi, Chad, Congo, Czech Republic, Egypt, Ethiopia, Romania and Togo. The project "Fostering Active and Effective Civil Society Participation in Preparation for Implementation

of the Stockholm Convention” was successfully completed. It encouraged and enabled more than 350 NGOs in 65 developing countries and countries with economies in transition to engage in more than 290 activities that contributed to country efforts in preparing for the implementation of the Stockholm Convention.

38. UNIDO has also continued to implement environment and energy-related projects in the field of agro-industries. In Bangladesh and Turkey UNIDO implemented projects focusing on process optimization and the design of central effluent treatment plants, while in Africa a number of projects focused on process optimization for traditional dyeing operations.

39. With regard to its energy-related activities, UNIDO has complemented its promotion of renewable energy in rural areas, as described in paragraph 16, with the promotion of renewable energy to power industrial applications and enhance energy security. It is doing so within the overall context of the global energy scenario, where renewable energy has assumed a critical role in the energy supply chain, while also recognizing that renewable energy addresses the serious threats of climate change. During the biennium, UNIDO’s renewable energy strategy has placed increased emphasis on demonstrating the commercial viability of industrial applications of renewable energy. The focus has been on promoting the use of biomass as the source of renewable energy through projects in Cuba, India and Zambia. In addition, UNIDO has been promoting small hydro-power under a South-South cooperation framework.

40. Particular emphasis has been placed on biofuels. Recognizing the significant potential for biofuels in the developing countries, UNIDO has finalized a strategy aimed at supporting the industrial conversion and productive uses of biofuels. A project focusing on the use of biodiesel as an energy-source has begun implementation in Croatia.

41. Projects and programmes have been developed in support of industrial energy efficiency and the reduction of greenhouse gas emissions. A project in China, funded by GEF, is set to achieve greenhouse gas savings of around 200,000 tons/year of CO₂, with further CO₂ emission reductions of around 2 million tons/year anticipated in planned replication projects in the country. Independent replications are also underway in Bangladesh, Pakistan and Viet Nam. UNIDO has been working on integrating these efforts through the application of energy management standards to sustain the gains achieved. An expert group meeting in March 2007 bringing together industry and government participants has paved the way for joint UNIDO/ISO efforts to launch the development of an internationally recognized energy management standard.

42. UNIDO’s climate change activities have focused on building the necessary capacities to create an enabling environment for industrial projects to take advantage of the project-based flexibility mechanisms of the Kyoto Protocol, with a global project covering Mexico, South Africa and Viet Nam. The project is being undertaken in cooperation with Austrian businesses, the Austrian Chamber of Commerce, and the NCPCs in the three countries. Stakeholder consultation meetings were held in the three countries with the participation of developers of clean development mechanism (CDM) projects, designated national authorities for CDM projects, representatives of key ministries relevant to CDM activities, and NCPCs. Subsequently, CDM project development training was organized in

Viet Nam for 30 national experts and industry representatives. On the basis of this training, 5 project idea notes and 3 project design documents were developed in cooperation with the Viet Nam NCPC.

43. These country-level activities were complemented by a seminar on energy efficiency projects in CDM and the joint implementation mechanism, which was organized in cooperation with the Climate Technology Initiative (CTI) and the United Kingdom Trade and Investment in March 2007. Some 120 participants from 37 countries representing project developers, carbon trading and carbon asset management industries, national authorities and focal points in charge of CDM/JI took part in the work of the seminar. The proceedings are available at <http://www.unido.org/en/doc/61189>.

44. Recognizing that the right policy framework must be in place if sustainable energy use is to be promoted, UNIDO, together with REEEP, has recently completed the *Sustainable Energy Regulation and Policy-Making For Africa* training manual, aimed at the energy-related regulatory and policymaking bodies in Africa. The training package can be used as a set of presentations for a course that can be run over a few days or as separate modules over weeks or months.

V. Research and statistics

45. In 2006-2009, UNIDO will continue to conduct research on the thematic issues of poverty reduction through productive activities, trade capacity-building, and environment and energy. The knowledge thus generated serves the broad purposes of:

- (a) Supporting advocacy in delineating the Organization's position in relevant global forums, with respect to industrial development;
- (b) Informing policy decisions regarding programmatic priorities; and
- (c) Providing informed inputs to industrial policy dimensions within UNIDO's work.

46. Research activities are performed directly by UNIDO staff or in collaboration with external institutional centres of excellence. The outputs include UNIDO's country assessments, which analyze and benchmark the determinants of industrial competitive performance. Another output is UNIDO's World Productivity Database, based upon the Organization's ongoing research on productivity. Results from this research activity feed directly into policy recommendations for countries at varying stages of industrial development.

47. Building on UNIDO's World Productivity Database, research on productivity during 2006-2007 focuses on:

- (a) Quantifying the relative impact of determinants of productivity performance and industrial development;
- (b) Assessing the role of manufacturing for aggregate productivity; and
- (c) Estimating the importance of productivity growth and industrial development for achieving the Millennium Development Goals.

Results from this research activity will be reported in technical working papers published by UNIDO, and will also feed into policy recommendations for countries at different stages of industrial development.

48. Research into industry, trade and growth undertaken by UNIDO has prompted a broad assessment of theoretical models of economic growth, with an emphasis on the role of human capital and technological knowledge for productivity increase. Other analytical components of the research are methodological and empirical, and are aimed at identifying patterns and trends in global trade in manufactures and providing explanations based on recent developments in trade theory. Additionally, empirical research on the link between trade, trade liberalization and growth is part of the overall research programme.

49. Research is being carried out into the determinants of structural industrial change, manifested in the Industrial Development Scoreboard, as well as the structural determinants and network efficiency of national industrial innovation systems. This will facilitate the development of improved UNIDO policy advisory services to Governments, to complement and reinforce the Organization's technical cooperation activities.

50. Preparatory work on the Industrial Development Report 2008 has been initiated.

51. In industrial statistics, UNIDO continues to assume the sole responsibility for the compilation, in collaboration with OECD, and dissemination of world-wide industrial statistics. It has initiated the 2007 round of the annual compilation of country data. After thorough screening and editing, the data compiled through the 2006 round were published in the 2007 edition of the *International Yearbook of Industrial Statistics*. The 2007 editions of the CD-ROM versions of the two UNIDO databases on industry are planned to be completed for dissemination in the first half of 2007. Meanwhile, UNIDO's web-based free-dissemination product, the 2007 edition of the *Statistical Country Briefs on Industry*, has been completed.

52. In a new initiative, UNIDO has begun work on the production of the first issue of a new publication series, the *Statistical Regional Outlooks*. In addition the Organization is constructing a new historical database on industrial statistics (INDSTAT2) for time-series research purposes. The Organization is also publishing a new data set of key indicators for industrial performance as inputs for the UNIDO Industrial Development Scoreboard, the country assessments and other cross-country or country-specific statistical analyses. Efforts will also continue to improve further UNIDO's country-level industrial statistics.

VI. Field presence and operations

53. As highlighted in document IDB.32/13, considerable emphasis has been placed on strengthening UNIDO's field presence and operations by encouraging internationally recruited staff to take up assignments in the field. The mobility policy adopted in April 2006 proved successful in motivating a significant number of staff, both at Headquarters and in the field, to apply for vacant field posts. The first round of field placements was concluded by October 2006. A second recruitment round started in November 2006 and the placements were finalized in

April 2007. In February 2007, this group of staff was also introduced into their new assignments by a tailor-made induction course, followed by a communication module to prepare them for the representational and substantive tasks in their new duty stations. At present, the last remaining vacancies in field offices, which have arisen largely from reassignments of former incumbents to other duty stations, are under recruitment.

54. All field offices with sitting UNIDO Representatives or Heads of UNIDO Operations have submitted tentative allocation proposals for programmatic support funds based on results-based management (RBM) principles in the last quarter of 2006. The respective financial allocations to the field offices concerned were made by the end of 2006. The funding facility is now being used by the field offices to support programmatic activities, raise funds, and acquire short-term national expertise and other local services. A high level of autonomy is granted to the UNIDO Representatives (URs) and Heads of Operations in this context. The latter are coordinating the use of their allotments with the regional office concerned to achieve a harmonized programming approach in their respective subregions. These funds are intended to enhance the UNIDO technical cooperation portfolio and global forum activities, and help mobilize additional donor funding.

55. In December 2006, instructions for the submission of RBM-based work plans were sent out to all field offices. The completed work plans for almost all countries had been received by April 2007. They now provide a useful tool to implement and monitor the work of the field offices in close coordination and consultation with the regional programmes and the technical branches at Headquarters.

56. In April 2007, a training programme for General Service (GS) staff from field offices was designed and approved. The objectives are to familiarize them with the activities of the Organization and to train them in the competencies required to carry out their assigned tasks successfully. The training courses will be held in Vienna in May and June 2007. This is the first concentrated group training of its kind for GS field office staff ever undertaken by UNIDO. It is expected that this will contribute to a better understanding and closer cooperation between Headquarters and the field.

57. In order to strengthen the communication between Headquarters and the field, two regional UR/UD meetings are planned. The meeting for the Arab, Europe and LAC regions will be held in Tunis in June 2007, while the meetings for Africa and Asia will be held in Bangkok in July 2007. It is also planned to include a short expert group meeting on the main priority areas of UNIDO in these regional meetings.

58. In 2006, the Joint UNIDO/UNDP Assessment Team examined the implementation of the UNIDO/UNDP Cooperation Agreement and private sector development (PSD) Framework. In order to ensure that the Agreement achieves its potential it was agreed in the joint UNIDO/UNDP management response that a number of actions were needed. The early establishment of a joint task force to manage the implementation of the Agreement was seen as one of the most pressing of these. In early February 2007, the draft terms of reference of the joint task force were prepared by UNIDO and submitted to the UNDP Administrator. At the end of April 2007, the first meeting of the joint task force took place at UNIDO Headquarters in Vienna.

VII. South-South cooperation

59. A comprehensive summary of activities undertaken by UNIDO to promote South-South cooperation was provided in document IDB.32/13. The following text provides an update to that summary, indicating activities undertaken since the preparation of that document.

60. The UNIDO South-South Industrial Cooperation Centre in India was formally launched on 15 February 2007. The official opening of the Centre by the Director-General of UNIDO and the Minister of Trade and Commerce of the Government of India was widely covered by the press. The Centre will undertake activities covering:

(a) Capacity-building through training, replication of best practices, transfer of sustainable and appropriate technologies, formulation of appropriate policies and meeting international standards in industrial production;

(b) The development of clusters of micro, small and medium enterprises; and

(c) The promotion of investment between developing countries.

61. Based on the memorandum of understanding signed by UNIDO and the Government of China on the establishment of a South-South Industrial Cooperation Centre in Beijing, extensive discussions have been undertaken to determine the modalities and measures to operationalize the establishment of the Centre. Based on the outcome, a revised project document has been submitted to the Government of China for its consideration. It is planned that the Centre will be formally established by June 2007 with initial funding of \$2 million from China as part of its Industrial Development Fund contribution to UNIDO.

62. Initial discussions are underway for establishing similar centres with the Governments of Brazil, Egypt, Iran (Islamic Republic of), Morocco and South Africa.

63. There has been a renewed interest by the Government of Indonesia in reviving the goals and spirit of the Bandung Conference with the aim of promoting South-South cooperation. To this end, the Government of Indonesia has recently set up a new unit for fostering a new Asian-African strategic partnership through inter-regional cooperation. In this regard, UNIDO staff undertook a mission to Indonesia in March 2007 to discuss the cooperation with the Government in identifying specific areas for South-South industrial cooperation. The Government expressed its satisfaction with UNIDO's role in promoting South-South cooperation and intimated that it would soon send a formal request for an agreement on establishing an institutional mechanism for promoting South-South cooperation.

64. UNIDO has completed a study on South-South cooperation for industrial development, which will form part of a global South-South study, and submitted it to the South-South Unit of UNDP. The report highlighted the significance of South-South cooperation in promoting industrial development in the South. The key areas of UNIDO's interventions in fostering South-South development were identified to be in the following areas:

(a) Support for institutional and business-to-business linkages and alliances;

- (b) Upgrading of technological capabilities towards creating competitive advantages;
- (c) Cross-border cluster formation and increased participation in global value-chains;
- (d) Acquisition and assimilation of knowledge and technology;
- (e) Research and development targeted towards strategic areas of, or particular concern for the South, such as agriculture, biotechnology, public health and environment;
- (f) Poverty reduction in industry sectors such as agro-processing and low-cost housing.

65. The UNIDO Regional Office in Thailand participated in the consultation meeting for interagency networking for South-South regional cooperation in Asia organized by Japan International Cooperation Agency (JICA) and UNDP in March 2007. The meeting discussed the role of United Nations agencies in supporting South-South cooperation and the modalities of establishing a South-South Regional Cooperation Network (SSC-NET) among donors, agencies and regional institutions. For this purpose, a core group has been established to undertake a mapping exercise for the collection and sharing of information among the members of SSC-NET.

VIII. Regional programme for Latin America and the Caribbean

66. As in the case of the previous section, the text below also updates the detailed presentation of UNIDO's activities in this field given in document IDB.32/13.

67. An expert group meeting (EGM) was held in Vienna from 15 to 17 November 2006 to develop a medium-term programmatic framework for UNIDO's activities in the Latin America and Caribbean region in 2006-2009. In addition, the meeting sought to define consultative mechanisms and a viable funds mobilization strategy. The Director-General assigned high priority to this EGM as a tool to improve the dialogue and cooperation with the region. It represented the first forum organized by UNIDO in which the highest representatives of the technical cooperation authorities of 19 LAC countries came together with UNIDO staff to discuss the future of UNIDO's technical cooperation.

68. The strategic regional programme for LAC 2006-2009 established in the EGM comprises an institutional framework and a plan of action. The institutional framework foresees a consultative mechanism at the regional, subregional and national levels involving an annual EGM to set and evaluate the regional programme strategy, determine a thematic area for subregional technical cooperation, and monitor and evaluate country-level projects. A second EGM is projected to be held in Vienna in November 2007. UNIDO is also working actively to implement the plan of action, which has resulted in several new projects being formulated for the region. These include a project for the establishment of a knowledge network for SME cluster development in the LAC region, another aimed at promoting improved market access through the application of UNIDO's cleaner production and responsible entrepreneurship approaches, a third to develop an

operational mechanism for the exchange of consultants and the creation of a “bank of knowledge”.

69. UNIDO participated in the Iberoamerican ministerial meeting held in Montevideo in September 2006, where a proposal for the establishment of an observatory on renewable energy was floated. Since that time UNIDO has held several bilateral meetings with government representatives from the region to determine ways to make this concept operational. The observatory is conceived as a multi-institutional and multi-disciplinary mechanism to promote specific projects for productive and industrial applications of renewable energy to reduce poverty and stimulate sustainable development in the LAC region. It will also seek to promote businesses and the export of goods directly related to renewable energy. The LAC region has valuable experiences in this field, as highlighted by the specific example of ethanol, and there is considerable scope for developing business opportunities related to renewable energy. Preparations are underway for a regional ministerial meeting on renewable energy to be held in Brazil in October 2007. The meeting will feature a number of events dedicated to various forms of renewable energy, and is expected to spawn concrete national and regional technical cooperation projects to support industrial development.

IX. UNIDO access to the Global Environment Facility

70. In December 2006, the GEF Council adopted a decision which granted direct access to the GEF funds for all seven GEF executing agencies, including UNIDO, in their respective areas of comparative advantage. This decision allows UNIDO to submit funding requests directly to GEF for projects in areas where GEF considers UNIDO to have a comparative advantage. The GEF Council further charged its Secretariat to submit a paper to its June 2007 meeting, to be prepared in collaboration with the GEF agencies, in which their comparative advantages would be specified. UNIDO has been actively involved in the preparation of this document.

71. In June 2007, the GEF Secretariat will submit to the its Council for approval the strategies that will define the specific priority activities within the six GEF focal areas (biodiversity, climate change, international waters, land degradation, ozone depletion and POPs) that GEF will fund during the current four-year funding cycle (2007-2010). It is around these strategies that UNIDO’s comparative advantage will be defined.

72. As part of their new status, UNIDO and the other executing agencies are expected to take part in the GEF “corporate activities” (activities linked to elaborating, implementing and monitoring GEF policies and operational programmes). To cover the costs of these activities, the GEF Council increased the management fee that agencies receive for implementing-executing GEF projects from 9 to 10 per cent. The extra 1 per cent is to cover the costs incurred by agencies in undertaking GEF corporate activities.

73. Parallel to this, the GEF Trustee is elaborating the set of fiduciary standards that the GEF Council will require all agencies to comply with if they wish to retain their direct access to GEF funds. These standards will be contained in a paper to be

submitted to the June 2007 meeting of the GEF Council. UNIDO is actively cooperating with the Trustee in the preparation of this paper.

74. Separately, based on the results of an in-depth evaluation of the project cycle conducted by the GEF Evaluation Office, in which UNIDO's Evaluation Group participated, in December 2006 the GEF Council instructed its Secretariat, in consultation with the agencies, to submit proposals for a new project cycle at its June 2007 meeting. UNIDO has been actively involved in the preparation of this document.

X. Action required of the Board

75. The Board may wish to take note of the information provided in the present document. It may also wish to reconsider the proposal put forward in document IDB.31/6, to cover the implementation of the medium-term programme framework in the annual reports of the Organization in future years.

List of abbreviations

AU	African Union
CAD/CAM	Computer aided design/computer aided manufacturing
CAMI	Conference of the African Ministers of Industry
CDM	Clean development mechanism
CEE/NIS	Central and Eastern Europe and the Newly Independent States
CP	Cleaner production
EAC	East African Community
ECOWAS	Economic Community of Western African States
EGM	Expert group meeting
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
GEF	Global Environment Facility
GS	General Service
ICT	Information and communication technology
ILO	International Labour Organization
ITC	International Trade Centre (UNCTAD/WTO)
LAC	Latin America and the Caribbean
NCPC	National Cleaner Production Centre
NGO	Non-governmental organization
NIP	National implementation plan
ODP	Ozone depletion potential
ODSs	Ozone depleting substances
OECD	Organization for Economic Cooperation and Development
POPs	Persistent organic pollutants
PSD	Private sector development
RBM	Results-based management
REAP	Responsible Entrepreneurs Achievement Programme
REEEP	Renewable Energy and Energy Efficiency Partnership
SAARC	South Asian Association for Regional Cooperation
SAICM	Strategic Approach to International Chemicals Management
SANAS	South African National Accreditation System
SME	Small and medium enterprise

SPS	Sanitary and phyto-sanitary standards
SSC-NET	South-South Regional Cooperation Network
TBT	Technical barriers to trade
TCB	Trade capacity-building
UD	UNIDO Desk
UEMOA	West African Economic and Monetary Union
UNDP	United Nations Development Programme
UNOWA	United Nations Office for West Africa
UR	UNIDO Representative
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
YEN	Youth Employment Network
