



United Nations Industrial Development Organization

Distr.: General
25 February 2010

Original: English

Industrial Development Board

Thirty-seventh session

Vienna, 10-12 May 2010

Item 5 of the provisional agenda

Millennium Development Goals: UNIDO's contributions

Millennium Development Goals: UNIDO's contributions

Report by the Director-General

In compliance with resolution GC.13/Res.6, the present document provides information on the specific means through which UNIDO contributes to the achievement of the Millennium Development Goals.

Contents

	<i>Paragraphs</i>	<i>Page</i>
I. Introduction	1-6	2
II. UNIDO's contribution to achieving the MDGs	7-27	3
III. Further contributions	28-32	8
IV. Action required of the Board	33	9

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.10-51457 (E) 110310 120310



Please recycle 

I. Introduction

1. In accordance with General Conference resolution GC.13/Res.6, the present document sets out the report by the Director-General on the crucial role of the productive sectors in supporting the achievement of the Millennium Development Goals (MDGs) and how UNIDO is contributing further to this process.

2. The MDGs adopted in 2000 under the United Nations Millennium Declaration, are a commitment by world leaders on global cooperation to fight poverty, hunger, disease, malnutrition and environmental degradation. The Declaration outlines a framework for advancing well-being, rights, freedom and security for all human beings and the MDGs are a set of concrete and measurable outcomes towards achieving these goals.

3. A decade later, significant progress has been made in some areas, driven largely by strong political will, globalization and high rates of economic growth in emerging economies such as China and India. Many developing countries have also demonstrated their ability to make remarkable strides in economic growth through the development of their productive capacity and harness this to lift people out of poverty. In this regard, history has shown that no country has been able to make progress in development without adequate investment in the industrial and manufacturing sectors. The success stories of East Asia show how properly formulated and implemented industrial strategies can transform economies and societies for the better. However, the reality is that progress has been too slow and uneven in most parts of the developing world to achieve the MDG targets. Many of the global gains made have been due to the dramatic fall in poverty in East Asia. By contrast, sub-Saharan Africa saw an increase of 100 million more people in extreme poverty in 2005 compared to 1990.¹

4. We are now five years away from the deadline of realizing the commitments embodied in the MDGs and the prospect of missing a number of the targets is becoming a stark reality. Although signs of recovery are beginning to emerge, the recent global economic, food and fuel crises have aggravated progress and in some cases reversed the gains made. Studies estimate that more than 100 million people fell into poverty as a result of higher food prices during 2007 and 2008, while the global economic and financial crisis of the last two years has pushed a further 200 million into poverty. Lack of jobs as a result of the economic downturn is further exacerbating the situation and the challenges appear to be most severe in the least developed countries (LDCs), landlocked developing countries and small island developing states.

5. Furthermore, developing countries and economies in transition affected by the crisis have seen stock markets collapse, a reversal in capital flows, a reduction in official development assistance (ODA), a fall in exports and higher borrowing costs. High commodity prices in the last five years presented an opportunity for developing countries to generate substantial income through commodity exports; however, these prices have collapsed and closed this possibility. In addition, high

¹ The statistics referred to are drawn from “The Millennium Development Goals Report 2009”, unless otherwise stated.

energy and food prices have disproportionately increased the import bill of developing countries.

6. When world leaders and development partners gather to review progress made towards achieving the MDGs at the high-level plenary meeting of the General Assembly in September 2010, it will be imperative to renew commitments and rebuild partnerships in order to make the final push towards 2015. This will entail among other aspects the need to deliver on financing, technical support and partnerships necessary to achieve the MDGs. It will also require greater focus and resources towards the development of the productive capacities in order to create a sustainable base for economic growth. In a world where economies are interdependent and issues are interconnected, the challenges of change call for heightened international cooperation.

II. UNIDO's contribution to achieving the MDGs

7. UNIDO's overarching development objective as contained in the medium-term programme framework, 2010-2013, provides the overall context in which the Organization aims to deliver on the mandate given by its Member States and contribute to the achievement of the MDGs. That is, UNIDO focuses on developing industries and productive capacities in an effort to lift poor people out of poverty. In today's globalized world, industrial development remains a powerful tool to advance human welfare and promote the common good encapsulated in the MDGs. UNIDO arranges its activities to promote industrial development into three thematic priorities comprising poverty reduction through productive activities (linked to Goals 1 and 3), trade capacity-building (linked to Goal 8) and environment and energy (linked to Goal 7).

Goal 1: Eradicate extreme poverty and hunger

8. In the period 1990 to 2005, the number of people living on less than \$1.25 a day decreased from 1.8 billion to 1.4 billion. However, it is becoming increasingly evident that some of the major gains in the fight against extreme poverty will be reversed as a result of the global economic downturn. It was estimated that in 2009, 55 to 90 million more people would be living in extreme poverty than anticipated before the crisis.

9. Poverty reduction as captured by the targets and indicators of Goal 1 remains central to UNIDO's support to developing countries. This is based on the notion that the most effective way to reduce poverty is through sustained economic growth, which can be generated through private-sector led industrial development. Industry represents an important part of the process for developing entrepreneurship, business investment, technological progress, the upgrading of human skills and the creation of decent jobs. Through intersectoral linkages, industrial development can also help create the foundation for a more effective and efficient agricultural sector and a flourishing tertiary sector. All of these factors contribute to improvements in productivity and pro-poor growth, resulting in better living standards.

10. Entrepreneurs and small and medium-sized enterprises (SMEs) are the main sources of economic activities supporting productivity growth and poverty reduction in developing countries. They have the capacity to generate productive and decent

work, as well as increase investment within the economy. Entrepreneurship development and policy support for private sector development has been and continues to be a core programmatic component of UNIDO's fight against poverty. This is achieved through the promotion of human resource development, skills and knowledge transfer, and networking among entrepreneurs and SMEs. Emphasis is also placed on devising policies, programmes and regulatory frameworks that result in a business environment conducive for the growth of SMEs, essentially leading to pro-poor growth and poverty reduction.

11. Agro-value chain development is another significant component of UNIDO's efforts to contribute to the achievement of Goal 1. This entails an improvement in the competitiveness and productivity of SMEs engaged in agro-processing, particularly in rural areas, through capacity-building and the establishment of institutional support structures. In addition, technical advice is provided for the development of agricultural machinery manufacturing and the establishment of rural technology centres for technology transfer. This is coupled with appropriate repair and maintenance of basic agricultural tools and agro-processing equipment in rural areas. The programme contributes to poverty reduction by not only creating economic opportunities for poor people, but also adopting a broad-based approach which promotes their participation in decision-making, seeks to overcome gender biases, and empowers the poor to seize economic opportunities.

Goal 3: Promote gender equality and empower women

12. The negative impact of the food and economic crises on poverty reduction also pertains to gender equality and the empowerment of women. Preliminary studies and results indicate that gender inequalities are being perpetuated, particularly in relation to productive and decent employment for women. Globally, the share of women in paid employment outside the agricultural sector depicts a marginal increase. In sub-Saharan Africa, agriculture employs 64 per cent of women, and women's overall representation in the labour force is 55 per cent, although mostly in vulnerable jobs. According to the 2009 MDG Report, the 2005 target for Goal 3 has been missed. This underscores the importance of renewing efforts and commitment from all development partners for the achievement of this goal.

13. For UNIDO, promoting gender equality and the empowerment of women is achieved mainly through the programme component of rural, women and youth entrepreneurship, with a focus on the provision of entrepreneurial training in order to help build a sustainable foundation for private sector development. The programme specifically targets women and youth entrepreneurs to enable them to graduate from the informal to the formal sector, and ensure that the regulatory and administrative environment in which they operate is free from gender biases. The entrepreneurship curricula, which have been introduced in numerous secondary and vocational training institutions in Africa, represent a bottom-up strategy that targets the development of entrepreneurial skills among young boys and girls, thereby instilling a positive attitude to undertake business ventures and engage in self-employment.

14. In addition to technical cooperation programmes, UNIDO is also committed to full gender mainstreaming in all programmes, projects and organizational practices. An updated policy on gender equality and the empowerment of women was recently adopted by the Organization, in an effort to adhere to the intergovernmental and

United Nations system-wide commitments on gender equality. Plans are under way to conduct an Organization-wide gender mainstreaming training exercise, thus ensuring a basic capacity to apply a gender approach by all staff of the Organization.

Goal 7: Ensure environmental sustainability

15. The present trends in consumption and population growth are putting a significant strain on the planet's natural systems. Global CO₂ emissions continued their upward trend, reaching 29 billion metric tons by the end of 2006. Per capita emissions remain highest in developed countries — about 12 metric tons of CO₂ per person compared to about 3 metric tons in the developing regions and 0.8 metric tons in sub-Saharan Africa. Significant challenges also remain in the phasing out of hydrofluorocarbons, managing the existing stocks of ozone-depleting substances (ODS) and ensuring that illegal trade does not emerge after key substances are phased out. Furthermore, there is growing international concern that climate change is likely to disproportionately affect developing countries, due to their lack of capacity to deal with the resulting effects, for example on agricultural output, labour productivity, health and internal displacement.

16. UNIDO has long recognized that environmental issues must be addressed and cleaner production methods adopted by industry in order to ensure a reversal in the depletion of the earth's natural resources. Almost 40 per cent of worldwide CO₂ emissions are attributable to industrial activities. UNIDO's efforts to decouple economic growth and environmental impact through its green industries initiative is therefore of utmost relevance in addressing the challenges posed by climate change. The Organization has a long history of providing policy support services and capacity-building in order to foster a shift towards a resource efficient growth trajectory.

17. For example, UNIDO has established several networks and technology centres which support the development of local capacity for the implementation of mitigation strategies at regional and national levels. These include the joint UNIDO-UNEP National Cleaner Production Centres, which currently assist businesses with the assessment and introduction of cleaner technologies in over 40 developing and transition countries. This programme is being extended to focus on the enhancement of national capacities to facilitate and manage the transfer, adaptation and replication of environmentally sound technologies (ESTs) and sustainable product development.

18. Improved resource efficiency also applies to energy particularly if it results in a reduction of greenhouse gas emissions from energy generation and use, materials extraction and processing, and transportation and waste disposal. The strategic focus of UNIDO's energy programme covers two key areas: (a) promoting the cleaner and more efficient use of energy by industry; and (b) facilitating productive activities, particularly in rural areas, through the provision of modern renewable energy supplies.

19. For example, UNIDO enhances the productive capacities and competitiveness of SMEs and agro-based industries through rural mini-grids based on renewable energy. By replacing currently used diesel-powered electricity generation with renewable sources of energy in remote rural areas, the target community's

dependence on conventional fossil fuels is decreased. Combining sustainable energy services with productive activities enables the stakeholders to profit from access to these services, while at the same time ensuring environmental sustainability.

Goal 8: Develop a global partnership for development

20. Globalization and the interconnectedness of world markets have emerged as dominant features of the world economy and this is likely to remain so for the foreseeable future. Goal 8 on developing a global partnership for development contains at its core the aim to develop a trading system that is open, rule-based, predictable and non-discriminatory. However, experience has shown that globalization accompanied by market liberalization policies does not necessarily result in greater benefits for the developing world. True preferential trade status is reserved mainly for LDCs and they appear to be benefiting from this for most of their key labour-intensive exports, such as agricultural goods, clothing and textiles. African LDCs and small island developing states have gained substantial preferences for their clothing exports but Asian LDCs, the largest exporters of these goods, remain subjected to the highest tariffs. The proportion of developing country exports receiving true preferential duty free treatment has been fluctuating at around 20 per cent for the last 10 years.

21. UNIDO supports developing countries and economies in transition to access international markets by developing strong supply capacities and conforming to international market standards. UNIDO's trade capacity-building programme supports the development of both public and private institutions to formulate trade policies and strategies based on economic and statistical analysis; benchmarking competitive performance at sectoral and product levels; and the establishment of trade-related databases such as inventories of technical barriers to trade (TBT). Technical support services targeting enterprise productivity and strengthening institutional capacity through expert knowledge, training programmes, study tours, equipment supply, development of tools and methodologies and undertaking pilot demonstration projects for replication are also provided.

22. UNIDO further contributes to developing an open, rule-based, predictable and non-discriminatory trading system by developing the capacity of developing countries to comply with international standards through awareness-building and dissemination of the necessary know-how and information. Support is also provided towards establishing metrology infrastructure and calibration facilities in order to ensure that products entering global markets are tested according to international standards and conformity requirements.

23. For UNIDO, the importance of strategic partnerships for development is based on the premise that no single United Nations organization acting on its own can effectively address all the challenges. By combining capacities and synergies, development interventions are more likely to have a greater impact and contribution to peoples' lives. UNIDO collaborates and forges partnerships with many United Nations organizations, international financial institutions, regional development banks and regional cooperation entities. UNIDO also partners with bilateral aid agencies, private enterprises, civil society and academia.

Goal 6: Combat HIV/AIDS, malaria and other diseases

24. While not directly contributing to the targets contained in Goal 6, UNIDO's technical cooperation activities indirectly contribute to combating diseases and improving public health. UNIDO's approach specifically focuses on two distinct fields of intervention related to global public health: (a) industrial risks that have an impact on public health either directly through industrial emissions and waste, contact with hazardous and toxic materials at the workplace, or indirectly through industry-related environmental effects and man-made disasters; and (b) industrial goods and skills that are needed for a functioning public health system, including affordable pharmaceuticals, industrial products for medical use, reliable supplies of energy, as well as management and engineering skills.

25. For example, until about a decade ago, the lack of knowledge about atmospheric chemistry and processes led to a significant depletion of stratospheric ozone levels. A broad range of man-made chemicals and harmful substances recognized as ODS have been attacking and destroying the ozone layer. For the last fifteen years, UNIDO has assisted over 63 countries in reducing their production and consumption of ODS by more than 30 per cent through the ODS phase-out programme under the Montreal Protocol. This is an important step towards the recovery of the ozone layer and elimination of the harmful impacts of ultraviolet radiation on both human health and the environment. The programme has enabled developing countries to produce affordable chlorofluorocarbon (CFC)-free metered dose inhalers, which are an essential medical tool widely distributed to people affected by respiratory diseases.

26. Under the Stockholm Convention, which is the global treaty protecting humans and the environment from persistent organic pollutants (POPs), UNIDO has been assisting Member States to reduce or eliminate the production, use and release of POPs and related chemicals. POPs are a group of industrial chemicals that accumulate in the fatty tissue of living organisms and are toxic to humans and wildlife. They resist degradation and can be transported across international borders, eventually being deposited far from their origin of release and accumulating in terrestrial and aquatic ecosystems. In many developing countries, there is an urgent need to address the risk to public health resulting from exposure to POPs, either through direct contact or through contaminated water and food. UNIDO specifically assists developing countries and transition economies to prepare national implementation plans and enabling activities under the framework of the Stockholm Convention.

27. Another pertinent example of UNIDO's indirect contribution to Goal 6 is the programme on strengthening the local production of essential generic drugs in developing countries. The programme is a combination of public health and private sector-led industrial development to enable pharmaceutical manufacturers in developing countries to participate in the market for essential drugs. Through this programme, UNIDO aims at increasing the availability of essential generic medicines used to combat HIV/AIDS, malaria and tuberculosis in developing countries, by promoting the manufacturing of high-quality medicines at competitive prices in those countries. To build a competitive edge for developing countries, the programme approach advocates the use of intellectual property flexibilities provided to LDCs in the World Trade Organization (WTO) Agreement on Trade-related Aspects of Intellectual Property Rights.

III. Further contributions

28. One of the key lessons of development efforts over the past decade is the need for a long-term structural approach to development as opposed to short-term solutions. This requires significant investments that stimulate pro-poor growth and poverty reduction. The 2009 MDG Report emphasizes that funding gaps are evident for programmes needed to achieve a number of the MDG targets, particularly Goal 5 on maternal health. This is due in part to falling export revenues, a deterioration of the debt service to export ratio for developing countries, and a reduction in ODA financing as a result of the economic downturn. The ability to finance social development programmes in developing countries is thus in great jeopardy. As the global economy contracted significantly in 2009, commitments by developed countries to increase aid are likely to diminish. The changing global environment and the threat posed by climate change further complicate matters. Therefore, developing country governments need to find alternative sources of funding to finance their economic and social development agenda.

29. Investing in the development of local productive capacity presents such an opportunity. The examples provided in the previous section clearly illustrate the pivotal role played by industrial development and private sector-led economic growth for sustainable development and poverty reduction. However, underinvestment in the productive sectors continues to inhibit the development of a competitive industrial sector in many developing countries. Therefore, the importance of these sectors needs to be recognized and promoted.

30. UNIDO has been actively involved in several inter-agency mechanisms in an attempt to shed some light on the importance of investing in the development of productive capacities for the achievement of the MDGs. The Chief Executives Board Inter-agency Cluster on Trade and Productive Capacity is one such platform for raising awareness. In cooperation with the cluster members, UNIDO hopes to stimulate discussion and debate on the role of the productive sectors for the achievement of the MDGs, ultimately leading to greater investment and resources being channelled to these sectors.

31. UNIDO is also playing an active role in the United Nations Development Group MDG Task Force, which aims to provide strategic inputs for review at the high-level plenary meeting of the General Assembly in September 2010. The task force has produced a number of papers related to each goal. UNIDO specifically contributed case studies and successful strategies for achieving Goal 7, together with other United Nations agencies such as the United Nations Environment Programme (UNEP), Food and Agriculture Organization of the United Nations (FAO), United Nations Human Settlements Programme (UN-Habitat), United Nations Children's Fund (UNICEF), International Labour Organization (ILO) and the Regional Commissions. UNIDO also participates in the Inter-Agency Group on MDG Indicators, tasked with the responsibility of reviewing and discussing issues related to MDG monitoring, including the development reporting systems on MDG indicators, production of MDG global monitoring outputs and country capacity-building. Through this inter-agency mechanism, UNIDO has sought to draw attention to the need to systematically include targets and indicators pertaining to the productive sectors, thereby ensuring accountability for the development of these sectors. Furthermore, UNIDO is now recognized as a contributor to the

MDG Gap Task Force Report, which aims to identify obstacles towards accelerating progress in the achievement of the targets contained in Goal 8.

32. In order realize the global commitment embodied in the MDGs and other internationally agreed development goals, it is imperative to learn from past lessons. The current economic turmoil has demonstrated that despite the benefits of globalization and market liberalization, there are also significant costs that have a detrimental impact on the poor. Developing country governments cannot continue to rely on ODA and concessionary financing to achieve social and economic development. They need to play a key role in their own developmental process by supporting industrialization, higher-value added agriculture and services, and improvement in technological and human capabilities.

IV. Action required of the Board

33. The Board may wish to take note of the information provided in the present document.
