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Strengthening UNIDO programmes through unutilized balances of appropriations

Trust fund on food security

Report by the Director-General

In compliance with General Conference decision GC.13/Dec.15 and Board decision IDB.38/Dec.5, the present report provides information on the trust fund on food security, thereby updating the information presented in previous reports to the Board (documents IDB.38/10 and IDB.39/10). The present report also includes information on recent developments in the implementation of the Accelerated Agribusiness and Agro-Industries Development Initiative.

I. Introduction

1. The thirteenth session of the General Conference of UNIDO in December 2009 decided that from the amount of unutilized balances of appropriations due to Member States in 2010 remaining on 31 December 2009, up to €3 million should be utilized for special accounts for technical cooperation activities during the biennium 2010-2011, aimed at (i) increased food security through agribusiness and agro-industry promotion and (ii) renewable energy for productive activities (decision GC.13/Dec.15). Progress on the trust fund on food security was outlined in documentation presented to the thirty-eighth session of the Board (document IDB.38/10) and in a subsequent document to the thirty-ninth session of the Board (document IDB.39/10).

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2. In a separate development, UNIDO initiated consultations with the Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD), leading to the approval in July 2010 of the African Agribusiness and Agro-Industries Development Initiative (3ADI), which recognizes the critical importance of agribusiness and agro-industries in the process of economic development, especially for the world's poorest countries. The priority areas that form part of this initiative include, inter alia, highly productive and profitable agro-value chains as well as greater agribusiness participation in domestic and international markets.

3. The activities being undertaken recognize that agribusiness has a key role to play in the process of economic development. Since agro-industries are responsible for the value added to agricultural products, their development encourages economic growth, poverty reduction and food security. This is particularly the case in countries where agriculture is an important economic activity and where the majority of the poor live in rural areas. Against this background, efforts are being directed to the design of technical cooperation projects for selected countries with a focus on certain agribusiness value chains, investment opportunities and technical assistance.

4. Originally, the 3ADI pooled together a contribution of €300,000 under the trust fund on food security, as well as a parallel contribution of €400,000 (including programme support costs) from the Government of Finland. The total budget of the 3ADI programme was therefore about €650,000, of which more than €500,000 has been expended to date.

5. More recently at the fourteenth session of the General Conference in December 2011, Member States were informed of the possibility of using additional resources arising from the unutilized balances, to strengthen food security in least developed countries (LDCs) through the implementation of initiatives in agro-industry development (document GC.14/18). As a result, eight countries (Denmark, Finland, Lebanon, Malta, Mauritius, Mozambique, New Zealand and Norway) indicated that part of their shares of unutilized balances could be allocated for this purpose among other options in accordance with paragraph 14 (b) of document GC.14/18. This resulted in an additional amount of about €190,000 being made available to the trust fund on food security.

II. Recent progress

6. In the paragraphs that follow, an update is provided on the activities being undertaken. The programme in its original design targeted 12 countries, of which 10 are LDCs and two are outside the Africa region. The countries are: Afghanistan, Comoros, Democratic Republic of the Congo, Ghana, Haiti, Liberia, Madagascar, Nigeria, Rwanda, Sierra Leone, Sudan (later Sudan and South Sudan) and United Republic of Tanzania.

7. **Afghanistan:** Wheat milling was selected as the priority value chain. The majority of grain produced in Afghanistan, mainly wheat, is transported to the neighbouring countries for milling and wheat flour processing before being brought back to Afghanistan. The focus of activities is aimed at strengthening the wheat supply chain by providing agricultural mechanization technologies and

training farmer organizations, thus increasing agricultural production, minimizing post-harvest losses and promoting the local processing of wheat.

8. **Comoros:** Vanilla, ylang ylang and clover. A request from the Government of Comoros has now been received and the proposed project is under consideration. The project aims to enhance the competitiveness and commercialization of value chains related to each of these agricultural produce sectors, and is being submitted for funding under the Enhanced Integrated Framework mechanism.

9. **Democratic Republic of the Congo:** Food security through the development of wood, cassava and palm oil was selected for the 3ADI intervention. The programme provides training in good production practices and good manufacturing practices. In doing so, the programme will help to boost food security and develop sustainable jobs for the poorest and most vulnerable groups, including women, in the next five years as part of the agreement between the country and UNIDO.

10. **Ghana:** Cotton was chosen as the commodity for the 3ADI intervention, and in particular the National Cotton Revival Strategy. A workshop for stakeholders in Accra in November 2011, helped delineate the respective interventions of the World Bank, the International Finance Corporation and UNIDO in support of the National Cotton Revival Strategy. The adoption of the 2011 Bio-safety Act, paved the way for the introduction of the required biotechnology in the country, and the use of Bt cotton (a specialized cotton variety that is more resistant to pests) in the northern part of the country. UNIDO will support efforts in implementing the Cartagena Protocol on Bio-safety to the Convention on Biological Diversity, automated classing and grading of seed cotton and fibre, as well as the processing of by-products such as cotton seeds into edible oil, animal feed or biofuel.

11. **Haiti:** Banana and tubers (yams and sweet potatoes) are the value chains targeted by the project, with an additional intervention on strengthening the capacity of a selected women's cooperative. Delays have been experienced in Haiti due to the cholera outbreak and the electoral process. However, project formulation is now under way in cooperation with the Government and the local office of the FAO. The focus will be on youth projects and a women's cooperative as a model for similar ventures.

12. **Liberia:** Fruits, vegetables and rice were selected as the focus value chains. The project aims to reduce poverty and improve food security in a nation that has suffered from civil war and natural disasters. Support will be provided for the development of both rice and fruit and vegetable supply chains. In particular, it aims to increase production and reduce post-harvest losses through conservation and food processing and by providing main markets with cold-storage facilities. The project is currently at the fundraising stage.

13. **Madagascar:** Biodiversity as well as food security in the "Grand Sud" region is the focus of the 3ADI intervention. The project aims at supporting agro-diversity conservation and sustainable management practices, while developing niche markets with strong potential for job and income generation. The two value chains that have been identified are bio-silk and bio-honey. The focus is on post-harvest processing and marketing activities, which have a direct positive impact on upstream agricultural production. The project deploys an innovative range of services such as public-private partnerships for investment, entrepreneurship development and new product and business development for increased market access.

14. **Nigeria:** Cassava, cereals and rice were selected as the priority value chains in what is known as the Nigerian Agribusiness and Agro-industry Development Initiative (NAADI). In order to align with Government priorities, a number of United Nations entities (FAO, IFAD, UNDP and UNIDO among others), have been working together to coordinate activities with an emphasis on primary production, industry and marketing, and infrastructure. Specifically, UNIDO will focus on priority value chains (cassava, cereals and rice) in various regions. A subsequent UNIDO formulation mission to Ekiti State helped to identify a range of options that are also currently under consideration.

15. **Rwanda:** Livestock and small and medium enterprises (SMEs) will both profit from the 3ADI intervention. The 3ADI project, in cooperation with FAO and IFAD, will consolidate capacities in a number of sectors, including livestock resource (IFAD), local markets for dairy (FAO), and meat and leather (UNIDO) products through the provision of professional services to increase employment and income along the value chain. Quality assurance was highlighted as a major constraint and a newly established laboratory is proving instrumental in identifying areas where UNIDO intervention is critically needed, such as the recontamination of milk at the collection centres. Separately, UNIDO is working with IFAD to train 200 rural advisers on the basic aspects of entrepreneurship. Moreover, UNIDO is providing technical assistance to the Business Development Centre at Masaka for the development of an overall business strategy as well as monitoring tools for the Centre.

16. **Sierra Leone:** Ginger and cashew nuts were selected as the priority commodities. The main objective is to boost the exports of these high-value food crops in order to link producers to markets and generate increased incomes. At the same time, efforts are being directed to strengthening growth centres to meet the challenge of food security. The strengthened growth centres will act as training production focal points to provide services for agri-entrepreneurship development for rural youth, men and women, and to develop commercially sustainable operations through value addition to agricultural produce.

17. **South Sudan:** Cereals are the value chain for intervention and in particular the project focuses on water harvesting. The project aims to improve agriculture productivity, increase household employment opportunities as well as productive skills, and to ensure equitable access to water resources for pastoral and agricultural communities in Jonglei and Upper Nile. The project is currently under implementation.

18. **Sudan:** Leather was selected as the value chain for the 3ADI intervention in the country. The focus on the leather value chain will incorporate an environmental component through a wastewater treatment plant, which is currently in the approval process. UNIDO will complement existing plans to create a leather and leather products hub, which will provide guidance and assist in the elaboration of a dedicated road map.

19. **United Republic of Tanzania:** Red meat and cashew nuts are the selected value chains for the 3ADI intervention. Implementation of projects on the value chains for both agricultural sectors began in November 2011. Regarding the red meat sector, the project focuses on the establishment of improved pilot slaughtering

facilities, while the cashew project focuses on engaging young and women entrepreneurs in cashew nut pre-processing.

III. Geographic expansion of 3ADI assistance

20. The 19th Conference of African Ministers of Industry (CAMI), when convening in Algiers in March 2011, requested an expansion of the geographical coverage of the programme and a strengthening of its regional interventions. Further consultations with FAO and IFAD in October 2011 concluded with an agreement to expand the joint initiative and apply its methodology to address agribusiness and food security issues beyond Africa. The 3ADI acronym has been adopted accordingly and it has become, when used outside Africa, the Accelerated Agribusiness and Agro-Industries Development Initiative.

21. Several countries were therefore added to the programme at the request of the relevant authorities, and fieldwork has already commenced in some of these as outlined below:

22. **Brazil:** Sustainable agribusiness development in Roraima State. Roraima is Brazil's northernmost and least populated state with less than half a million inhabitants, 60 per cent of whom live in its capital, Boa Vista. Over the last few years, with Brazil's strong economic performance, increased prominence is being given to environmental issues and there is growing ecological awareness. This is coupled with renewed investor interest in Roraima, leading local policymakers to become increasingly concerned about the region's development course. At the request of the state government, a UNIDO expert team and representatives of Fundação Astronauta Marcos Pontes of Brazil, undertook a fact-finding mission to Roraima, which resulted in the decision to draw up a blueprint of state wide sustainable development based on an ecological principle. The programme currently under formulation by UNIDO includes two main components: (a) policy advice with the aim to create a legal framework and institutional capabilities conducive to environmentally sustainable patterns of industrial and urban development; and (b) technical assistance with a focus on environmentally sound technologies and the development and greening of value chains in such sectors as livestock and associated industries, fish farming, wood, and construction in several of the state's 15 municipalities. These pilot initiatives are to serve as role models for other sectors with significant green development potential, most notably grains, horticulture, apiculture (beekeeping), biofuels and tourism.

23. **Burkina Faso:** Processing plants for vegetal produce (sesame and soybean) and animal produce (poultry and dairy). UNIDO assistance relates to the establishment of two processing plants for the identified agro-commodities and aim to unleash the full processing potential of the value chains. The Government of Burkina Faso views the role of 3ADI in the country as a supporting mechanism for the national rural development strategy. The overall aim of 3ADI intervention in the country is to enhance income generation and food security in rural communities through quality and quantity improvement of food processing capacities and market integration, focusing on the market as the driving force. The mapping of the value chains, focusing on the feasibility of the processing centres has begun and results are expected before the end of 2012. At the same time, potential donors and further

partnerships are being sought. The importance of the 3ADI intervention is highlighted by the fact that most of the large rural development projects in the country are due by the end of 2012. The intervention will take stock of, and build on, the various projects on the ground.

24. **India:** Linking smallholder farmers to food processing value chains. The food processing sector will receive special attention in India's twelfth five-year plan 2012-2016, in relation to rural development and inclusive growth. In partnership with the Associated Chambers of Commerce and Industry of India (Assocham) and with the financial support of the Government of India, a UNIDO mission visited the states of Kerala, Bihar and West Bengal in February and March 2012. In Delhi, Kochin, Patna and Kolkata, the UNIDO representatives met with relevant authorities to identify critical agro-commodities in some of the poorest districts and build the necessary capacities to link smallholder farmers to food value chains. A detailed project proposal is currently under preparation and will be ready by mid-2012 for consideration by the Government of India. It is anticipated that it will be funded from local sources, including the Ministry of Commerce and Industry (for food processing industries) and the Ministry of Rural Development (for micro, small, and medium enterprises), under the overall coordination of the UNIDO ministry counterparts in India.

25. **Niger:** Meat and cowpeas. UNIDO has received an official request from the Government of Niger for a 3ADI intervention. Both meat and black eyed peas (cowpea) value chains were selected, based on their contribution to food security and poverty reduction, as well as alignment with national priorities and impact. The meat value chain intervention will aim at increasing the quantity, quality and affordability of processed meat, building a market outlet for upstream livestock production and connecting it to international markets. The black eyed pea intervention will capitalize on the existing surplus production in food insecure areas to increase the quantity, quality, and affordability of pea-based processed products and generate additional revenue by means of export. In both value chains special focus will be given to: (a) strengthening the organizational capacity of the cowpea producers; (b) improving storage and processing capacities by setting up five pilot commercial pea processing units; (c) developing markets and linkages to enhance export potential; and (d) rehabilitating vocational training structures to enable vulnerable populations to become more productive and autonomous. The meat value chain will further create a demonstration of biomass waste collection for energy provision in one of the processing centres through waste digesters annexed to the factory. This will contribute to sustainability and profitability, thus reducing operative energy costs.

26. **Uganda:** Supporting the Presidential Initiative for Banana Industrial Development. Bananas are by far the most important staple crop in Uganda and are predominantly produced by smallholder farming households who rely on it for food and as a source of income. The banana fruit is marketed mostly in its fresh form without further value addition with a short shelf life. As a result, the prices offered to farmers are subject to the quality of the fresh fruit. The supply of raw banana has recently been hampered by a steady decline in production due to disease and traditional production practices, which rely on the continual use of diseased planting material, threatening the livelihood of millions of smallholder farmers. The Government of Uganda has requested UNIDO to assist in modernizing the entire

banana sector. The approach includes: (a) strengthening capacities for the supply of clean planting materials through tissue culture, in collaboration with national research institutions and bio-based industries that support the banana sector; (b) adding value to the fresh fruit; and (c) further exploiting the potential for utilizing by-products such as peels for bioethanol and stems for fibre. By introducing and further promoting banana downstream processing options, and by establishing the necessary linkages between smallholder farmers, the banana processing industry and marketing agents, there will be an increased supply of diversified high-quality banana-based products in the markets, which in turn should advance the commercialization of the agriculture system in Uganda.

IV. Thematic expansion: investment finance and agro-ecology

27. The programme also saw major forays in two directions: (a) the mobilization of agribusiness finance with UNIDO and FAO supporting, in a technical advisory capacity, newly-established equity funds, such as the African Agriculture Fund (2011) and the AgVance Africa Fund (2012); and (b) the environmental dimension towards sustainable agribusiness, which involves exploring issues such as the carbon or the water footprint of a value chain, and critical points of intervention for making agro-value chains more environmentally sustainable.

28. In relation to mobilizing investment finance for agribusiness expansion, it was acknowledged at the High Level Conference on Development of Agribusiness and Agro-Industries in Africa (Abuja Conference) in March 2010, that the 3ADI implementing organizations, including UNIDO, have made considerable progress in formulating both private and public financial facilities. UNIDO has actively participated in discussions on creating a private facility and as a result, the first large-scale fund of funds in agribusiness in Africa, called AgVance Africa, will be established by the African Development Bank (AfDB) in 2012. Through indirect equity finance in the SME sector, the fund of funds will generate financial as well as a development return for investors. UNIDO has also agreed with FAO and AfDB to establish a public technical assistance facility to provide public goods and services, such as value chain analyses, industrial organization of supply chains, policy advice, and capacity development of public institutions. Synergies with private initiatives and public projects supported by development finance institutions will be pursued through the facility.

29. Apart from these initiatives, UNIDO also ensures quality capital inflows to this sector through its participation in the African Agriculture Fund (AAF). With its technical assistance expertise, UNIDO evaluates and clears technical assistance projects related to equity investment of this \$300 million private equity fund. Through active participation in these schemes, UNIDO has successfully widened its network with the investment/finance community to further mobilize additional resources for the development of the African agribusiness sector.

30. In relation to 3ADI and environment issues arising, the contribution that 3ADI has made to environmental sustainability was presented at the second Global Network Conference on Resource Efficient and Cleaner Production (RECP-2011), organized in Nairobi from 17 to 18 October 2011. A key focus of the conference was agro-industries, and participants from national cleaner production centres (NCPCs)

discussed how to promote RECP in agribusiness value chains. UNIDO and the United Nations Environment Programme (UNEP) have been jointly supporting the establishment and capacity development of NCPCs in over 40 countries. NCPCs deliver services to business, government and other stakeholders in respective countries and assist them with the implementation of cleaner production methods, practices, policies and technologies. Synergies between 3ADI and NCPCs will be actively explored in value chain development.

31. It should also be noted that the programme in Roraima, Brazil (paragraph 22 above) is meant to serve as a role model for other sectors with significant green development potential, most notably grains, horticulture, apiculture, biofuels and tourism. In all of its endeavours, the programme will promote energy efficiency, sound waste management, and the conservation of water resources. South Sudan (paragraph 17 above) represents another example where the selected leather value chain has an integral environmental component in the form of a waste water treatment plant to accompany the leather producing facilities. This addition to the project is currently in the process of being approved.

V. New partners

32. As the scope and thematic coverage of the 3ADI programme has widened, so has the partnership with private and public entities ready to support it in various ways. This will ensure the sustainability and continuity of the 3ADI interventions at the country and regional level.

33. In relation to public partnerships, the development agency of France, Agence Française de Développement (AFD), signed a trust fund agreement with UNIDO in December 2011, whereby AFD will finance projects by UNIDO that relate to 3ADI. The cooperation is being pursued at the country level with Côte d'Ivoire in the first instance. Meanwhile a memorandum of understanding will be signed in May 2012 with the development agency of Israel (MASHAV), to mobilize Israeli know-how and technology in support of 3ADI interventions. In the first instance, South Sudan was identified as a possible target country for cooperation. Furthermore, India, via the Department of Industrial Policy and Promotion, agreed in December 2011 to co-finance a formulation mission to develop, in some of the poorest rural districts in India, inclusive value chain development programmes. The mission was organized in March 2012, outlined in paragraph 24 above.

34. In the area of private partnerships, UNIDO is exploring cooperation with the Global Alliance for Improved Nutrition (GAIN), since it is acknowledged that it is important to ensure that access to food is complemented by access to nutritious food, which is not always the case in developing countries. One example of this cooperation involves improving the quality of cassava in Ekiti state of Nigeria (paragraph 14 above), in which discussions are currently ongoing. A memorandum of understanding is also under negotiation with the Grameen Creative Lab to provide greater entrepreneurship opportunities for poor people in developing countries.

35. Other partnerships currently under consideration include: (a) consumer goods companies that focus on food commodities, to provide linkages to end markets, as well as participation in the development of value chains; (b) information technology

companies to provide solutions and better transparency and tractability in the value chain, thus building trust between the actors, improving efficiency, improving managerial tools and attracting further investment; and (c) financial institutions to attract further investment and facilitate access to finance across the value chains.

VI. Action required of the Committee

36. The Committee may wish to take note of the information provided in the present document.
