

UNIDO

Partner for Prosperity



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

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The publication has been prepared under the overall guidance of Sarwar Hobohm, Director of the Strategic Planning, Donor Partnerships and Quality Assurance Branch of the United Nations Industrial Development Organization (UNIDO). It was written by Jenny Larsen, UNIDO consultant, with coordination provided by Hedda Oehlberger-Femundsenden, Industrial Development Officer, UNIDO.

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INTRODUCTION

The past decade at UNIDO has been one of immense change and renewal. Following the crisis years of the late 1990s when its very survival seemed to be in question, in the early 2000s UNIDO set about putting its own house in order with a cut in budgets and staff, and a sharpening of priorities. A new, slimmer, more effective UNIDO emerged.

On taking up office in 2005, Director General Kandeh K. Yumkella took charge of an organization still adjusting to these structural changes. At the same time, he inherited a new long-term strategic vision which focused UNIDO on three new thematic areas: poverty reduction through productive activities; trade capacity building; and energy and the environment. This vision also gave importance to a number of cross-cutting areas including private-sector involvement and the sharing and dissemination of knowledge.

Yumkella promised to remain faithful to these priorities, and build on them to create a culture and a structure that would allow UNIDO to respond more flexibly and efficiently to changing needs from its Member States, carving out a role for the Organization as a trusted and effective partner for development.

The Director General set out to do this by putting sustainable industrial development at the heart of efforts to reduce poverty. He called for a holistic approach that recognised the links between energy and production, production and trade and the energy-production-environment nexus.

Yumkella also called for a broader development agenda to help reach the Millennium Development Goals (MDGs). At the start of his tenure, progress was being made but often not where it was most needed. Some economies were forging ahead while the poorest were still struggling to keep up. Income inequalities were on the rise, along with global unemployment.

The Director General argued that while increased investment in health, education and infrastructure was important, more needed to be done to include productive capacities on the agenda in order to achieve a lasting reduction in poverty through wealth creation, and so enable people in developing countries to fund their own investment in future.

To make this happen, encouragement for local entrepreneurship would be crucial, along with private-sector involvement and the right kind of policy environment to

Photo: UNIDO



support it. UNIDO would build ever stronger links between investment programmes and entrepreneurship. It would also support institution-building, small and medium-sized enterprises (SMEs), especially in agro-processing, and trade capacity building, all areas where the Organization was already active.

It was only through such measures, which focused on encouraging industrial development, that poor countries would be able to combat the many economic, social and environmental challenges that threatened them. To achieve growth,

UNIDO headquarters
at the United Nations
Office in Vienna.



employment and poverty reduction, countries needed to invest in capacity building to improve their productivity, boost competitiveness and gain access to international markets. Putting money into industry would also be crucial for tackling environmental degradation through the development of clean technology solutions.

Therefore, UNIDO, under Yumkella, sought to make pro-poor industrialization and private-sector development strategies central to efforts to reduce poverty and put developing countries on a path to prosperity.

New industrial realities

In planning how to turn these ideas into practical programmes, UNIDO needed to take account of new trends in industry and business itself.

It was clear that globalization of production, trade, technology and finance had made manufacturing more international, making it harder for developing countries to compete. The unprecedented rate of technological progress in information and communications was also having an ever greater impact on market access and competitiveness. This made building industrial capacities and institutions all the more important for countries struggling to catch up. At the same time, trade liberalization, deregulation and private-sector dynamism were becoming increasingly important for industrialization. The distinction between industry and services had become more blurred, with the growing tradeability of highly skilled professional services redefining the international division of labour. Finally, a move toward greater accountability and transparency in both public and corporate governance, and stricter norms on quality standards and environmental compliance, put new pressures on industry.

Not all of these trends were new, but the speed at which they emerged posed a threat and a challenge to developing countries, especially those marginalized by globalization. They required clear action from international organizations such as UNIDO to build the capabilities that would allow all countries to benefit from these rapid changes.

Turning ideas into action

Yumkella took steps to turn his vision into reality by maximizing the provision of technical cooperation and advisory services at the country level. He intended to strengthen UNIDO's core programme areas by making sure that they were better integrated. As such, agribusiness development would go beyond promoting agro-industries to highlight the link between SME development, rural development and the need to connect rural economies to global trade. UNIDO would also pursue a broader role in energy by promoting access to reliable energy supplies and access to knowledge to develop environmentally friendly technologies.

Yumkella envisioned that UNIDO would be able to punch above its weight by going beyond practical programme implementation to expand its role as a knowledge provider. This would mean taking a more active position in three areas: as an adviser on industrial policy and strategy with a stronger analytical focus; as a convenor, providing a platform for the accumulation and dissemination of industry-related knowledge; and through a stronger 'normative' role in setting common global standards, whether on sustainability, green energy or energy efficiency.

In support of these goals, UNIDO aimed to pursue stronger and deeper partnerships with Member States, seeking dialogue and guidance. Enhancing partnerships between Member States, in particular by reinforcing South-South cooperation, would also be a priority. At the same time, the Organization intended to strengthen its relations with fellow UN agencies, the private sector, NGOs and financial institutions.

Last but not least, Yumkella promised to strengthen the commitment and response of UNIDO's staff. Poorly staffed field operations would be improved, openness and transparency would be championed and excellence rewarded.

Taking stock

Over the past eight years an enormous amount of work has been done to realize these ambitions. Looking back, many of the themes and priorities chosen appear prescient. Today, partnerships are increasingly important to solving the enormous global challenges facing us. UNIDO's decision to grow through partnership has raised its profile and its relevance. Energy has become ever more important to efforts to combat climate change and reduce poverty, while productive capacity, having been left out of the MDGs, is back on the agenda in discussions to form the post-2015 development goals.

UNIDO's greatest successes, such as the Green Industry Platform, work on trade capacity building, development of agro-industry in LDCs, organizational restructuring, and efforts to put energy at the centre of the global development agenda, have come largely as a result of a careful balancing of its functions: technical cooperation, research and analysis, standard setting and compliance, and partnerships.

The following pages provide a closer look at these achievements.





GROWTH WITH QUALITY

Made to measure adjusting to

Over the past eight years, the number and scope of UNIDO programmes has risen significantly, extending the Organization's reach into new regions and countries. UNIDO now applies a more streamlined, flexible approach to its services that allows it to offer a highly targeted response to individual countries' needs. This has helped to raise UNIDO's profile and considerably strengthened the overall quality of its programmes. The new direction reflects broader changes within the UN system, and the development community as a whole, as it adapts to major shifts in the global economic and political landscape.

The world's economic centre of gravity has shifted south over the past decade with the dynamic growth of countries such as Brazil, China and India. Their economies galloped forward at a pace that has left OECD countries in the starting blocks. During the first decade of the new millennium, GDP per capita trebled in all three of these countries, bringing millions out of poverty. For the first time in 150 years their combined GDP is equal to that of Canada, France, Germany, Italy, the UK and the US put together. And they are not alone: Egypt, Malaysia, Mexico, Nigeria, Turkey and Tunisia among others have also grown rapidly to achieve what the World Bank terms middle-income status.

This dazzling rise of the South is profoundly altering the North-South axis and has changed relations across developing countries. States that were once recipients of aid are now donors themselves. Increasingly, these emerging economies are playing a bigger role in the development of poor ones, becoming a source of ideas, information, resources and technology. This is reflected in the explosion in trade and investment seen across the South over the last years. In total, over half the exports produced in developing countries now go to other developing countries, and South-South exports accounted for 23% of overall world trade in 2010 compared to 13% a decade earlier.

This increased economic weight is giving the rapidly growing economies of the South greater political clout too. Brazil, China,

India, Russia, and South Africa, collectively known as the BRICS, are home to three billion people and play an increasingly important role in global affairs. At their latest summit in Durban in March 2013, they agreed to set up a development bank to support other developing countries. They also plan to establish other institutions as they position themselves as an alternative economic development model to the West. The result is a new multi-polar world that is requiring donors and international organizations to think differently about aid and development.

As part of the UN system, UNIDO has responded to this new dynamic, adapting its approach to the evolving needs of developing and transition countries. The growing interconnectedness of economies, the impact of the economic crisis and the increasingly important role of South-South relations have all influenced UNIDO's response to Least Developed Country (LDC) needs, and its engagement with established and nascent Middle-Income Countries (MICs), which offer new opportunities for partnership.

South facing

At the start of his first term in 2005, the Director General called for greater action on South-South cooperation, viewing it as an area of untapped potential. It was clear that advanced developing countries were in a unique position to pass on the benefits of

their experience to others who had embarked on a similar development path. New mechanisms and partnerships supported by UNIDO's expertise and networks could help to share this positive experience with those still struggling to get a foot on the economic development ladder. Development would no longer be delivered wholesale from North to South. Rather, North-South cooperation needed to compliment South-South cooperation in a new triangular arrangement that took account of the specific needs of individual countries at varying stages of development. This view also reflected growing support for South-South cooperation within the UN system as a whole, as evidenced by the High-Level Conference on South-South Cooperation in Nairobi in 2009 and the strong endorsement given by the 2011 UN Conference on Least Developed Countries (LDC-IV) in Istanbul.

UNIDO is working to reduce poverty and promote industrial development in developing countries and LDCs through promoting greater investment, technical cooperation, technology transfer and trade among the countries of the South. As a result of these activities, the Organization has become an important partner in South-South and triangular cooperation, in collaboration with key players such as UNDP and UN-OHRLLS. One example of UNIDO's success in this area is the establishment of South-South centres, which make use of developing country knowledge and technology to promote sustainable development.

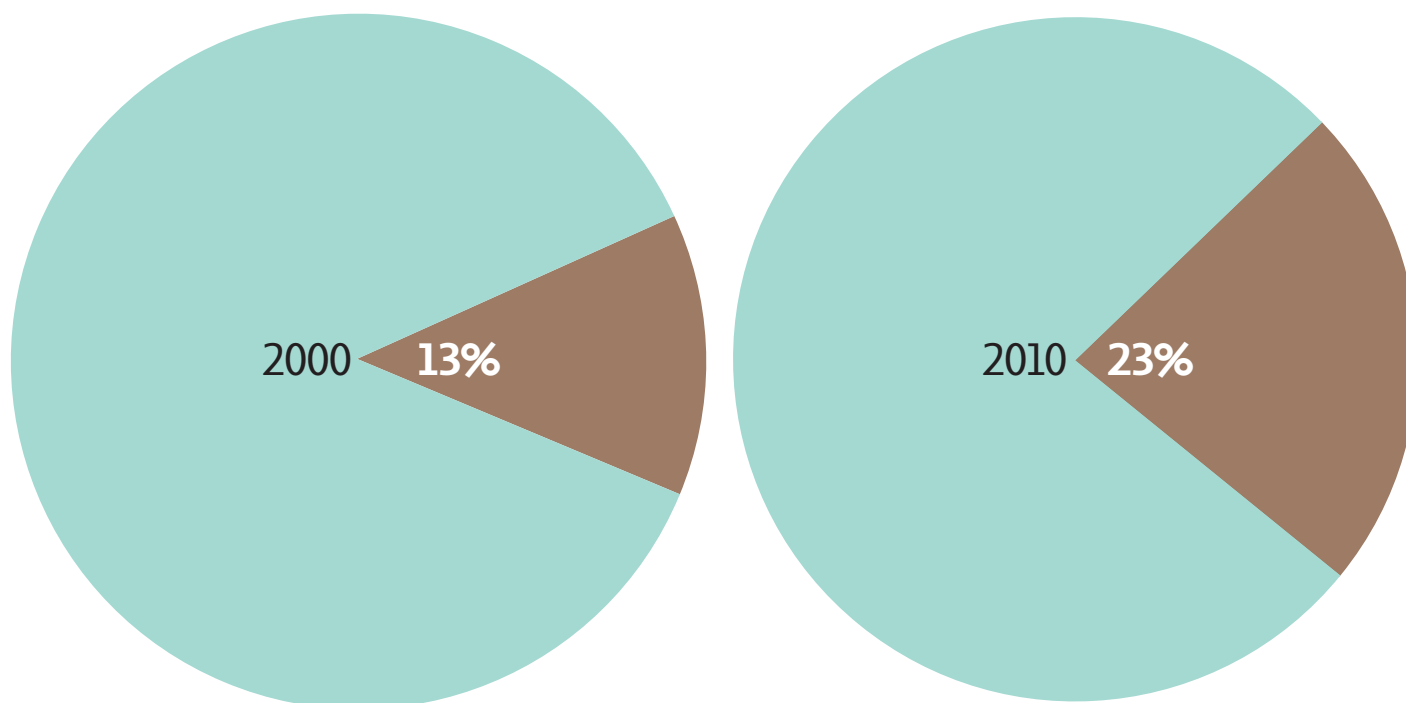
Knowledge centres

In 2006, the Director General set up a Special Programme Group focusing on South-South cooperation. It played a ➤

changing development needs



South-South Exports



‘South-South exports accounted for 23% of overall world trade in 2010 compared to 13% a decade earlier’

► defining role in setting up South-South Industrial Centres in India (2006) and in China (2007). These centres are providing a practical way of harnessing the experience of more advanced developing countries and sharing it with others, in particular the LDCs. They promote trade and investment and industrial development through partnerships that strengthen information and technology transfer. The India centre launched 13 projects between 2007 and 2012 on a total budget of \$4.8 million, ranging from agro-industries to renewable energy and capacity building. The centre also supports business-to-business links and alliances at home and abroad. It has helped capacity building and the spread of networks with 12 developing countries and LDCs: 10 in Africa and 2 in Asia.

In China, operations began in 2008. One of the centre’s greatest successes has been the development of the Enterprise Development and Investment Promotion (EDIP) Programme for China, which ran from 2010-11. It introduced a new business model which combined entrepreneurship development, training, consultative and financial services in an innovative way to

help business start-ups. In 2011, it won the Hewlett Packard LIFE Award for this innovative approach to developing grassroots business in China.

Through these centres UNIDO has found an effective way to realize a number of South-South development goals, which cut across various parts of the Organization. Such centres are likely to play an increasingly strategic role in development cooperation in the future, reflecting the change in the structure of the global economy. UNIDO plans to open up to four new centres in MICs in 2013.

Least but not last

UNIDO has long supported the development of LDCs, helping many to boost their productive capacity through its work on trade, sustainable energy and agro-industry in particular. But hard won, if uneven, economic gains recorded between 2000 and 2007 faded fast with the shock of the global downturn. The crisis brought renewed calls for policies to boost productive capacities in LDCs and so help them become less vulnerable to volatile commodity and energy prices.

Agro-industry was seen as especially important in helping these countries move forward, becoming a main focus of the high-level LDC Conference held in Vienna in 2009. UNIDO responded by stepping up its activities in this area with the creation of the Accelerated Agribusiness and Agro-industries Development Initiative (3ADI), which aims to develop highly profitable agricultural value chains in LDCs by 2020 (see Page 24).

The Organization has also worked closely with the WTO through its Aid for Trade initiative to reduce supply-side constraints on LDCs, especially relating to standards and metrology, and is engaged in a number of sustainable energy projects from mini-grids to cleaner energy for cooking. UNIDO’s activities on LDCs, guided by the Plan of Action agreed at the 2009 Vienna conference and the outcome of LDC-IV, will continue to cut across the whole Organization, with a focus on trade capacity building, private-sector development, policy advice, industrial infrastructure and South-South cooperation.

Lastly, UNIDO has enhanced its role as a facilitator in mobilizing resources for LDCs.



‘The Organization has become an important partner in South-South and triangular cooperation’

Through growing partnerships between traditional donors, private-sector companies and South-South and triangular cooperation, it is able to leverage funds to stimulate investment and increase technical cooperation.

Supporting the middle

As stated above, the growing number of MICs has created both challenges and opportunities for aid and development organizations. They are increasingly acting as development partners to help stimulate growth in poorer countries, and so fostering a huge expansion in South-South cooperation. But high levels of poverty in MICs mean that many continue to need more traditional kinds of development support, which will require ever closer triangular collaboration.

Responding to the wide-ranging needs of MICs in Asia and the Pacific, Africa, Latin America and the Arab region, UNIDO has drawn on its various programmes, integrating them into coherent and demand-driven packages on industrial development and technical cooperation appropriate for each region. These packages have been

further refined to meet specific country needs according to their varying levels of economic development. For example, the diversity of Asia and the Pacific has led to multifaceted approaches and policy responses. For lower middle-income countries UNIDO is focusing on improvements in standards and conformity, institutional capacities, information networks and technology development. In more highly developed MICs such as China and India more emphasis is being put on environmental management, including cleaner production and resource efficiency, while in Latin America UNIDO activities relating to the mainly middle-income countries of the Andean region and the Southern Cone centre on strategic advice on industrial policy, the promotion of SMEs and regional trade integration.

Looking ahead, investing in education and knowledge will be necessary in most MICs far beyond the initial transition from low- to middle-income status. Knowledge transfer will be particularly important given the MICs’ role as a driver of future development, as without it, progress towards inclusive growth, employment creation and new

technologies will be limited. A major challenge in the coming years will be to provide policy advice and access to knowledge in sustainable economic development, and to support and develop networks for policymaking and capacity building across countries, including the more affluent MICs.

In the field

Finally, the significant strengthening of UNIDO’s field operations over the past eight years has enhanced UNIDO’s efforts to deliver development solutions that are tailor-made to individual country requirements. In 2006, changes in organizational structure brought in a new field mobility policy, which has led to most existing field posts being filled and new ones being created. Operational capacity has also been strengthened, with a total of 51 professional staff located in field offices. More UNIDO staff on the ground has enabled the Organization to respond more quickly to country needs and to forge a closer partnership with local counterparts, allowing them to have a greater say in their own future.

Growth in challenging times

In 2012, the Organisation for Economic Co-operation and Development (OECD) announced a drop in the real value of official development assistance (ODA) for the first time in 15 years, making clear that aid budgets have not been immune from the widespread fiscal belt-tightening of recent years. The global financial crisis of 2007/08 and subsequent economic downturn have led governments to look more closely at where they direct increasingly scarce financial resources, creating a more challenging climate for development organizations.

UNIDO has faced its own challenges over this period, including the withdrawal of important Member States. But, despite such setbacks, since 2005 technical delivery has risen to record levels and the Organization's overall donor base has broadened.

New relationships have been established with the Republic of Korea, Nigeria, the Russian Federation, South Africa and Slovenia, while relations with countries such as China, India and Finland have been significantly strengthened. On top of this, the Organization has received substantial voluntary contributions from non-Member States, including Canada and the US.

In 2012, USAID made direct contributions to UNIDO for the first time. Such bilateral contributions are important not only for the direct funding they bring, but also for leveraging co-financing for technical cooperation from other sources. Of UNIDO's current project portfolio of \$2 billion, half comes from co-financing.

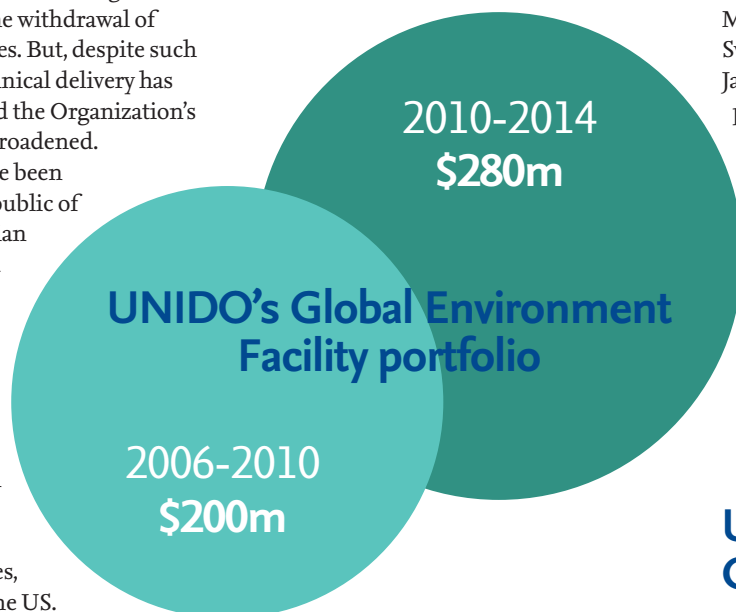
The funding received from multilateral donors is higher than ever. Relations with

the European Union (EU) have grown particularly close, to the extent that UNIDO became a major partner for the implementation of the joint Africa-EU Action Plan 2011-13 and played a key role in the EU's prestigious European Development Days conference. In total, net approvals of EU-funded technical cooperation exceeded \$110 million between 2004 and 2012.

At the same time, UNIDO has deepened its relationships with its existing donor base, including its host country Austria, and with Bahrain, France, Germany, Italy, Norway, Spain, in particular through the MDG Achievement Fund, Sweden, Switzerland and Turkey. Engagement with Japan has increased significantly too. In the past two years alone, Japan donated the largest amount from its supplementary budget funds in UNIDO history.

Collaboration through the UN Human Security Trust Fund has also increased.

Over the past eight years, the Global Environment Facility (GEF) and the Multilateral Fund for the Implementation of the Montreal



UNIDO Technical Cooperation Delivery

2005 \$112.9m

Protocol have become major contributors too. UNIDO has received GEF funding since 2000 to support its work to help eradicate Persistent Organic Pollutants (POPs). Following the success of this programme, UNIDO became a full member of the GEF partnership in 2006 with direct access to funds in a broader range of activities. Since then, the Organization's relationship with the GEF has expanded considerably to include projects on energy efficiency, renewable energy, use of international waters and biodiversity. Over this period, more than 90 countries have benefitted or are benefitting from GEF-funded UNIDO projects. Between 2006 and 2010, under GEF-4, UNIDO's GEF portfolio stood at \$200 million, while under the current 2010-14 cycle, it stands at \$280 million.

In 2012, UNIDO technical cooperation delivery reached a record \$189.2 million, up from \$166.7 million in the previous year and from \$112.9 million in 2005. Net approvals have also reached record levels, amounting to \$247.5 million in 2011, a rise of 36% on the previous year. All of this has been achieved with almost static staff numbers and zero budget growth.

This success is thanks in no small part to the wide-ranging reforms of the past decade, which have supported technical cooperation growth and improved overall project management.

The introduction of results-based management in 2006, as part of UN system-wide reforms, has led to better monitoring and reporting of projects. Now almost all projects are developed using a logical framework approach, a methodology that creates a systematic structure for identifying, planning and managing

UNIDO Net Approvals

2010 **\$181.99m**

2011 **\$247.5m**

projects. It means that there is a clear logic connecting policy interventions, expected results, verification of results and risks.

Although there is still room to improve the framework indicators, their systematic application is a good step towards better results management in the Organization.

The new Enterprise Resource Planning system, which aims to improve information flows and efficiency, is also expected to help improve overall project management.

More and more project managers have included economic and financial assessments when developing technical cooperation projects. Social, institutional, gender and procurement issues have been better addressed and have become more specific in many project documents. Results-based budgeting (based on outcomes or outputs) has been applied more and is likely to be used more systematically in 2013 with the implementation of the new planning system.

The results-based approach is carried out within a programme results framework that connects UNIDO's long-term vision, its revolving four-year medium-term programme and its biennial programme and budgets. This framework has brought together the Organization's strategic vision with detailed programming at the country, regional and global levels, so improving policy coherence and helping UNIDO to better manage its results.

This improved connection between UNIDO's thematic priorities and its programmatic goals to better reflect global development priorities has also raised the Organization's ability to contribute to international development goals, including

the MDGs, which has helped attract new donors and to maintain existing ones. This has been underpinned by UNIDO's comprehensive approach to its support for industrial development, comprising the provision of analytical, statistical and policy advisory services, the promotion of norms and standards, the convening of global conferences and facilitating of knowledge sharing and partnerships, and its well-recognized technical cooperation services.

Finally, the recent strengthening of UNIDO's advocacy work and the Organization's continued focus on building partnerships with other development organizations, financial institutions and the private sector are further enhancing efforts to boost resources. In the expectation that donors will continue to support UNIDO's three main thematic areas, overall financial resources are likely to rise steadily, pointing to an anticipated programme funding in the range of \$220 million in 2013.

2011 **\$166.7m**

**UNIDO's Anticipated
Programme Funding
\$220m**



UNIDO Director General at BBC World Debate, Vienna 2010.

Soon after taking office, the Director General began planning the expansion of the Organization's advocacy and communications unit. This involved recruiting new professionals in the field and developing a communication strategy.

Starting in 2009, a new strategy was in place. It set key priorities that included, among others, a proactive and continuous engagement with international media, with subsequent media monitoring and analysis; a significant expansion of social media presence to further disseminate key messages and build up a network of devoted followers; the modernization of the website; the production of multimedia with a focus on telling the human story behind projects in the field; and the preparation of innovative print products.

The engagement with journalists led to the Director General being interviewed by a number of key international broadcasters, including with Al Jazeera, BBC World, Bloomberg, CNN, CNBC, Reuters TV, and Russia Today.

Showcasing the success of UNIDO



Opinion pieces written by the Director General were placed in leading international newspapers, including *The New York Times*, *The International Herald Tribune* and *The Guardian*, and published in over 30 countries. Interviews were arranged with correspondents of *Time Magazine*, *The Times*, *The New York Times*, *Time Asia*, *Newsweek*, *Die Presse*, *Kurier*, and the *Frankfurter Allgemeine Zeitung* as well as with international wire services: AFP, Associated Press, EFE, ITAR-TASS, Reuters, and Xinhua.

One of the broadcast achievements in 2012 was a special 30-minute feature about Director General Yumkella that aired on CNN's *African Voices* programme. Another popular show – BBC World TV's *Rendezvous with Zeinab Badawi*, also featured the Director General. A special one-hour programme on the topic of powering development in the 21st century, as part of the *BBC World Debate*, was filmed on the sidelines of the 2011 Vienna Energy Forum.

During big international events, special emphasis was placed on committing “big

ticket” names, such as Ban Ki-moon, Arnold Schwarzenegger, Gisele Bündchen, Zeinab Badawi, Chad Holliday, Jeremy Rifkin and Justin Lin, bringing greater media attention.

Worldwide visibility also increased through video reports from key international conferences via APTN, Reuters, and the European Broadcasting Union. UNIDO success stories on small hydropower in Rwanda and post-conflict rehabilitation in Iraq have been broadcast by numerous TV stations around the world and featured on APTN, CNN, and Reuters *Africa Journal*, as well as on UN TV.

Work has begun on updating and modernizing the UNIDO website. This includes improving its security as well as its content – delivery of information will focus on presenting One UNIDO rather than different branches and divisions. Preparations are being made to have basic information on the website in French, Spanish and Chinese. Having analyzed modern-day trends, which suggest that by 2016 the number of smartphone users will reach 1 billion, UNIDO communication professionals are focusing on re-launching the public website to promote accessibility from mobile technologies for knowledge sharing.

Two new publications have been introduced – a quarterly newsletter, *UNIDO Times*, which was a consolidation of all existing in-house branch and divisional publications and allowed UNIDO to “speak with one voice”, and the magazine *Making It: Industry for Development*.

Twelve issues of *Making It* magazine have been published so far with a print run in English of 10,000 copies. Some issues have also been published in French, Spanish, and Chinese.

A book about UNIDO, published by Routledge, was officially launched in 2012 in Vienna and disseminated to all Member States and key counterparts.

Another innovation relates to the preparation of UNIDO fact sheets on project achievements. To date, over 80 fact sheets illustrate what UNIDO has accomplished, with many more to come. Brochures have been prepared on cooperation with: the African Union (AU), the EU, the GEF, Japan, Italy, France, Norway, Spain, and Switzerland.

Advocacy efforts to promote the Organization and its Green Industry Initiative culminated in the production of a public service announcement, which



From top: UNIDO's website, Facebook and Twitter pages.

featured prominently on CNN International in 2010 and again in 2011.

In addition, UNIDO offered advocacy and communication support to the UN Secretary-General's Sustainable Energy for All Initiative at launches in Abu Dhabi, Accra, Brussels, Nairobi, New Delhi, and New York, to name a few. Videos were produced featuring UNIDO Goodwill ambassadors, Rajendra Pachauri and Marcos Pontes, speaking in support of the cause. A public service announcement in support of the initiative was produced and aired on CNN International for a month with the participation of Gisele Bündchen and former US Vice-President Al Gore.

Applying a yardstick to measure advocacy and communications results

“The single biggest problem with communication is the illusion that it has been achieved,” said George Bernard Shaw. This is why UNIDO's communications strategy foresees using concrete tools to measure the impact made by each intervention.

The number of UNIDO followers on social media networks has increased dramatically over the last few years due to dedicated campaigns on disseminating results and interactions. The weekly visitor's rate on Facebook numbered around 2,000 people; there are currently close to 15,000 people following UNIDO's Twitter account; views of the UNIDO YouTube pages have exceeded 720,000; and there has been a steady increase of new visitors to the UNIDO website, with a total figure of almost 900,000 being registered in 2012 alone.

The broadcasting of another public service announcement in support of the UN Secretary-General's Sustainable Energy for All Initiative on CNN International meant that UNIDO's message was repeatedly viewed by over 169 million viewers in Europe, the Middle East and Africa. CNN's *African Voices* programme was viewed by over 200 million people worldwide.

Working with TV production companies allowed for the preparation and broadcasting of a range of video news releases that highlighted UNIDO's achievements on the ground through “human stories” on different continents.

And last but not least, UNIDO's advocacy and communication staff lecture to over 1,000 visitors a year at its Vienna headquarters, allowing them to gain more insight into the operations of the Organization.

Despite progress in the position of women, today they are still more likely to suffer discrimination, to be excluded from education, and to be poor, especially in developing countries. In many parts of the world, women remain marginalized and vulnerable; they are affected disproportionately by conflict, violence and disease; most of the world's 775 million illiterate people are women; and while women produce over half of the world's food, they own only 1% of the world's farmland.

Improving the status of women, who make up half the world's population, is a matter of human rights. It is also crucial for development. When men and women are more equal, economies tend to grow faster, fewer people remain in poverty and overall well-being is increased. Ironing out gender inequalities matters not just for women but for society as a whole.

As the UN agency specializing in industrial development for poverty reduction, inclusive globalization and environmental sustainability, UNIDO believes that expanding economic opportunities for women should be central to all development responses and policies. Specifically, UNIDO focuses on gender-sensitive employment creation and the provision of productive resources, such as finance, market information, technology, skills and sustainable energy services that also reduce the burden of women's unpaid domestic and care work.

Over 30 years, UNIDO has used a variety of means to support women's economic participation through its technical cooperation and policy advisory services. In recent years, with the strong support of the Director General, UNIDO has given ever greater importance to gender issues and women's economic empowerment.

A process began in 2007 to integrate gender into all aspects of the Organization's activities. It culminated in an expert meeting in July 2008 on 'Women Empowerment and Entrepreneurship', which recommended that UNIDO adopt a comprehensive policy that reflected the internal, operational and institutional aspects of gender equality according to the priorities of UN system-wide reforms.

As a result, a new policy on gender and women's empowerment was adopted in 2009, which laid out a plan to ensure that a gender perspective was included in all programmes, policies and practices of the

Organization. Under the policy, UNIDO would also make use of expertise and experience within the UN system to work towards internationally agreed development goals on gender equality, while the overall goal of empowerment of women would be given renewed support. UNIDO also planned to improve the gender balance within the Organization, in particular at the decision-making level.

A Gender Mainstreaming Steering Committee (GMSC) was created to oversee the policy and to devise an action plan to implement it. The resulting Implementation Strategy and Action Plan 2011-13 set out timeframes and responsibilities aimed at including gender policies at all levels of the Organization. UNIDO's latest Programme and Budgets 2012-13 included a gender focus throughout, while the forthcoming 2014-15 Programme and Budgets requires all branches to incorporate a gender perspective into their planning.

At the same time, UNIDO has taken steps to raise staff awareness of gender issues. The ITC-ILO Training Centre carried out a gender awareness programme in 2010, which trained 242 people. Following this, in 2012, a new project was set up to help each of the Organization's thematic areas to incorporate gender into their programmes and to train project managers on how to include gender perspectives in their projects.

Photo: UN Women



UNIDO and gender. *Not just a* women's issue



UNIDO has also appointed a Gender Adviser to UNIDO's Appraisal Group, which assesses the quality of newly developed projects and programmes before they are presented for funding.

At the inter-agency level, UNIDO has been actively involved in developing the UN System-wide Coordination Framework for Women's Economic Empowerment, and the UN System-wide Action Plan on Gender Equality and Women's Empowerment (SWAP), which, for the first time, will give the UN a set of common measures with which to

gauge its gender-related work. Under the new framework, UNIDO will report annually on its mainstreaming of gender across all its operations. In recent months, the Organization has been working hard to place gender equality and women's empowerment in productive sectors at the centre of the post-2015 agenda, and will continue to do so as the discussions intensify.

In January 2013, UNIDO's Executive Board made a number of ground-breaking decisions in support of this. A staff member was appointed to work on gender full-time,

with an additional post made available from 2014-15. All project managers will now include gender analysis in their project development, while directors must include gender responsive goals in their work plans. These innovations demonstrate the Organization's commitment to making gender issues an integral part of its strategic and programmatic work. Looking ahead, gender will become an increasingly important part of UNIDO's development strategy in the coming years as its new organization-wide programme takes root.



Building a leaner, more efficient UNIDO

From a structural point of view, UNIDO is a very different organization in 2013 to what it was in 2005. It is now more transparent, more accountable and more efficient than at any time in its history. It has come through the crisis years of the late 1990s when a number of donors, including the US, withdrew from the Organization. The result was a severe cut in funding, which prompted an overhaul of its operations, new budgets and a reduction in staff numbers.

Then, in 2003, UNIDO set out to answer questions over its relevance by redefining its priorities and putting in place a number of strategic reforms which brought in new programmatic themes. Since taking up his post in 2005, Director General Yumkella has built on these reforms and introduced many new initiatives which have made UNIDO more cost-effective and more results focused than ever – one of his first actions in office was to adopt an Evaluation Policy to look at the impact of UNIDO activities on the ground. This policy was a fundamental step in improving knowledge sharing and results monitoring within the Organization.

The ongoing reform process has taken place at a time of rising demand for UNIDO's services, with the number of technical cooperation projects increasing steadily over the past decade. The growing support for UNIDO from major donors such as the Global Environment Facility (GEF), the Montreal Protocol and the EU brought with it extra

demands on the Organization, including the call for results-based management and compliance with GEF Fiduciary Standards, which require the application of minimum project risk assessment standards, monitoring and evaluation.

At the same time, Yumkella's appointment coincided with the start of a new UN initiative called One UN, which is aimed at achieving greater coordination of effort across the UN system as a whole. Added to this, UNIDO was working to improve its field operations and decentralize its operations. In light of these developments, it became increasingly clear that ad hoc solutions to reorganization would no longer do; what was needed was a root and branch change which would alter the culture of the Organization and make it more effective in evaluating new projects, assessing results and making this information more accessible and transparent to all interested parties.

In 2008, UNIDO started a consultation period which culminated in the establishment of a new change management programme in 2010. It was successfully completed on time in the first part of 2013, in great part thanks to the tremendous efforts of UNIDO's staff.

The programme is based on the Leading Change and Organizational Renewal (LCOR) model developed by Harvard and Stanford business schools. Its aims are encapsulated in UNIDO's new mission statement (2010) – Growth with Quality and Delivering as One UNIDO. Since they were set in motion in 2010,

the structural changes of the past three years have brought all strands of the Organization together in a holistic way, with a view to creating a more dynamic working environment, better knowledge sharing and better results-based management.

To make sure all the varying aspects of the programme work together, the Director General set up a new governance structure. The main decision body is the Committee for Change and Organizational Renewal, which gives overall direction to the programme, and the Office for Change and Organizational Renewal, which coordinates and manages it.

UNIDO expects the new system to deliver the following benefits:

- Increased delivery capacity
- Increased global presence
- Better development impact through results-based management
- Better communication with stakeholders on performance and results
- Improved risk management
- Better accountability, greater decentralization and greater transparency
- Improved knowledge sharing and teamwork
- Staff freed to concentrate on value-adding activities
- Reduced bureaucracy to speed up effectiveness

To implement the aims of the programme, UNIDO has put in place an enterprise resource planning (ERP) system, which gathers and distributes information on one

integrated platform across the Organization. It has also reorganized staff training and made changes to working culture.

The system was rolled out in four release phases, starting in early 2012 with the portfolio and project management module, which puts all the different stages of project development, design, approval, assessment, and monitoring into a single system. It is universally accessible, it improves information flows within the Organization and gives better feedback to Member States and external stakeholders.

The second release integrated all of UNIDO's human resources processes, including payroll, e-recruitment and performance management. In early 2013 all major finance, procurement and logistics processes were added and finally, the fourth release, knowledge management, was implemented in parallel with the three other phases.

Throughout the implementation process staff have been involved at every stage and received intensive training on how to get the best use out of the new system, in step with the requirements of the LCOR model, which puts people and working culture at the heart of change.

In all, new streamlined electronic processes are freeing staff at headquarters and in the field from bureaucratic tasks, reducing duplication and encouraging greater teamwork.

Putting people first

On taking office in 2005, the Director General promised to encourage a working culture that would allow staff to work with pride and dignity. "My management style is one of participation, empowerment and teamwork. Only motivated and committed staff can achieve excellence," he said.

He pledged to develop new avenues for career development, championing transparency and integrity. He also promised to give more weight to experience in the field, to encourage a more predictable rotation scheme and to establish incentive schemes to motivate staff.

Over the past seven years much has been done to bring this vision to fruition. Under the umbrella of the new programme, recruitment and assessment are more transparent, while staff enjoy more concentrated development and training programmes.

Reform of staff management and recruitment started early in Yumkella's first term with a revamp of assessment processes

for professional staff, instigating more rigorous testing procedures. In 2006, Yumkella also set up a new field mobility policy, setting out a clearer career path and providing more attractive conditions. At the start of 2006 barely half of the Organization's field positions were filled, but by the end of 2012 there were hardly any vacant.

UNIDO has also worked hard to replenish professional staff, bringing new blood to the Organization. Between 2006 and 2012, 186 new staff were appointed, rejuvenating its professional staff pool by 79%. The number of women also rose from 26% of total professional staff to 31%. In 2008, a Young Professional Programme was introduced and has been highly successful in recruiting more women, more highly qualified staff and professionals from a wider geographical background.

In addition to this, new staff are taken through a more rigorous induction period, which gives them greater levels of information about UNIDO and its ethos. The Director General also makes a point of meeting new staff personally to explain his vision for the Organization.

Since 2006, UNIDO has stepped up levels of training for all staff, including a management development programme for professional staff. Training intensified from 2010 to ensure that staff members were equipped to deal with the demands of the new ERP system. One crucial development in this regard was the establishment in 2011 of a Competency Framework providing training for staff on three core values, six core competencies and four managerial competencies. It will be a reference point for recruitment, training, development and performance management and is part of UNIDO's ongoing efforts to foster a shared culture across the Organization.

Reinforcing the idea of shared principles, staff must also take part in an ethics e-learning programme to make sure they are fully aware of the UN Code of Conduct.

As the Director General highlighted at the start of his first term in office, staff motivation is essential for an organization to achieve its goals. Marking the 40th anniversary of UNIDO in 2006, Yumkella gave awards for individual excellence, teamwork and innovation. Since then the opportunities for recognition have expanded. In 2010, as part of the new change management process, a new human resources management framework was introduced to widen the possibilities for recognition of staff through merit awards, competitive placement and promotion.

An assessment of UNIDO working culture was carried out in 2010, followed by the introduction of a new culture change framework that laid out the direction the Organization wanted to take with regard to its values and norms. This formed the basis of a new 360-degree performance management system, where staff members are assessed anonymously on competencies and results, allowing for a fairer, more objective process. It also looks at performance in relation to particular branch or unit goals. Overall, the new system enables staff to see how they fit more broadly into the goals of the organization. At the same time, staff members are being kept abreast of developments through meetings, briefings and communications, reinforcing the improved climate of knowledge sharing and transparency within the Organization.

Under the new human resources management framework UNIDO has introduced greater flexibility into its recruitment policy, in particular for consultants and experts, or non-staff personnel. They can now be employed for periods of one to four years without a break and will enjoy some of the benefits given to staff members such as health care and maternity leave.

Finally, in the past few years under Yumkella's direction UNIDO has opened up communication levels between staff and management. There are now greater levels of dialogue, consultation and discussion than ever before. Leading from the front, the Director General has encouraged managers to meet regularly with staff and has also increased the opportunities for debate among senior managers. There are more random interactions between staff and managers too, which has created a more open and positive working environment. Relations are also closer between Staff Union representatives and management, and Staff Union representatives have regularly been invited to participate in the annual Board of Directors retreats held to map out the direction of UNIDO's progress. In a report in 2012 by the Joint Inspection Unit on Staff Management Relations both parties rated communication levels at four out of five.

It is clear that UNIDO has come a long way in terms of organization and in how it manages its staff. It has put people at the centre of its ambitions, fulfilling the Director General's pledge to empower staff and increase participation to work as One UNIDO.



HOW UNIDO MAKES A DIFFERENCE

Agribusiness: building the chain to cut poverty

UNIDO's unique contribution to MDG1

Almost 70% of the world's poorest people live in rural areas and depend on the agricultural sector for their livelihoods. Yet the overall value of their economic contribution is well below one-third of GDP. They are particularly exposed to the vagaries of climate change, which poses a threat to food security in both rural and urban areas. Rejecting a life of hardship on the land, a growing number of the rural poor are turning to an urban life for opportunities, breeding discontent and social unrest as the labour market is unable to absorb the influx of migrants from the hinterland.

It is clear that without a complete transformation of the rural sector there will be no sustainable solution to entrenched poverty in developing countries. Agricultural productivity needs to rise, but that will not be enough. Countries need to develop local processing so that they can reap the benefits all the way along the production chain from commodities to finished goods.

UNIDO is working to aid this transformation by providing links to technology and capital and through a range

of capacity building services to boost existing resources to stimulate wealth creation. It helps governments to put in place the right institutional framework to bring about change, doing this through collaborative projects that cut across three programmatic areas of the Organization: Trade Capacity Building, Business, Technology and Investment and Agribusiness Development.

Meeting standards and protecting consumers

Increasingly strict regulations on food safety make it more important than ever for developing countries to have the right policies in place, both in terms of protecting consumers from unsafe imports and to ensure the quality of their own exports. UNIDO has assisted numerous countries to develop national food safety laws, and legal and regulatory frameworks for compliance with sanitary and phyto-sanitary (SPS)

standards. It has also provided support for the strengthening of a local, modern, risk-based management system of food safety.

Providing the right equipment to be able to test safety is crucial and UNIDO has used its expertise in this area to help set up laboratories across a number of countries. In West Africa, the Organization has supported 16 countries in the development of various quality infrastructure services such as upgrading laboratories for microbiological, chemical and pesticide-residue testing to meet international standards in priority export products such as cocoa and coffee. On the other side of the continent, UNIDO is working with the East African Community (EAC) to build up and harmonize legal and regulatory frameworks (standards and technical regulations), and related infrastructure and services.

In addition, UNIDO aids countries to develop their consumer protection laws and helps to train journalists in consumer

The 3ADI was set up after countries participating in the 2010 High-level Conference on the Development of Agribusiness and Agro-Industry in Africa in Abuja, Nigeria, called on UNIDO to work together with IFAD, FAO and the AfDB to promote the development of agricultural value chains and enhance food security. Its goal is to have an agriculture sector in Least Developed Countries (LDCs) which, by the year 2020, is made up of highly productive and profitable agricultural value chains.



Accelerated Agribusiness and Agro-industries Development Initiative

The idea behind the initiative is to: support knowledge sharing and harmonize programmes; enhance developmental impacts; and support investment in a way that increases the proportion of the agricultural produce of developing countries that is transformed into high-value products. In each country, one or two key agricultural products are

selected by the local authorities. Each product forms the basis of a detailed value chain analysis that maps out the creation of economic value at all steps of economic activity, from resource to market.

The Abuja Declaration recommended four key areas of assistance:

- enabling policies and public goods
- value chain skills and technologies
- post-production institutions and services
- reinforced financing and risk mitigation mechanisms

As of early 2013, the following countries had joined the

programme: Afghanistan (wheat), Burkina Faso (meat, sesame), Burundi (soybeans), Comoros (horticulture), Côte d'Ivoire (cotton, cassava), DR Congo (cassava, palm oil, timber), Ghana (cotton), Haiti (tubers, bananas), Liberia (fruit and vegetables, rice), Madagascar (sugar, organic honey, dairy products), Niger (red meat, cowpeas), Nigeria (cassava, rice, leather), Rwanda (livestock-based sectors: dairy, meat, leather), Sierra Leone (ginger; cashew nuts), South Sudan (cereals), Sudan (leather), United Republic of Tanzania (meat, cashew nuts), Uganda (bananas), and Zambia (cotton, cassava, fruit and vegetables).



rights. It has also helped to standardize weights and measures used in local markets, which bring particular benefit to low-income groups.

Building value

UNIDO has joined forces with the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and the African Development Bank (AfDB) to “enhance capacity, profitability and competitiveness of agribusiness and agro-industries and ensure that the development of agribusiness and agro-industries contributes to smallholder livelihoods, food security and nutrition, job creation and poverty alleviation.”

The resulting programme, known as the African Agribusiness and Agro-industries Development Initiative (3ADI—see www.3adi.org) was launched in August 2010 in a first batch of 12 target countries. Due to expansion beyond the original 12 countries into other regions, the programme is now known as the Accelerated Agribusiness and Agro-industries Initiative outside Africa.

Original features of the approach taken with this programme include the close cooperation with FAO, IFAD and the AfDB, the pragmatic emphasis on results, and an

integrated approach recognizing the need for cooperation between public, private and technical assistance partners. It is largely driven by national and regional aspirations.

Within this inclusive concept, UNIDO concentrates on supplier development and enterprise upgrading. Small-scale producers are trained and encouraged with various incentives to assess and realize market opportunities through individual and collective action, and the deployment of skills and resources. This makes it especially suited to agribusiness industries, which typically offer higher potential for domestic suppliers to enter new markets and integrate local, regional and international value chains, while also strengthening the local employment base.

Building bridges

UNIDO programmes to encourage agro-industry in developing countries target businesses mostly in rural areas, to boost their competitiveness and create opportunities to diversify the economy that can lead to stable manufacturing jobs. In 2010–11, for example, UNIDO built capacity in about 200 enterprises and related services, which helped to maintain around 10,000 direct, high-quality manufacturing

jobs in the difficult aftermath of the global economic crisis. UNIDO programmes also involved the transfer of new management and technological skills to the relevant countries and had a positive, if indirect, impact on the industrial and service sectors that provide products and services for the upgraded enterprises.

Building on the successful cooperation in Africa and the Arab Region, the UNIDO–Hewlett Packard (HP) partnership programme reached global coverage in 2010 through HP’s Learning Initiative for Entrepreneurs (HP LIFE). The programme teaches aspiring and established entrepreneurs hands-on business and information technology solutions relevant for business management.

Partnerships are becoming more and more central to how UNIDO does business. In the agribusiness sphere, it collaborates with major business players who bring their know-how, resources and competitive experience to SMEs involved in UNIDO’s various projects. These partners work in broader collaborations with governments, industry associations, research institutions and civil society organizations on the basis of guiding principles, which include acceptance of



► United Nations values of fairness, transparency and openness.

UNIDO is also pursuing innovative approaches to financing. In mid-2011, it responded positively to a request by development finance institutions to extend advisory services to a technical assistance facility established to support two investment funds that between them contribute \$800 million of private equity to small and medium-sized agribusinesses across Africa. Both initiatives represent a novel approach that integrates technical assistance, public investment, and private equity, supporting much larger flows of resources to agribusiness in Africa that trigger a stronger impact on the ground.

In terms of market access for SMEs in the agribusiness sector, the development of export consortia, or voluntary alliances, to promote exports has led to a rise in sales and employment and has helped to upgrade member SMEs.

Linking poverty and the environment

Agriculture accounts globally for 70% of the total consumption of water; it produces over 10% of greenhouse gas emissions, and causes

substantial indirect emissions through the conversion of forests into farmland. It is also a major cause of land degradation and biodiversity loss.

At the same time, the rural poor are at the frontline of climate change, with floods, desertification and other brutal fluctuations of the ecosystem endangering their livelihoods. They are also the main victims of pesticide and agrochemical poisoning that claims 220,000 lives every year. And, more than ever, the question of food security is intimately linked to energy and water security, meaning that the challenges threatening agriculture and the environment must be dealt with together.

Mitigating the impact of climate change will help combat the plight of the rural poor,

but they also need the means to adapt to changing realities with the aid of science and technology.

Many projects run by UNIDO in the past years have brought renewable energy sources such as mini-hydroelectric power plants and biogas to rural agribusinesses. Steps have also been taken by UNIDO to promote alternatives to methyl bromide in post-harvest preservation and crop storage facilities, and to replace traditional refrigerants

with non-ozone depleting substances and gases with a low global warming potential for cold storage, ice-making and on-board freezing in fishing vessels.

In addition, UNIDO is focusing on greening agro-based value chains and mapping the carbon or water footprint of agribusiness activities through the Green Industry Platform, launched at Rio+20 in June 2012.

Through connecting all these different programmatic activities to tackle the scourge of poverty and malnutrition, the Organization has carved out a distinctive place within the UN system. This comprehensive but coherent approach, which takes in capacity building, agribusiness development and technology investment, reflects UNIDO's firm belief that one of the most effective ways to eradicate poverty and hunger is through job and wealth creation in rural areas, in other words, by adding value to primary agricultural commodities.

UNIDO does this through a unique combination of skills in science, technology, economics and business management to deliver cost-effective and sustainable solutions to pressing social and environmental challenges of human security, youth employment, resource efficiency, and inclusive development.



Human security and youth unemployment—promoting livelihoods

Natural and man-made crises strike developing countries with disturbing regularity, with often catastrophic effects on their vulnerable economies and fragile structures: economic activity stalls, populations are displaced and food insecurities increase. Youth, women and the rural poor are especially under threat as they are more likely to be marginalized economically and socially. Youth in particular are excluded because of a lack of job opportunities, which itself poses a potential threat to future security.

UNIDO, as the UN's specialized organization for industrial development, is working to restore devastated livelihoods in post-crisis countries through programmes to create jobs, support entrepreneurship, build infrastructure and institutional capacity, improve access to technology, and increase productivity. By helping communities most at risk to help themselves, they will become more resilient against chronic threats such as unemployment and the sudden shocks brought about by natural disaster, economic crisis or war.

Reconstruction and renewal

In its 10-year strategic vision laid out in 2005, UNIDO made improving human security through the industrial rehabilitation and reconstruction of post-crisis and post-conflict countries a priority. It has undertaken a number of projects over recent years in Africa and the Middle East to help rebuild the lives of many people in affected communities. Given the scale and scope of the problems, UNIDO has coordinated and liaised with a range of other UN agencies, NGOs and other development partners to carry these projects forward.

UNIDO focuses its efforts on building productive capacity, with particular attention given to small enterprises, which have been identified as the main engine of growth in post-crisis economies. They face significant

Photo: UNIDO



High school students studying entrepreneurship development in Mozambique.

constraints in the areas of technology, business management, vocational and technical skills, business development services (BDS) and entrepreneurial knowledge. To overcome these barriers, UNIDO is implementing programmes to provide training on how to tap market potential, attract small investments and financing, and improve the technical, business and management skills of entrepreneurs. It is also helping entrepreneurs to find ways to increase productivity and improve product quality standards to meet market demand. More specifically, UNIDO works with entrepreneurs to build up a pool of innovative professional skills in technical sectors and to establish competitive thinking.

Some examples of the Organization's activities in these areas include: projects to

increase labour productivity in poor rural communities in Malawi stricken by HIV/AIDS; initiatives to improve productivity in rural communities in Afghanistan in farming and non-farming activities; and the rebuilding of facilities in Iraq to produce safe and wholesome milk products. Cottage industries in rural and urban areas of southern Iraq's Thi-Qar Governorate were also supported, as was the creation of viable small-scale businesses in food processing, metalworking, woodworking, textiles and agro-mechanics.

In Lebanon, UNIDO carried out a project to help get war-damaged enterprises from five agro-industrial sectors in the most affected regions of the country up and running again. Meanwhile, in Kenya UNIDO supported the development of the bamboo value chain, engaging displaced ➤

Speaking on a visit to West Africa in 2012, Yumkella said: “With almost three-quarters of the population under the age of 30, Côte d’Ivoire, Guinea, Liberia and Sierra Leone have one of the youngest populations in the world. We have a responsibility to help them find employment. This is a major challenge but also an opportunity, and this is where UNIDO comes in to help reduce poverty through productive activities”.

► people in the primary processing of bamboo, thereby generating income for many expelled forest dwellers who would have had no other employment opportunities.

UNIDO has also given particular attention to strengthening resilience among highly vulnerable groups in crisis situations. In Sudan, it helped women’s groups to obtain technology for food processing activities and trained them in management and business plan preparation, enabling them to identify and start viable farming and non-farming activities, while in Armenia UNIDO is addressing worsening income inequalities, especially among refugees and women, by fostering local entrepreneurship.

Dealing with the scourge of unemployment in post-conflict regions is another area where UNIDO is actively involved. In the Mano River Union in West Africa (Côte d’Ivoire, Guinea, Liberia and Sierra Leone), UNIDO joined with the International Labour Organization (ILO), the United Nations Development Programme (UNDP) and the Youth Employment Network to promote productive and decent work for unemployed and under-employed youth through supporting entrepreneurship development, developing access to finance programmes to facilitate business starts-up and expansion, and improving the employment-generating capacity of enterprises.

Building on this, UNIDO launched a \$3.5 million Japan-backed project in 2010 in Côte d’Ivoire, a country still suffering from the ravages of a recent civil war that left it divided and impoverished. Under the project, UNIDO is rebuilding a centre that will offer training in construction, manufacturing and service skills, specifically in areas such as welding, woodwork, plumbing, electrics and nutrition. These new skills will help improve the lives of 3,000 young people in the Bouaké region, including ex-combatants and women.

Youth unemployment – gaining skills for a secure future

Speaking at an International Conference on Youth in 2003 former UN Secretary-General Kofi Annan said: “Rising unemployment takes a heavy toll among young people who are particularly vulnerable to shocks in the labour market. Lay-offs, restructuring and insufficient opportunities to enter the world of work condemn many to a life of economic hardship and despair. We have seen, all too often, the tragedy of young lives misspent in crime, drug abuse, civil conflict and even terrorism.”

A decade later, the crisis shows no sign of abating. According to the ILO, youth unemployment hit a record high of 12.8% in 2009 at the peak of the global financial crisis. In 2012 it was barely lower at 12.6%, putting the number of unemployed 15-24 year olds at 74 million. In North Africa and the Arab region over 25% of under-25s are out of work; in sub-Saharan Africa the ratio is over 20%.

Forecasts suggest that the number outside the labour force will keep rising as the world economy struggles to recover from the downturn and populations continue to grow. Although affecting both the developed and developing world, the situation is especially acute in post-conflict developing countries where opportunities for job creation are often lacking. To see the repercussions of this in social and economic terms, we need look no further than the uprisings of the Arab Spring and their subsequent impact on the performance of Arab economies.

Given the overwhelming crisis of youth unemployment, UNIDO is increasingly focusing its attention on inclusive growth strategies, along with the creation and development of youth-led enterprises that can give young people an active role in society. This approach aims to boost economic growth, social prosperity and participation, as well as regional stability.

One of the ways of doing this is through the promotion of dynamic entrepreneurship and

Photo: Thomas Lee





the provision of associated training so that people can create employment for themselves and others. UNIDO has undertaken numerous projects in recent years that build the entrepreneurial and vocational skills of young people in developing countries. Acting in partnership with local governments, the private sector and international organizations, it has set up or rehabilitated training centres in a number of countries to help young people get the necessary skills that meet the demands of the private sector and ensure that the huge untapped potential of youth has a chance to flourish. Using state-of-the-art methodologies and facilities, and highly qualified training staff, young people are given the opportunity to acquire these skills. Centres to boost life skills among the young have been set up in poverty and conflict-affected areas in countries, such as Armenia, Bolivia, Ethiopia, Ghana, Guinea, Kenya, Lebanon, Liberia, Malawi, Sierra Leone and Sri Lanka.

Another programme aimed at fostering entrepreneurship is the highly successful Entrepreneurship Curriculum Programme. Many young people in developing countries have little or no access to business development education or information technologies, making it hard for them to join the job market. This programme targets people in secondary and technical schools and universities, and develops their creativity, innovation, planning and leadership skills, showing them how to identify business opportunities. Since 2006, thousands of schools and hundreds of thousands of students have participated in the programme, which has been expanded to over a dozen countries including Angola, Mozambique, Namibia, Rwanda, Timor-Leste and the United Republic of Tanzania.

Providing people with skills that allow them to work in their home villages and towns is also an important part of UNIDO's work to address the employment crisis in developing countries. A rapid move to the cities has put increasing pressure on the job market, which cannot absorb such a burgeoning population. If the young are given the chance to create their own enterprises in areas such as agribusiness, this pressure could be alleviated.

But for this to be possible the right business environment is crucial. Entrepreneurial initiatives won't get off the ground unless they are supported by appropriate public services, a gender-neutral business environment and the right

investment from venture capital or commercial banks to start up businesses.

Experience has also shown that entrepreneurial and technical training alone does not get results unless combined with adequate financial services. Therefore UNIDO has developed a comprehensive approach that helps young entrepreneurs to create and set up or expand their own businesses while contributing to employment creation, economic development and growth. Provided with access to funding through innovative mechanisms, such as grant and loan schemes or angel funding, as well as the necessary non-financial support, youth are able to successfully set up and run profitable businesses.

One example is the Youth Business Fund. Supported by the Government of Austria, it is a revolving fund that gives out loans to young entrepreneurs in an effort to overcome start-up financing difficulties. Provided with access to funding, entrepreneurs can prove that they are credit-worthy and capable of turning loans into profitable enterprises. By strengthening the capacities of local business service providers UNIDO provides the necessary non-financial services to the selected entrepreneurs, thus mitigating risks and contributing to the successful implementation of the created businesses.

Following the same logic of combining financial and non-financial support to young aspiring entrepreneurs, UNIDO is also involved in several projects across the Arab region. With a high number of university graduates battling to get into the workforce, several projects focus on how to promote domestic investment through entrepreneurship. One of the latest is a \$3.3 million project to promote sustainable employment opportunities for young people in Tunisia. Working together with USAID, the Government of Italy and Hewlett-Packard, UNIDO will use its broad experience and expertise in the region to help SMEs build businesses in four vulnerable parts of the country through better access to services and direct capacity building.

From well-educated urban graduates to illiterate rural workers across the developing world, UNIDO and its partners are helping all kinds of young people to get the chance they deserve to participate actively and productively in society through programmes that carry forward the Organization's core mission to reduce poverty through productive activities.

Trade Capacity Building helping developing countries

From the time of the Silk Road, trade has brought wealth and spurred development. No poor country has prospered without it. It has a direct impact on economic growth and on poverty reduction. In the past decade, countries such as Brazil, China and India have all achieved economic success thanks in great part to trade, with millions lifted out of poverty as a result. But, it is also clear that the benefits of trade are not evenly spread.

Despite a fall in tariffs and a rise in overall trade volume, developing and least developed countries (LDCs) are challenged by the ongoing rise in non-tariff barriers to trade. Health scares such as mad cow disease and avian flu, along with fears over pesticide residues and a growing concern about the environment and social issues are driving governments, industries and consumers to demand ever tighter rules on quality, health and safety, environmental impact and social issues. This leaves many developing countries and LDCs on the sidelines because they don't have the capacity to be competitive or the ability to meet these increasingly stringent international market standards. And it is here, in the area of supply capacity and quality-related infrastructure, where UNIDO has been making a difference.

Since the founding of the WTO in 1995, UNIDO has steadily expanded its work on increasing the productive supply-side capacities of developing countries, so giving them a better chance of entering world markets. Between the completion of the Uruguay Round of world trade talks in 1993 and the start of the Doha Round in 2001 it was evident that developing countries still remained marginalized from global trade, a

view which was expressed loudly at the Third UN Conference on Least Developed Countries in Brussels in 2001.

In response, in 2002, UNIDO developed a three-pillar approach to trade capacity-building which focused on boosting competitive productive capacities, strengthening internationally recognized conformity infrastructure and improving links to the market, ensuring rapid and reliable trade transactions. This approach is summed up in the three C's – compete, conform and connect.

In 2006, under the new Director General, UNIDO decided to create a separate trade capacity-building (TCB) branch, reflecting the importance of this work within the organization. UNIDO's activities in this area, in particular in enhancing supply-side capacity and compliance infrastructure, were a major contribution to the WTO-led initiative, Aid for Trade, launched at the end of 2005. A taskforce was set up in 2006 which recommended active participation from development partners in carrying out the Aid for Trade agenda to increase trade flows from developing and least developed countries and improve their infrastructure and capacities. UNIDO was actively involved in this process. Since then its response to trade-related issues has remained tightly linked to Aid for Trade, prompting WTO Director General Pascal Lamy to call UNIDO and the WTO “two sides of the same coin”.

Involvement with the Aid for Trade taskforce gave particular weight to the first two pillars of UNIDO's three-pillar approach, the development of supply-side capacities and compliance infrastructure. UNIDO has many years of experience in

promoting export-led growth through strengthening productive capacities and with over 90% of world trade in manufactured goods, is in a unique position to help countries build up their productive capacity.

One way the Organization is doing this is through export consortia, with a particular emphasis on agribusiness. These voluntary alliances give support to small and medium-sized enterprises (SMEs) which have few resources to ‘go it alone’ in a globalized world. UNIDO has come up with a special programme to develop SME export clusters and networks, allowing firms to pool knowledge and mitigate risk. A ‘strength in numbers’ approach also helps to improve product quality and ensure more efficient production methods.

The right measures

Helping developing countries and LDCs to meet WTO rules on technical barriers to trade (TBT) and on sanitary and phytosanitary (SPS) measures is another area where UNIDO employs its capacity-building expertise. It has done this through working closely with specialist organizations such as the International Organization for Standardization (ISO) and the International Laboratory Accreditation Cooperation (ILAC) to bring local testing standards and measures up to scratch. In 2012 alone, 50 laboratories were awarded ISO 17025 accreditation, making their services internationally recognized, which will help to raise exports of local goods.

UNIDO increasingly focuses on the development of quality policies to provide the framework for an effective quality infrastructure and has already supported ➤

to make the grade

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► countries such as Bangladesh, Ghana, Malawi, Myanmar, Sierra Leone and Zambia in this endeavour. Another UNIDO-led success story in this area is the West Africa Quality Programme on metrology, standardization, testing and quality (MSTQ). Among its achievements are the establishment of modern national standardization institutes in each of the 16 countries involved, the training of 500 executives/scientists, 200 private consultants and 50 auditors, and the adoption of standards for 500 key products. Thanks to the programme's accomplishments, a similar programme has been developed and implemented in East Africa, covering Burundi, Rwanda, Uganda and the United Republic Tanzania. UNIDO is also carrying out food safety projects in other regions, including a 'farm to fork' traceability project in Egypt, a programme to help Pakistan meet EU standards in fisheries and a joint project in partnership with the WTO in Sri Lanka to improve the global market position of its cinnamon.

Strength in numbers

Indeed, partnership is a key aspect of the success of UNIDO's TCB programme, with a growing number of donors willing to back the Organization's activities in this area. This has meant a considerable expansion in UNIDO's TCB portfolio over the past decade in terms of volume and quality, a trend which looks set to continue as the Organization turns to new challenges to meet sustainability standards and standards and certification on energy. As of 2012, UNIDO's cumulative TCB portfolio stood at \$150 million, making it the largest implementing agency of trade-related technical assistance within the Aid for Trade initiative.

This success was recognized in 2011 in a report published by one of UNIDO's main donors, the Norwegian Agency for Development Cooperation (NORAD), which stated that UNIDO was "delivering good value for money in the field of standards and quality, an area where the organization has

unique competence internationally", and ranked it as the most effective of the multilateral agencies with which it was cooperating in the field of TCB.

Partnerships have also been crucial to efforts to deliver as One UN, reflected in greater levels of cooperation with other UN agencies such as the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC), the Standards and Trade Development Facility (STDF) and the Enhanced Integrated Framework (EIF). The development of the UN Chief Executive Board (CEB) Inter-Agency Cluster on Trade and Productive Capacity is a good illustration of this. Conceived at an inter-agency meeting hosted by UNIDO in 2007, it has since then designed and implemented inter-agency trade-related programmes which support the 'Delivering as One' approach.

In all, UNIDO's trade capacity services reach a wide range of people across a plethora of regional and national programmes. In Africa assistance is given at a continental level through support of the African Accreditation Cooperation (AFRAC), the African Organization for Standardization (ARSO) and the Intra-Africa Meteorology System (AFRIMETS).

Added to this, global forum activities, such as the development of the online platform, www.labnetwork.org giving developing countries information on standards and conformity assessment, have raised UNIDO's profile as a leader in this area.

The publication of a Trade Capacity Building Resource Guide has also extended UNIDO's reach. Set up under the auspices of the UN CEB Cluster on trade and Productive Capacity, it is designed to help pilot not only developing countries but a wide range of readers through the complex range of technical assistance services on offer from UNIDO and other organizations. It focuses on the Aid for Trade initiative and maps the trade-related services of 25 UN agencies, five development banks, seven cross-agency programmes and 24 bilateral donors, giving countries a comprehensive guide to what kind of assistance is on offer. On top of that, it is proving to be a highly useful tool for UN agencies themselves by helping to highlight potential areas of coordination and cooperation and, conversely, identifying where any shortfalls may lie. This supports in a clear way efforts to coordinate Aid for Trade programmes and once again reflects the strong desire of UNIDO to reinforce the One UN philosophy.

Corporate social responsibility: doing well by doing good

In the Director General's second term, the concept of inclusive globalization has become increasingly central to UNIDO's development objectives – whether through technical assistance to overcome trade barriers or activities to improve energy access for all. Another area where the Organization is engaged in levelling the playing field is corporate social responsibility (CSR).

In recent years, pressure has been rising to bring environmental, social and ethical considerations into corporate strategies. No longer are businesses measured purely on profit or efficiency. A brand's reputation can live or die on how it treats its workers, how its goods are produced and the potential environmental impact of its production processes. Multinational corporations now sink millions into corporate social responsibility policies and campaigns.

These trends have put increasing pressure on smaller companies in both industrialized and developing countries who supply large corporations, or who are struggling to make their own way on the international market. Many SMEs lack the expertise or finance to adopt socially responsible and sustainable business practices. Without help, they risk being left behind as big market players look to suppliers who can meet these criteria.

Working with large private-sector companies and other international organizations, UNIDO is adapting its technical assistance programmes to include the corporate social responsibility needs of SMEs. They receive support to improve management and productivity and build sustainable production practices. This also benefits large buyers, who can demonstrate their commitment to society by helping to bring smaller suppliers further into the value chain. From the SME point of view, closer ties with the local area make the supply chain more efficient, help create new business opportunities and raise investment.

UNIDO bases its approach to CSR on the Triple Bottom Line, alternatively referred to as 'people, planet, profit'. If companies

achieve lower absenteeism, fewer accidents and better working conditions, along with reduced energy and waste, then competitiveness and social and environmental responsibility can go hand in hand. UNIDO puts this into practice through its Responsible Entrepreneurs Achievement Programme (REAP), which emphasizes the business case for social responsibility: doing well by doing good.

The programme identifies specific priorities appropriate for each SME, and also encourages self-assessment. At the micro level much of the activity so far has been through pilot projects, initially in four countries in South East Asia and then expanding to central, southern and eastern Europe. These projects showed that the business case for CSR for smaller companies is no different from that for large corporations: higher productivity, morale and competitiveness.

Other projects have focused more directly on the supply chain with a specific buyer. In Turkey, UNIDO is working with key market players in the textiles industry such as Marks and Spencer, H&M and Li&Fung to develop a support programme for SME suppliers to incorporate sustainable development, social and environmental principles and gender equality into their business processes.

In a new departure for REAP, UNIDO has launched a sustainable supplier development programme, which builds on

the Organization's successful alliance with the METRO Group, one of the world largest retailers. The original collaboration brought METRO and UNIDO together in a joint capacity-building programme developed and carried out through the Global Markets Protocol of the Global Food Safety Initiative (GFSI), which gradually qualifies suppliers to reach certification on food safety. The programme will now include non-food suppliers and broaden its overall scope.

UNIDO is currently working with top Japanese retailer AEON to employ this approach with its suppliers in Malaysia, ensuring that the specific needs and limitations of less developed suppliers are taken into account. This enables them to face supply chain pressures, promote responsible business behaviour, increase both productivity and quality, and improve their bargaining power. This will also lead to an upgraded version of REAP in partnership with the Global Social Compliance Programme (GSCP), a platform set up by leading global manufacturers and retailers to promote best practice and share knowledge on social and environmental compliance systems.

In another partnership project, UNIDO supported the development of sustainable tourism by linking the Resource Efficient and Clean Production (RECP) programme with the concept of CSR, both of which create a win-win outcome through improving efficiency while respecting environmental and social needs. The programme helped to train consultants and carry out assessments in the hotel sector and is being implemented in countries as diverse as Mozambique, Romania and Sri Lanka. RECP has been run jointly by UNIDO and UNEP since early 2009 and, as of 2012, is operating in 50 countries.

Through UNIDO's various projects on CSR, hundreds of suppliers have been upgraded and contracts signed with major buyers. The potential for growth gives UNIDO a unique opportunity to build capacity in a sustainably inclusive way, strengthening SMEs in developing countries.



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Pharmaceuticals in Africa: necessary

Since 2000, there has been a significant improvement in access to medicines in developing countries, especially for the treatment of HIV, tuberculosis and malaria in sub-Saharan Africa. But there is still a long way to go to open up access to medicines for these and the other infectious and non-infectious diseases which continue to blight the lives of many in African countries.

Meeting this challenge requires addressing a complex range of issues including affordability, availability, acceptability and quality. But it is increasingly understood that developing the production of high-quality affordable essential medicines in Africa would contribute to improving access and provide a valuable way of sustaining the treatment response to the pandemics in the coming decades. The development of a pharmaceutical industry would also contribute to economic growth for those countries that choose to invest in the sector.

With funding from the Government of Germany, UNIDO has been working over

the past seven years on a project to help developing countries build up their own pharmaceutical sector as a way to ensure a reliable, affordable and sustainable supply of basic generic medicines. This work directly targets the MDGs on child mortality, maternal health and on combating HIV/AIDS and malaria.

Yumkella was instrumental in developing UNIDO's activities in this area, having worked with German Government representatives to establish the project before becoming Director General. During his tenure, the work has progressed and in 2010 he received a clear mandate from Member States to expand the activities of UNIDO for enhancing local capacities for the manufacture of pharmaceuticals and other health products in cooperation with other UN agencies.

In 2011, UNIDO formed a partnership with the African Union Commission (AUC) to help accelerate progress under the African Union's Pharmaceutical Manufacturing Plan for Africa (PMPA), which had been endorsed by the Heads of State and Government at their summit in

medicine

Accra in 2007. UNIDO's initial role was to develop a Business Plan to implement the PMPA, which was approved in May 2012 by a special session of the Conference of African Ministers of Health, and endorsed by the African Union Summit held in Addis Ababa in July 2012.

The Business Plan lays out a flexible approach where a consortium of partners can work together to assist African countries to define their ambitions for the pharmaceutical sector and provide the technical assistance required to achieve them. The key idea behind the plan is to develop high-quality, affordable production capacity in Africa, providing a reliable, secure source of effective medicines, which can be properly overseen by regulatory authorities. This in turn should help to address the scourge of sub-standard and counterfeit products currently entering the market, thereby contributing to improved public health outcomes. The development of a local pharmaceutical industry should also bring much-needed high-value jobs, the growth of associated input industries, and ultimately export opportunities to

other regions (some African countries such as Tunisia already export to developed markets).

The development of the Business Plan was the first step in addressing the substantial challenges involved in creating a local pharmaceutical industry. Now UNIDO is working with the AUC to build the consortium of partners that can cover an array of different issues (including industrial policy, manufacturing and regulatory capacity building and the mobilization of investment capital) to deliver on the plan. African and international organizations will be part of the consortium and discussions are ongoing with partners such as the World Health Organization (WHO), the African Development Bank (AfDB), the New Partnership for Africa's Development (NEPAD), and the Joint United Nations Programme on HIV/AIDS (UNAIDS) amongst others. Bringing these partners together will be essential for the success of the plan and realizing the ambitions of Africa's leaders for developing the pharmaceutical sector.

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ENERGY: powering progress

As governments and the international community strive to find solutions to the major challenges of our age, the decisions we make on one key issue will be crucial: energy – how we get it and how we use it – will define the shape of the coming century in geopolitical, economic and environmental terms.

In a world of depleting resources, soaring raw material prices, rapid population growth, poverty and climate change, the energy policies we choose now will affect our stability, security and prosperity. In the face of these threats, it is clearer than ever that backing a wholesale shift to green, efficient energy systems is the only way to ensure a sustainable future. Making this happen will require nothing short of a clean energy revolution.

In many parts of the developed world this revolution is already under way but the immense financial and technical resources needed to switch to clean energy solutions remain a major challenge for many developing and emerging countries.

UNIDO, through its activities on energy access for productive uses, efficiency and

reducing emissions, has long supported the need for such a switch and remains committed to working with developing countries to help them build the energy systems needed to sustain growth and improve well-being.

The Organization's involvement in energy issues has deepened considerably under Director General Yumkella. In recognition of energy's central role in sustainable development and low-carbon growth, the Director General set up UNIDO's Energy and Climate Change Branch in 2006 to provide integrated programmes for sustainable industrial development, while reducing the impact of industrial energy use on the planet.

To achieve this goal, UNIDO is focusing on three areas: promoting renewable energy for productive uses to improve access for the rural poor; increasing productivity and competitiveness through greater energy efficiency; and promoting low-carbon, low-emission technologies.

On renewable energy, UNIDO's activities include solutions for off-grid energy and for

mini grids, applications to turn waste into energy and supporting the establishment of renewable energy enterprises and business models. Improving industrial energy efficiency means helping companies and governments to comply with international energy management systems and standards, maximizing system efficiency and grading technologies. In the area of low-carbon technologies, UNIDO is carrying out innovative projects designed to improve carbon capture and storage technology in selected industrial sectors and looking at hydrogen technology applications for industry and transport. In all, the spread of technical cooperation projects in these areas covers more than 50 countries.

The scope and scale of energy projects has grown considerably in line with increased Global Environment Facility (GEF) funding. In the three years to 2006, GEF funding totaled \$8 million for two projects, while under subsequent funding arrangements, running up to the end of 2012, the GEF has approved \$122 million for 46 projects with a global reach. ►

“A world of seven billion must take into account industrial energy efficiency if it wants to address such challenges as green growth, employment generation, security, climate change, food production and poverty reduction. Industrial energy efficiency is essential for strengthening economies, protecting ecosystems and achieving social benefits,” said Yumkella.

► UNIDO’s involvement in energy matters has also broadened well beyond specific programmes into a strategic leadership role spearheaded by Yumkella. Specifically, UNIDO has had a central role in the development of the UN-wide Sustainable Energy for All initiative and the establishment of its three goals – universal access to modern energy services; doubling the global rate of improvement in energy efficiency; and doubling the share of renewable energy in the global energy mix by 2030. The Organization has also launched its own Green Industry Initiative and Platform. In addition, the Energy and Climate Change Branch acts as the focal point within UNIDO for UN-Energy and the United Nations Framework Convention on Climate Change (UNFCCC).

Making energy more efficient

Industry is responsible for more than a third of global primary energy consumption and energy-related carbon dioxide emissions. Demand for industrial energy, especially in developing and emerging countries, is expected to continue to rise rapidly in the coming decades, creating a tension between economic development goals and constrained supply. Making industry’s use of energy more efficient is the best way to keep down costs and separate economic growth from environmental degradation.

UNIDO’s energy efficiency programme builds on its vast experience of industrial development and technology transfer, and represents one of the key pillars of the green industry paradigm promoted by the Organization. Its approach is comprehensive, yet focused. It offers policy

support on programmes and frameworks to raise efficiency and to meet international standards with a view to transforming the market. It helps develop institutions and monitoring systems, creates tailor-made training programmes and provides technical assistance to industrial enterprises for demonstration and transfer of state-of-the-art energy systems and energy management technologies. In total, UNIDO’s ongoing energy efficiency projects are worth around \$90 million and have demonstrated, in a wide range of countries, that energy efficiency is not only essential to tackle climate change but indispensable for industrial competitiveness and prosperity.

One way to ensure that industry achieves and maintains efficiency gains is through energy management standards. Applying such standards establishes closer links between business practices for the management of energy and core industry values of cost reduction, increased productivity, environmental compliance and global competitiveness. This is why UNIDO called on the International Standards Organization to set up an energy management standard that would enable enterprises to take a systematic approach to energy saving and so reduce their energy use. The result was the establishment in 2011 of ISO 50001, which enables organizations to take a structured, systematic approach to improving their energy performance. UNIDO has since focused its energy efficiency work on technical assistance projects and programmes which provide support for the adoption of this standard in industry and on the related capacity building for industrial

users and national certification agencies.

UNIDO’s achievements in promoting and improving industrial energy efficiency would not be possible without support from the Organization’s broad range of partners. UNIDO is working closely with the Global Green Growth Institute (GGGI) and the Global Green Growth Forum (3GF), the International Partnership for Energy Efficiency Cooperation (IPEEC), and the International Energy Agency (IEA), as well as private-sector partners, on building a public-private partnership (PPP) to develop and promote best-available and best-practice energy efficiency indicators for motor-driven systems across industry sectors and processes. The partnership will support industrial energy efficiency policymaking and an integrated approach to the implementation of energy management standards.

UNIDO is preparing a ‘Practical Guide for Implementing an Energy Management System’ to further support the implementation of ISO 50001. Specifically, the guide will help organizations and industry of all sizes, and SMEs in particular, to improve their energy management and performance in a logical, controlled and systematic way, thereby saving energy and reducing costs.

Renewable energy

Renewable energy options have become increasingly viable in recent years and now offer a real opportunity for developing countries to improve supply, create jobs and reduce poverty. UNIDO is collaborating with both private- and public-sector partners to deliver renewables projects that



Photo: UNIDO

Enthusiastic workers at the inauguration of a mini-hydropower station in Rwanda.

can make a real difference to people's lives.

These projects currently span 30 countries and employ technologies such as wind, solar, small hydro and biomass. One example is a GEF-funded project to provide electricity to rural communities in Zambia through mini grids based on solar, biomass and hydro power. The installation of a 1MW small-hydro power plant and a 60kW solar photovoltaic plant was completed in 2012 in collaboration with the International Centre for Small-Hydro Power, the Government of Zambia, the Rural Electrification Authority and ZESCO (the Zambia Electricity Supply Corporation Ltd). Another good example of GEF-funded renewable energy projects is the grid-connected wind energy project (900kW) implemented in the Gambia.

UNIDO focuses on renewable energy for productive uses by promoting low-carbon industrial applications in SMEs through renewable energy and by strengthening the ability of local small firms to produce energy from renewable sources and to develop new businesses, which encourage investment in renewable energy.

To help develop and enhance its renewables projects in developing countries, UNIDO set up a Renewable Energy Trust Fund in 2010, which aims to encourage private-sector investment in the sector. In 2012, five projects amounting to \$18 million were approved by GEF, increasing the total ongoing project portfolio for renewable energy to more than \$60 million.

Low-carbon technologies

UNIDO has a long involvement in the promotion of low-carbon technologies.

One clear example of this is the International Centre for Hydrogen Energy Technology (ICHET) in Turkey, which was set up a decade ago to promote hydrogen technology applications. The Centre strengthened the dissemination of hydrogen technology with the inauguration of a hydrogen facility using renewable energies on the island of Bozcaada, Turkey and also supported the first hydrogen production and refuelling facility in Turkey in 2012.

Another technology that will be critical in global efforts to combat climate change is carbon capture and storage. Recent studies suggest that it could contribute 19% of the total global mitigation needed to halve greenhouse gas emissions by 2050. Until recently, much of the attention focused on carbon capture was in the power sector rather than on industry. UNIDO has stepped up to fill the gap by developing a technology road map for its application in industry in a joint venture with the IEA and the Energy Research Centre of the Netherlands.

A bright future

UNIDO's energy and climate change activities are likely to grow and develop in the coming years. A GEF portfolio of \$950 million, including potential cofinancing, is already in place and the Organization expects a further rise in funding in 2014 when the new GEF funding cycle begins. At the same time, UNIDO will continue to diversify its funding sources by seeking support from multilateral and bilateral donors and partners, including the European Union, Japan, and the Republic of South Korea.

Building on partnerships, forums and

regional networks will also be a key feature of UNIDO's future activities in this area. There are plans to seek further cooperation with the BRICS countries to enhance South-South cooperation, which is already taking place thanks to the establishment of solar and small-hydro centres in India and in China that promote the transfer of technology.

At the same time, UNIDO has seen great success with its regional centres. For example, the Regional Centre for Renewable Energy and Energy Efficiency of the Economic Community of West African States, set up in 2009 and supported by UNIDO, and the Governments of Austria, Cape Verde and Spain, has attracted further funding from both international and local partners in the past two years, leading to a tripling of its budget. It aims to overcome some of the hurdles that currently prevent the adoption of renewable energy and energy efficiency solutions in West Africa through policy and capacity development, new financing mechanisms and implementing demonstration projects. As a result of the success of the project, two new centres on renewable energy and energy efficiency are being established in the East African and South African regions.

UNIDO will continue to work to get its message out on green energy solutions, through broader and more extensive partnerships, through global forums such as the Vienna Energy Forum, which have played an important role in the recent times in raising the profile of energy issues, and through the strengthening of UNIDO's own field offices and its collaboration with other UN agencies.

Environmental action on a global scale

Growing disquiet over the impact of climate change has pushed environmental protection to the forefront of many policymakers' minds in recent times. But at UNIDO the issue is not so new. The Organization has long been engaged in activities that help to limit the impact of industrial processes and so protect the environment. Two of the most important are its work to implement the Montreal Protocol on the protection of the ozone layer and its programmes to eradicate persistent organic pollutants, or POPs.

Montreal Protocol – plugging the ozone hole

UNIDO is justifiably proud of its long and productive involvement with the Montreal Protocol, the international treaty designed to safeguard the ozone layer. The accord has so far overseen the removal of over 98% of the world's ozone-depleting chemicals. As a major implementing agency of the Multilateral Fund set up to help developing countries meet their Protocol targets, UNIDO has helped to eradicate over one-third of these dangerous chemicals from the developing world.

The Montreal Protocol, which marked its 25th anniversary in 2012, is widely regarded as the most successful environmental protection treaty in history and is the only one that has been universally ratified. Its work to eliminate ozone-damaging substances will prevent millions of cases of skin cancer, cataracts and other health problems, while millions will be saved in global health care costs. But that is only part of the story. As some gases which harm the ozone layer are also greenhouse gases, the Protocol has had a significant impact on mitigating climate change, delaying global warming by up to 12 years, according to some scientists.

Under the treaty, over 100 substances have been done away with, chief among them CFCs, or chlorofluorocarbons, once used in a swathe of everyday objects from fridges to aerosol cans. They have been banned in developed countries since the mid-1990s and were finally phased out completely in 2010. Work is now currently focused on hydrochlorofluorocarbons (HCFCs), which were frozen on 1 January 2013 at 2009/10 consumption levels. Following an amendment to the Protocol in 2007, they will be phased out by 2020 in developed countries and 2030 in developing countries, a decade earlier than originally planned. Methyl bromide, a gas used to control pests, is scheduled to be eradicated worldwide by 2015.

UNIDO's involvement has continually evolved with a growth in the number of projects undertaken and in funding received. Starting in 1992 with a 6% share of the Multilateral Fund portfolio it now holds more than 43%. Over the past seven years, the Organization's Montreal Protocol Branch has expanded to serve a total of 105 countries. Approved funding grew from \$21m in 2006 to almost \$77m in 2012. The big jump in 2011 came as a result of new projects in China and other countries worth \$60m. This growth is greater than any other implementing agency of the Montreal Protocol. Since 2006, 414 projects were entrusted to UNIDO, making it the top implementing agency of the Protocol in terms of volume. It has also ranked first among implementing agencies in performance, in nine out of 11 evaluations between 2001 and 2011.

UNIDO has achieved this in the main through investment projects which offer governments and industries green technology solutions. The Organization's philosophy is simple: to provide proper training and alternative technologies which not only help to protect the ozone layer but which also raise efficiency and maintain or improve productivity levels. The diversity of UNIDO's projects reflects the fact that ozone-depleting substances are everywhere, in our offices, in industry, farms and households.

Once the governments of developing countries identify companies that require assistance in eliminating ozone-depleting substances from their production cycle, they contact UNIDO. Together they find the solutions, and introduce advanced techniques and technological processes in line with international standards.

In total, all of UNIDO's projects between 2006 and 2012 have phased out 70,000 ozone-depleting potential tons.

The Organization has taken care to ensure that its projects focus on long-lasting sustainable solutions. This holistic approach means that both Montreal Protocol targets and measures to tackle greenhouse gas emissions under the Kyoto Protocol are taken into account.

For example, in 2011, UNIDO chose three countries for projects to minimize chemical use and greenhouse gas emissions to be presented for GEF funding. The three countries are the Gambia, Morocco and Viet Nam. The projects will examine alternative solutions to refrigeration, specifically in the fish-processing sector, as it is a significant source of GHG emissions and uses ozone-depleting substances. Each project will be looked at to see how it can be replicated and scaled up.

In a similar project, UNIDO has helped companies such as Zhejiang Huari Industry Investment Co. in China's Hangzhou region to switch from traditional refrigeration methods to hydrocarbon technology – an organic compound consisting entirely of hydrogen and carbon, which is a natural refrigerant. Innovations have also been made to the CFC-containing traditional plastic foam used for thermal insulation in refrigerators. Today, the company instead uses CFC-free cyclopentane, a hydrocarbon. At the same time, UNIDO has assisted companies like Jiaxipera Company in Jiaxin in redesigning compressors used for refrigeration as part of the phase-out of ➤



Photo: UNIDO

► CFCs. The company now meets all international standards and increased its production from 600,000 compressors in 1996 to over 4 million units in 2010.

Looking ahead to the next phase of the Protocol, it will be extremely important to take account of the full environmental impact when choosing alternatives to HCFCs. UNIDO is closely watching developments taking place with hydrofluorocarbons (HFCs), which have been used worldwide as substitutes for ozone-depleting substances. But they have also been shown to contribute to climate change as they have a very high global warming potential. UNIDO is investigating new technologies that will bring a climate benefit both directly in terms of CO₂ emissions reductions and indirectly through energy savings.

To date, the developing countries that requested UNIDO's assistance are now in full compliance with their Montreal Protocol obligations. UNIDO staff have helped companies in these countries, where basic equipment is often very poor, to acquire new technologies and to look at safety and maintenance issues. In doing so, UNIDO has helped to support their businesses and to protect the environment.

UNIDO supporting a pollutant-free world – the fight against POPs

US soldiers doused liberally with a new chemical spray used to halt the rapid spread of lice-borne typhus in Europe and the South Pacific during World War II, may have been shocked half a century later to find it named as one of the “dirty dozen” chemicals banned under the Stockholm Convention on Persistent Organic Pollutants (POPs).

But, worrying discoveries about the toxic effects of DDT and 11 other chemicals eventually brought 90 governments together in Stockholm in 2001 to sign a treaty agreeing to eradicate them or severely limit their use. Since then, nine more chemicals have been added to the list and over 150 countries have now signed up to the Stockholm Convention.

Employed heavily in the post-World War II period in pesticides, industrial processes and pharmaceuticals, POPs have had a wide range of unexpected side effects. They remain in the environment for years, can travel large distances borne by wind and water, and are extremely toxic to humans and wildlife. Accumulating in the fatty tissue of living organisms, they are passed along

the food chain causing serious illnesses and birth defects.

Under the Stockholm treaty the chemicals are divided into two categories: 1) intentionally produced POPs such as polychlorinated biphenyls (PCBs) and pesticides and 2) those produced accidentally as a by-product of an industrial process. The treaty is committed to stopping or reducing the production of intentional POPs and adopting responsible practices to dispose of unintentional POPs. It also supports the transition to safer alternatives, targets additional chemicals for action, and works to clean up old stockpiles and equipment.

UNIDO has had a central role in helping developing and transition countries deal with these pollutants since before the Convention opened for signing in 2001. In 2000, the Global Environment Facility (GEF), the organization responsible for the funding of projects to implement the Stockholm Convention, granted UNIDO the opportunity to access its funds directly for POPs-related activities in recognition of UNIDO's sound chemical management programmes and its comparative advantage in this area.

As a result, UNIDO's POPs portfolio grew from strength to strength and it developed into one of the leading agencies



“More than any other multilateral organization, UNIDO has been at the forefront of the industry and environment nexus for many years now. Our assistance to countries in tackling poverty through productive activities, or implementing the Montreal Protocol on Substances that Deplete the Ozone Layer, and the Stockholm Convention on Persistent Organic Pollutants, is clear evidence of that.”

implementing the Stockholm Convention. A specialized POPs unit was set up in 2002, which continued to work on a wide range of activities in assisting countries to phase out industrial POPs and to help them make improvements to industrial sectors to reduce emissions from unintentional pollutants.

UNIDO got a further boost in 2006 when it became an executing agency of the GEF, giving it direct access to its funds in a broader range of areas including climate change and biodiversity. Since then, the number of UNIDO projects in the chemicals and waste management sphere has continued to rise, reflecting the Organization's ability to bring industrial development together with goals on sustainable development.

Countries are obliged under the treaty to come up with a National Implementation Plan (NIP) within two years of ratifying. UNIDO has so far assisted 50 developing and transition countries in developing and

enacting their NIPs. Following the addition of nine new chemicals in 2009, UNIDO is helping 44 developing countries to update their plans. As of the end of 2012, 15 updates have been approved and 18 are pending funding agreement with the GEF.

UNIDO activities after the implementation of NIPs focus mainly on the environmentally sound management and disposal of PCBs, and projects related to contaminated sites, pesticides and best available techniques (BAT) and best environmental practice (BEP).

Highly toxic PCBs, although no longer produced, remain present in a large amount of electrical equipment still in use, while tons of PCB waste are held in temporary storage, mainly in developing countries. Over the years, huge quantities have found their way into soil, rivers and seas, making their disposal extremely difficult. In 11 countries across Asia, Europe and Latin America, UNIDO projects focus on building capacities at local laboratories

to test PCB samples, and provide technological expertise on how to treat and dispose of them locally.

UNIDO has also received GEF funding for a global programme on using sustainable non-combustion technologies for destroying POPs. In the Philippines, it has successfully deployed non-combustion technology and has built capacity allowing the country to clean stockpiles of 1,500 tons of PCB-containing transformers and contaminated equipment. This will serve as a catalyst for technology transfer to other parts of South and East Asia and has helped enforce a Code of Practice for the Management of PCBs, which will eventually prevent stockpiling of these toxins.

UNIDO, which has been at the forefront of developing this nascent technology, believes that it could ultimately be more cost-effective and technically effective than combustion solutions but more research and funding is needed to make this possible.

Moroccan farmers get non-chemical alternatives to methyl bromide

Mounir Miku is a tomato farmer in Agadir, Morocco. He and other growers have traditionally used methyl bromide as a pesticide for their tomato crops. Recently, they were informed that methyl bromide is known to deplete the ozone layer and that the Montreal Protocol demands the phase out and ban of methyl bromide by 2015.

At the same time, Mounir was told that the EU – traditionally one of the largest export markets for food products from Morocco – banned the use of methyl bromide as of March 2010. The farmers therefore urgently needed an alternative to methyl bromide that

would allow them to continue growing and exporting their tomatoes.

As an implementing agency of the Montreal Protocol agreement, UNIDO stepped in to provide the support needed to make the necessary changes and find alternatives.

With UNIDO's help, Mounir was able to change to a pesticide that doesn't damage the ozone layer.

“The fact that we managed to swiftly find alternatives was very important for the farmers. Our exports are now safe,” said Mounir.

To date, more than 20 developing countries have

benefited from the Organization's expertise in developing and implementing methyl bromide demonstration and phase-out projects.


UNIDO has also trained more than 150,000 farmers in different countries in the use of non-chemical alternatives to methyl-bromide. It has established training centres to assist farmers to adhere to new ozone friendly technologies. Alternatives presented are solar treatments, bio fumigation and steam.

In Morocco, UNIDO helped the government set up a Technology Transfer Centre in Agadir, where farmers can learn about alternative

technologies and how to use them. The centre is one of many set up by UNIDO in different parts of the world in partnership with national governments. They all pursue one main goal – the successful implementation of the Montreal Protocol.

The results of UNIDO's work under the Montreal Protocol are indisputable for people like Mounir Miku, who proudly shows the “ECO” pesticide he was able to change to with UNIDO's help. The product enables Moroccan farmers to export their production to Europe without any fear that it would be rejected for containing methyl bromide residues.





INTERVIEW WITH THE DIRECTOR GENERAL

The Director General Kandeh K. Yumkella gives his personal opinion on some of the achievements and challenges of the past eight years, and talks about UNIDO's unique contribution to development.

What do you personally feel is your greatest achievement in the last eight years? What are you proudest of?

There are four key things. First is the level of growth we have experienced in UNIDO's programmes. In my first year, I set a target for my staff to increase service delivery by 50%, and we have exceeded that. My staff have formulated programmes to the tune of almost \$400-\$500 million. In order to be able to do that, we had to work to build partnerships with countries and with major funding institutions, defining better what we do and how we do it. For example, we significantly increased our mobilization of financing from the Global Environment Facility (GEF), so our environmental programmes grew rapidly, both the Montreal Protocol, and programmes under the GEF.

Second, I am particularly proud that I invested in the relationship with the European Union (EU). I opened an office in Brussels within four months of taking over, and today our portfolio with the EU has grown from \$15 million to \$100 million. Now we are establishing new partnerships with the EU that could double that sum over the next eight years.

Third is the positioning of UNIDO. Two months after I became Director General, the UN launched its system-wide coherence initiative, and there were proposals at that time questioning UNIDO's relevance. We had to face that upfront with my staff, to show that you cannot have decent jobs created without investment in the manufacturing or real sector. We demonstrated that you cannot solve climate change problems without dealing with emissions from industry – hence the need for industrial energy efficiency. We demonstrated that you cannot have good urban living environments if industrial pollution continues. So, we had to fight for our relevance, and you can see the results: growth in our programmes, growth in partnerships, bilateral relationships, with Norway, with Germany and other donors. In fact, the Norwegians rated UNIDO as the best agency in terms of technical cooperation delivery in the trade capacity building area.

Fourth, I took the big risk to invest in improving UNIDO's administrative services, investments that had not been made for

Photo: UNIDO



20 years. In fact, I was advised by many not to do it. So, I am very happy that I leave UNIDO revamping its administrative structures and introducing a new enterprise resource planning system. And in that process, we did not slow down our activities one bit.

There have been many challenges to overcome since you became Director General in 2005, both externally because of the economic climate, and internally in terms of restructuring. What has been the most difficult challenge?

The most difficult challenge was marketing UNIDO and its relevance, because one had to deal with an old orthodoxy that had an opinion of UNIDO that went back to the 1970s. So, we had to rebrand the institution to show that in fact we were

talking about private sector-led industrialization, that we were talking about innovation systems that would promote better competitiveness in industry, that we were talking about innovations that would ensure green growth, green development and green industrialization. Doing that rebranding for me was very difficult because there were a lot of naysayers. There were doubters that this could be done.

I also had to deal with the global financial crisis, but fortunately, by the time it came, we had made progress in rebranding ourselves and building good partnerships. At the heart of the crisis in 2011, over \$280 million was mobilized in funding in one year. So, it did not affect our ability to mobilize resources for programmes. However, the crisis has posed new challenges for my successors because the Member States are going through a hard time with financing their obligations to the Organization, just as they are facing hard times to finance operations within their own economies, and to other multilateral organizations.

UNIDO has gone through a number of structural changes which have made the organization more efficient and more cost-effective but, despite this, members such as the UK have pulled out. What is your reaction to this?

The explanation for the UK and others is that the financial crisis imposed challenges on them domestically, and therefore they had to reorder their priorities and also look for alignments of the objectives of multilateral institutions with their own shrinking budgets. I found it interesting that it was not the old argument that they had back in the 1990s about relevance. It was in fact whether the mandate was aligned with their own aid priorities.

We now live in a world where there are many more views about what development cooperation means. We live in a world where we have countries, like the BRICS, which are major players, and other emerging economies which have demonstrated a different way of doing business and growing their economies. Coming in as Director General, I knew that,

over the years, there had been some sceptical countries, so as a deliberate strategy I expanded UNIDO's partnerships with the BRICS countries.

During my mandate, the Argentineans reconnected, the Mexicans reconnected and, more importantly, I got funding from the BRICS countries directly into the Industrial Development Fund. We also received funding for BRICS programmes, so that in those countries UNIDO's programmes expanded.

It was a time during which the world had restructured. If one country had a different view of how development cooperation should evolve, I was very happy to see that there were many more emerging economies that said: 'We know that industrialization is core to our growth, our wealth creation and the well-being of our people. We back UNIDO.' And they demonstrated that generously by paying their contributions, and by supporting programmes. To give examples: Russia introduced a voluntary funding pipeline for the first time, and they have been funding programmes in Eurasia and Africa. The Indians and the Chinese gave me funding immediately for South-South cooperation. The Brazilians and the Argentinians cleared arrears that were accumulated over 20 years. For me, this was a demonstration not only to the rest of the Member States, but to the world, that the world had changed. We live in a multi-polar world, and there are many views. For me, that is what UNIDO is today.

Do we need to be thinking differently about aid? What is the role of the private sector?

UNIDO has to engage more with the private sector. One of the things that I am proud of is that my staff established partnerships with a number of major multinational corporations. We did more in my period than we had ever done before. Before my time, we were very sceptical about partnering with major multinationals. Now we have several, and even before I leave now, I am going to sign two more. The partnership with private sector is crucial, and I have tried to institutionalize that within the organization. So yes, UNIDO ➤

► must be looking at multi-stakeholder constituencies, and must look at South-South cooperation more seriously going forward. It must face the reality that aid money is shrinking. And it must diversify sources of funds, which means that the knowledge base and technical skills within the organization must increase over time.

The UN as a whole has come under criticism in recent years for duplication of effort, and has responded with its own wide-ranging reform. Some people would still say that there are too many organizations trying to do the same thing. What do you think is UNIDO's unique role, its niche?

UNIDO's niche is defined by its mandate: sustainable industrial development.

Before 2005, we went through a major downsizing, reducing our staff by 50% and eliminating programmes that were not relevant. I think the question should be asked the opposite way now: what are others doing that they are not supposed to do? We should ask what other agencies are doing that overlaps with UNIDO's mandate? For me that is the fundamental question, and I believe there should be an honest debate about this.

I know some Member States have their own priorities and favourite agencies based on how they see the world. The UN is not only a humanitarian institution; the UN must look at long-term, transformative development for sustainable growth and prosperity. You can't do that without modernization of those economies to move into manufacturing or services. In fact, when the financial crisis hit, what was the slogan? 'Go back to the real sector.' What is the real sector? Manufacturing and production. If the mature economies are rediscovering the importance of manufacturing, if China has proven it can take 200 million people out of poverty within 30 years through structural change into manufacturing, how can you argue that other nations shouldn't go into industry and manufacturing? So, let them ask other agencies not to encroach on our mandate.

You yourself come from one of the world's most impoverished countries. What does development mean to you?

Development to me means my people have decent jobs, that our economies in poor countries are modernized away from depending only on commodities. You can't do that diversification without going into manufacturing because most of us, the poor countries, are commodity-based. We may have an opportunity to go into services, but our economies are too small to make that leap right now, so therefore we believe in value addition.

Development to us means food security and water security. For food security, we know already you need value addition and supply chain management, and good storage systems to capture part of the food that goes into post-harvest losses. Currently over 50% of our production in Sierra Leone, and other African countries, just rots in the field or in the marketing chain, and this is why in UNIDO I pushed for agribusiness development. And I am very pleased that the EU decided to host the first conference they have ever done in Agribusiness in Africa as a direct result of this push.

So, as I leave UNIDO, I see that many of the seeds that we planted over the past seven years are beginning to open up as a new harvest. The question is whether my successors can put more fertilizer on those plants so they can grow properly. The question is whether they will harvest it properly to benefit mankind.

During your time as Director General, the Organization's energy-related activities have increased considerably. Why do you think energy is so important for industrial development?

UNIDO as a small agency supported, and in fact led, the introduction of energy as a major pillar of development in the global development system over five years. Why was that done? As a small, specialized agency we could see clearly that access to affordable, reliable energy was core to having industrial competitiveness. We could see clearly that industrial energy



Photo: UNIDO

efficiency was crucial for dealing with greenhouse gas emissions produced by the industrial sector. And because we were small, we could take the risk to take up an issue and lead it for five years. These efforts resulted in the Secretary-General saying at Rio+20 that “energy is the golden thread that runs through all the pillars of sustainable development; without sustainable energy you cannot have sustainable development”. That would not have happened without UNIDO’s leadership. I am very proud that this agency led that drive for the world.

Over 50% of the demand for energy in developing countries is in the industrial sector, whether in China, India, Brazil or in countries in Africa. Given this, if you don’t have industrial energy efficiency, you will not be able to deal properly with greenhouse gas emissions. So, it is core business for UNIDO; what we did in the last five years is to make it a real issue.

The other good news is that this is where the innovation will be. You need companies to have new systems of sustainable production and consumption; this is why we launched the Green Industry Initiative. You cannot have green growth without green industrialization. You need new materials for buildings. You need new efficiency standards for all kinds of manufactured products, whether it is lights, televisions or refrigerators; that is industrialization. For us, the energy link was obvious, but what we did was to rebrand, to give evidence, real evidence from the emerging economies on what was really happening on the ground in those countries, and why without dealing with industrialization, and hence its use of energy and materials, you cannot have green growth. We are very pleased also that the EU Commission has asked UNIDO to serve on their resource efficiency platform – again, recognition that we were right all along.

If you had more time, what would your priority for UNIDO be?

To inspire my staff even more to believe in what they are doing, as I don’t see what else I could have changed radically. Because remember, the reforms I did didn’t start with me, they started with my predecessor. What I did was to build on them and to inspire my staff. In my mandate, we broke a number of thresholds in funds mobilization, in delivery and so on. It could not have happened without an inspired staff. So, if I were staying I would see how I could motivate them, incentivize them, inspire them even more in what they are doing for humanity.

I think that is important, and that is one thing I will tell my successors: take care of your people. You can see it in my manifesto; I said I would take a people-centred management approach. I walked the corridors for the first three years; I talked with junior staff and administrative staff; I had two Town Hall meetings a year. I met with branches, and I promoted over 300 people. I raised morale in this organization.





PARTNERSHIPS FOR INCREASED EFFECTIVENESS

The Millennium Development Goals (MDGs) have formed, since 2000, the global benchmarks for development milestones. As the expiry date for the MDGs approaches in 2015, the UN, governments and civil society are already discussing what shape a post-2015 development framework will take. One recurring theme in this debate is how to better involve the private sector in the design and implementation of the new set of goals.

From the fight against HIV/AIDS to the response to natural disasters such as the 2004 Indian Ocean tsunami, UN leaders have in recent years spoken with increasing enthusiasm about the role the private sector can play in supporting development. Once regarded with some scepticism, the UN now sees private-sector involvement as crucial to global efforts to fight poverty, combat environmental degradation and promote sustainable growth – a fact clearly demonstrated by the numbers of private businesses in evidence at the Rio+20 Summit, in stark contrast to the Rio Summit 20 years ago.

The scale and nature of the problems facing the planet, coupled with the risk of

donor fatigue at a time of economic slowdown, mean that private-sector involvement will be critical.

The private sector too, has become more open to the idea of working with multilateral organizations, in part as a result of the growing importance of the corporate responsibility agenda and the realization that core business objectives can be teamed up with development goals.

UNIDO regards business as an engine for economic development, and believes that inclusive economic growth is key to poverty reduction efforts. Holding firmly to this belief, the Organization made a priority over the past few years to establish effective partnerships with the private sector and mobilize its support for sustainable industrial development. Since 2006, UNIDO has multiplied its collaborations with the private sector, concluding several new business partnerships in strategic areas with the objectives of building local productive capacity, enhancing social inclusion and promoting environmental sustainability. UNIDO moved away from more traditional philanthropic

partnerships towards new models of social investment, and core business and value chain collaborations. The Organization also followed another salient trend in the field by creating multi-stakeholder platforms that galvanize business action around larger systemic issues.

Taking partnerships to new levels

In 2006, UNIDO signed a strategic partnership with Microsoft, one of the few companies to include the MDGs early on in their corporate social responsibility (CSR) reporting. The collaboration aimed to promote innovative uses of information and communications technology (ICT) that foster entrepreneurship, help create new business opportunities and improve the competitiveness of SMEs in Africa. In 2007, UNIDO and Microsoft won the Africa Investor Award 2007 in the category “Best Initiative in Support of SME Development” for the Uganda Business Information Centre project. The partnership continues to evolve and has resulted in several collaborative initiatives including Business Information Centres and Computer Refurbishment and E-waste Initiatives.

Another longstanding UNIDO business partnership is with leading technology provider, Hewlett-Packard (HP). Since 2008, UNIDO has worked with HP to extend the reach and impact of HP’s flagship entrepreneurship education programme, HP Learning Initiative for Entrepreneurs (HP LIFE), across Africa, Latin America and the Middle East. So far, the partnership has created over 20,000 jobs, trained more than 50,000 students, set up 122 LIFE centres in 15 countries and certified more than 270 trainers.

With CSR initiatives becoming more prevalent in recent years and business practices being increasingly scrutinized for proof of corporate citizenship, social

UNIDO and the private sector

Evolution of UNIDO–Private Sector Collaboration





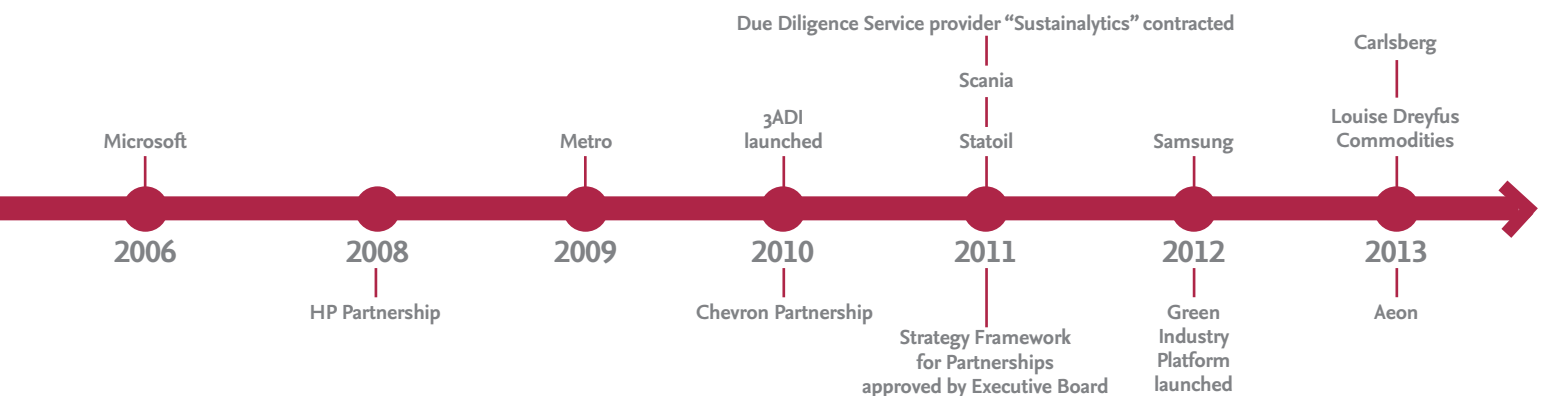
investment partnerships are expanding. In 2010 Chevron, a leading energy company, contributed funding of \$1 million to UNIDO to introduce entrepreneurship as a subject in secondary schools in Angola. Through the partnership, UNIDO and Chevron are working closely with the Government of Angola and other partners to develop a future generation of competent professionals committed to the country's economic and social development. Supporting the Government's reform endeavours, the Entrepreneurship Curriculum Programme aims to develop entrepreneurship skills among young people, building the foundation of a sustainable and dynamic private sector. To date, 139 educators have been trained to teach entrepreneurship, 70 education officials qualified to implement the entrepreneurship curriculum and more than 10,000 students have received entrepreneurship education in secondary pilot schools. The programme should be rolled out nationwide in 2013, potentially reaching 500,000 Angolan youths.

Another predominant trend that has shaped business partnerships over the last decade is the increase of CSR codes in global supply chains. These codes of conduct offer the potential to promote inclusive sustainable development by transferring knowledge to host countries and by providing opportunities for domestic suppliers to comply with these standards. However, this compliance can prove challenging for most suppliers, especially for SMEs, in developing countries. In 2009, UNIDO and METRO Group, one of the world's largest retailers, joined forces in a strategic alliance for safe and sustainable food supplies. Through the first full-scale application of the Global Markets Protocol established by the Global Food Safety Initiative (GFSI), the joint capacity building programme was developed and successfully

implemented enabling clusters of suppliers to meet METRO and GFSI market requirements in terms of food safety and quality. The partnership served as a basis for a global Sustainable Supplier Development Programme (SSDP), which UNIDO is further developing in partnership with other private-sector companies and their suppliers throughout the world. In 2013 UNIDO and the leading Japanese retailer AEON, launched an SSDP for SME suppliers in Malaysia combining food safety with CSR objectives. Financed by the Government of Japan and following a cost-sharing scheme with the AEON Group, the programme will initially benefit 25 SMEs in Malaysia. The project will be rolled-out to 100 suppliers by early 2014 with the aim of making Malaysia a regional hub for sustainable supplier development.

In an effort to address the challenge of compliance at a global level, UNIDO and the Global Social Compliance Programme joined hands in late 2012 to develop capacities within clusters of SMEs suppliers to reach compliance with buyers' requirements on social, ethical and environmental aspects. The ultimate goal is to tackle the root causes of non-compliance, and ensure suppliers' ownership and implementation of solutions.

Investing in human capital and workforce development is another important aspect of core business partnerships. UNIDO and Scania, a leading manufacturer of heavy trucks, buses and engines, have been strategic partners since 2011. Together with the Swedish International Development Cooperation Agency (Sida), they established the Swedish Academy for Training, which was officially opened in Erbil, Iraq, in April 2012. The academy targets unemployed Iraqis under the age of 30, offering them a chance to develop relevant skills and to find professional employment. ➤



► Simultaneously, the training facility aims to bolster Iraq's wider economic development by addressing the serious shortage of skilled labour required by modern enterprises operating and expanding in the country today.

Another value chain partnership where development and commercial gains congregate is UNIDO's 2012 project with Samsung Electronics to design and implement a programme that aims at ensuring effective e-waste management and creating employment opportunities in the electronics industry in Cambodia. The programme focuses on two interrelated components. On the one hand, the provision of capacity-building measures improves the skills of youth in handling electronic products, upgrading repair services and e-waste management. On the other hand, the programme supports the local economy by promoting e-waste management practices and providing relevant market information on e-products repair services and e-waste management businesses to SMEs. For Samsung, a major player in the Cambodian electronics industry, the development of strong local supply chains is of strategic importance. Hence, investing in capacity building supports the customer services and sales growth of the businesses concerned. At the same time, it further strengthens Samsung's image as a responsible corporate player in the region.

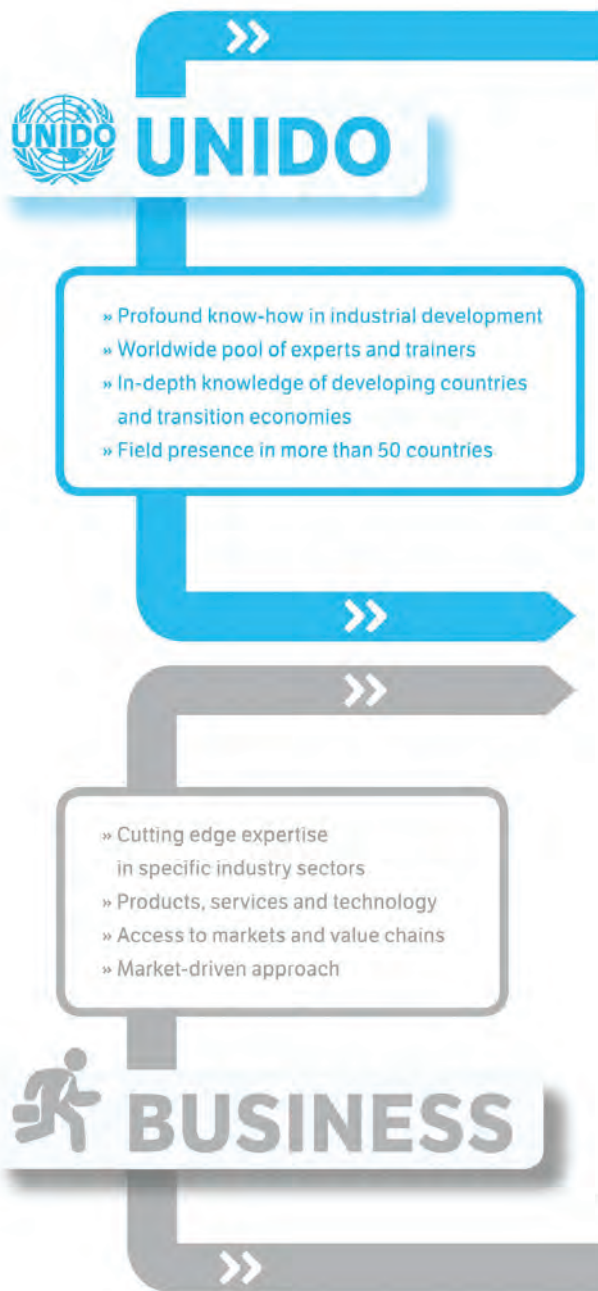
Supporting greater development of business partnerships at UNIDO

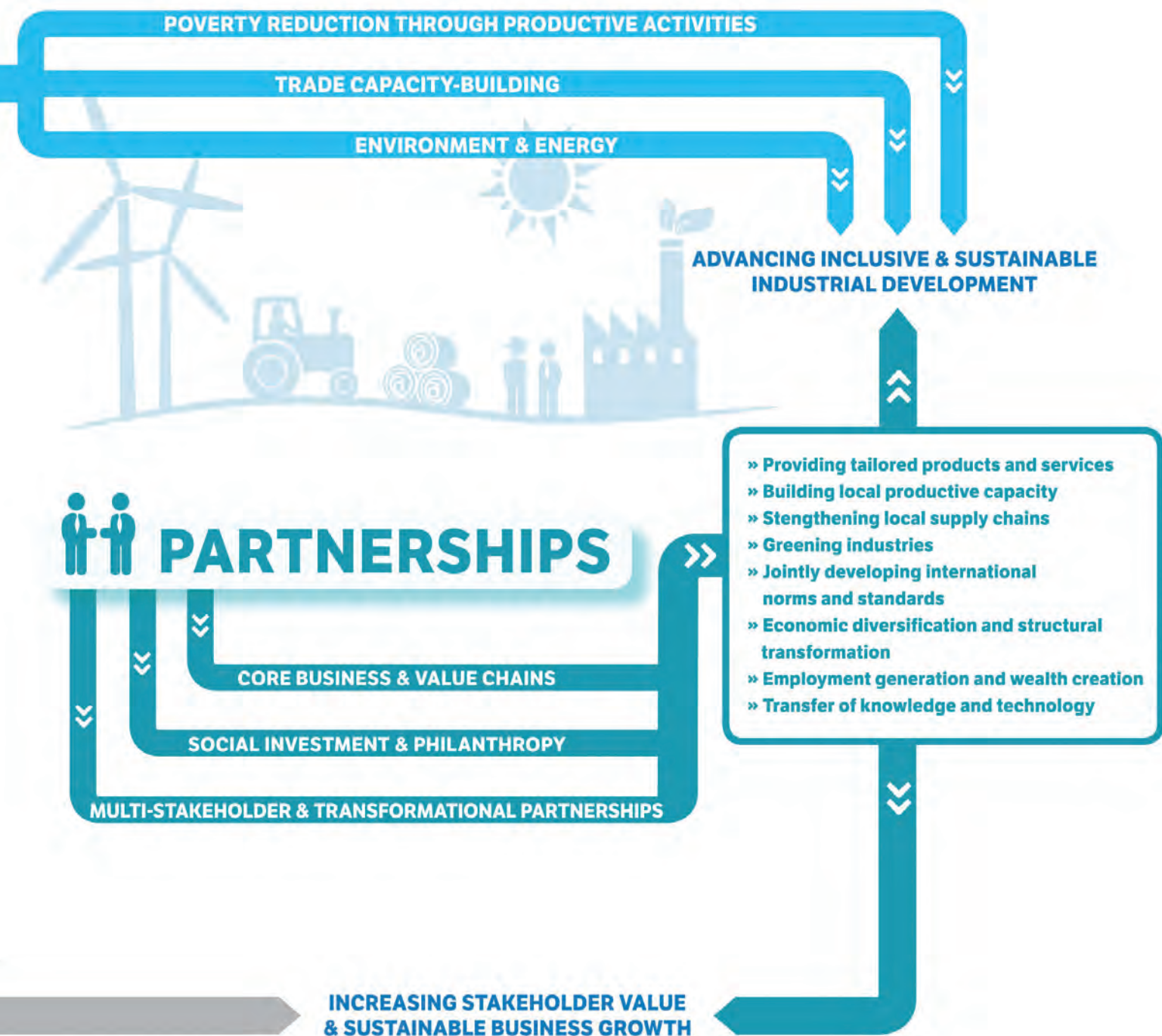
This rapid growth in UNIDO's collaborations with the private sector between 2006 and 2010 led to a need for the Organization to develop a more strategic and structured approach to partnering. In 2011, the Executive Board approved an

organization-wide strategy for enhancing UNIDO's engagement with business. "The Strategic framework for UNIDO partnerships with multinational companies and private-sector foundations" (Strategic Framework) was developed based on a stock-taking of UNIDO's partnerships since 1999, and a mapping of best practices within the UN system. Among other changes implemented under the framework, UNIDO set up a private-sector focal point to deal with private-sector inquiries and the reinforcement of employees' partnering skills. In cooperation with the International Business Leaders Forum, the Organization delivered its first ever Business Partnerships Workshop in Vienna in October 2012. The capacity-building workshop aimed at building the knowledge of technical staff to work towards a more consistent and coherent approach to partnering with the private sector, and helped them explore innovative models of collaboration and examine different typologies of partnerships across the UN system.

Future outlook for business partnerships in UNIDO

This is just the beginning. UNIDO is learning by doing and has become more pragmatic in its approach to potential private-sector partners. Collaborations are increasingly directed to areas where the impact of partnerships can be measurable. At the same time, the proliferation of multi-stakeholder platforms provides a promising landscape to scale up industrial development activities, while aligning global and local efforts. With an increasing portfolio of business partnerships, UNIDO is working towards institutionalizing a function that implements the organization's private-sector outreach strategy, and acts as a catalyst for such partnerships at headquarters and in the field.





Framework for UNIDO-private sector collaboration, in "UNIDO Business Partnerships, 2012".



Green Industry Initiative and Platform doing **more** with less

UN Secretary-General Ban Ki-Moon told the World Economic Forum in 2011 that our current economic model amounted to a “global suicide pact” and needed urgent reform in the face of climate change. In a more recent speech at the end of 2012 he went further to say that “the climate change phenomenon has been caused by the industrialization of the developed world.”

The Secretary-General’s comments reflect a growing consensus that the extractive industrial model pursued over the past 200 years, bringing wealth and higher living standards, is no longer sustainable. Volatile raw material and food prices, the deterioration of ecosystems and rapidly changing weather patterns are threatening the livelihoods of millions around the globe. As population levels rise, the demand for resources such as water and energy will climb too, putting increasing pressure on our ecosystems and creating potential for conflict in the scramble for depleting resources.

But for many developing and emerging economies, industrial growth is still the key to creating jobs and reducing poverty. As a result, the pursuit of unrestrained industrial growth strategies continues unabated; a fact reflected in rapidly increasing global extraction rates.

On current projections, global industrial production has the potential to rise fourfold by 2050. Industry as a whole remains the biggest user of energy in our economies, guzzling one-third of total delivered energy worldwide. Manufacturing industries are responsible for nearly one-third of all CO₂ emissions, one-fifth of global water use, and

most of the raw materials used. They also emit harmful greenhouse gases such as methane, nitrous oxide and CFCs. And of the 4 million tons of waste which manufacturing produces annually, less than a quarter is recovered or recycled.

Many of these environmental impacts come from industries using outdated or obsolete technology that is both wasteful and expensive. It is clear that sustainable development will not be achieved unless the social and ecological footprint left by industry is significantly reduced. This means cranking up the level of environmentally sustainable production and making sure resources are used efficiently, which will in turn raise productivity. Adopting these policies would give the developing world a chance to avoid some of the worst effects of industrialization by growing their economies in a way that takes account of the Earth’s limited resources. It is in this context that UNIDO developed the Green Industry Initiative.

UNIDO as an organization has promoted the use of cleaner, greener production methods since the 1990s, when the need to incorporate green policies into industrial development, effectively decoupling growth from environmental degradation, was not as widely accepted as it is today. On assuming office in 2005, the Director General set out to put energy supply and the access to environmentally friendly technologies for industry at the centre of the Organization’s efforts to reduce poverty and promote sustainable growth. The Green Industry Initiative, launched at the 2009 Manila International Conference on Green

► Industry in Asia, grew out of this commitment.

The initiative sets out to help governments of transition and developing countries put in place green industrial processes by raising awareness, increasing technology transfer, enhancing South-South cooperation and by building capacity to develop policies which set up the right regulatory environment to foster green industry.

Specifically, the greening of industry means cleaner production and more efficient use of resources like water and energy, a reduction in waste and emissions, safe management of chemicals, the phasing out of toxic substances, replacing fossil fuels with renewable energy and the design of new green technologies. To achieve this, UNIDO has established a clear set of strategies that can be used to help developing countries get on the road towards a low-carbon, safe and resource-efficient economy by using business-driven solutions. Getting the right results relies on cooperation with governments, business and other UN agencies.

The initiative has received wide support from Member States and UNIDO's sister organizations, which encouraged UNIDO to extend its leadership in this area by developing an agenda for Green Industry with specific policy goals. This idea was pushed forward at the 2011 Tokyo Green Industry Conference, culminating in calls for a forum on Green Industry to bring all interested parties together. The result was the launch, in partnership with UNEP at Rio+20, of the Green Industry Platform (greenindustryplatform.org).

The aim of this unique forum is to implement the goals of the Green Industry Initiative by bringing together governments, business, and civil society leaders to secure concrete commitments on greening the manufacturing process. It

Green
Industry
Platform
142
members

69
businesses

48
international
and civil society
organisations

25
governments

as of April 2013



hopes to help create new green industries and improve the performance of existing ones by providing guidance on how businesses can integrate green goals into their policies and practices; it will promote best practice in a bid to move beyond 'business as usual', driving forward technological innovation and development. It will also seek to set green industry targets, support research and development and make finance available.

The Platform, which held its first Advisory Board meeting in April 2013, currently has 142 members, among them 25 governments, 48 international and civil society organizations and 69 businesses. The Director General has described this kind of collaboration as exactly the kind of partnership required to make green

industry the norm and put the world on a path to low carbon manufacturing.

Through its Green Industry Initiative and Platform, UNIDO is taking concrete action to include the need for environmental protection in any future growth model. Promoting policies to support Green Industry will help to create a world in which industry dramatically reduces waste levels, makes use of renewable resources for materials and fuel and takes care to avoid harming workers, communities or the environment through its practices. It is supporting new ways to create jobs and growth, thereby reducing poverty. Through promoting sustainable industry, the initiative will help the shift to a global green economy and frame future thinking about new sustainable development goals.

Delivering as one UN

Photo: UNIDO



UN Secretary-General and heads of UN organizations at Chief Executives Board meeting hosted by UNIDO in 2010.

In 2005, the then Secretary-General Kofi Annan ushered in sweeping reforms designed to make the UN more able to respond effectively to the scale of challenges facing the international community. As part of the reform process, a high-level panel was set up to look at system-wide coherence on development, humanitarian assistance and environment. Following the panel's report in 2006 a new initiative – Delivering as One – was launched, with the aim of creating a more coherent, united UN system.

The idea was to reorganize how the UN operated at country level to make sure its expertise was put to best use, while at the same time unifying governance, funding and management to increase efficiency and cut waste. In each country there would be one leader coordinating all agencies in the field,

one budgetary framework, one programme and, where possible, one office.

Eight countries – Albania, Cape Verde, Mozambique, Pakistan, Rwanda, the United Republic of Tanzania, Uruguay and Viet Nam – volunteered to pioneer this reform. Since this initial pilot project in 2007, 40 additional countries have come on board. Along the way, much progress has been made in addressing national development plans and the priorities of programme countries, but there is still more to do. There needs to be more focus on the comparative advantages of the respective agencies, a greater effort to reduce transaction costs, and a clearer division of functions between Resident Coordinators, who oversee all programmes implemented jointly by the UN organizations in a given country, and the UN country teams representing the

individual agencies on the ground. Lessons learned from the initial pilots show that a one-size-fits-all approach does not work.

UNIDO's role

UNIDO has been closely involved in this process from the outset. Having undergone its own restructuring in the preceding years, UNIDO was well placed to contribute to the process of renewal and reform across the UN as a whole. Such changes also give the Organization an opportunity to revitalize its own position within the UN system and so enhance its operational effectiveness. Since hosting a meeting of the original high-level panel in 2006 that led to the development of the Delivering as One initiative, UNIDO has been actively involved in its implementation at country level. In the run-up to the high- ➤

► level Intergovernmental Conference on system-wide coherence in Maputo, Mozambique, in May 2008, UNIDO hosted the first high-level dialogue on the development aspects of system-wide coherence with a particular focus on country-level coherence.

Specifically, UNIDO has been contributing to the implementation of the new programmatic and management arrangements developed in the eight pilot countries and over 20 further self-starter countries.

UNIDO's contribution to One UN has been broadly positive for the Organization, resulting in increased recognition of productive activities, wealth creation and trade capacity building in One UN programmes. An independent evaluation of lessons learned from Delivering as One showed that UNIDO's technical cooperation portfolio has expanded and broadened as a result of increased joint programming between participating UN organizations, such as FAO, ILO, ITC, UNCTAD, UNDP, UNESCO and WHO. It also pointed to a greater understanding of UNIDO's comparative advantage and competitive capacity to deliver on its mandate at country level and within the UN system. Coordination requirements to achieve this meant considerably heavier workloads for UNIDO staff, but the benefits were tangible, including the fact that UNIDO was able to mobilize significant resources from the One UN Funds for projects in the pilot countries. Between 2008 and 2011, UNIDO collected almost 5.5% of the \$500 million available at country level from One Fund mechanisms. In 2012, the Organization signed several new agreements on funding arrangements with a number of Delivering as One countries, reflecting its growing engagement in this area. The level of resources mobilized from the One UN Funds is expected to rise further from 2013.

Looking more broadly, it is clear that the ongoing changes to global development cooperation have an impact on how UNIDO does business. For example, the Delivering as One initiative could be seen as the UN response to the 2005 Paris Declaration, which brought countries around the world together to agree a new way of delivering aid and increasing donor effectiveness through greater partnership. It is likely that the results of the Fourth High-Level Forum on Aid Effectiveness, held in Busan, Republic of Korea, in 2011, will influence the next stage of development of this UN initiative. This means there will be more focus on results,

and a reaffirmation of using and strengthening countries' own systems. It is clear that the joint programme approach will also remain central to how technical cooperation is delivered. From over 50 countries now, the UN expects a further 100 to be added by 2014, which will mean the need for a more integrated, coordinated and coherent approach to programme delivery.

UNIDO also makes important contributions to the UN's system-wide coherence efforts through its involvement in the United Nations System Chief Executives Board for Coordination (CEB) and its role in UN Energy.

The CEB meets twice a year and brings together the heads of 27 UN system organizations under the chairmanship of Secretary-General Ban Ki-moon. UNIDO plays an active role in advancing greater coherence and coordination through the work of the CEB's three main mechanisms, its two high-level committees (High-level Committee on Programmes and High-level Committee on Management) and the United Nations Development Group (UNDG). UNIDO also has an important role working with its CEB partners on Trade and Productive Capacity, to provide joint trade development assistance at the regional and national levels, notably in the Delivering as One UN pilot countries.

In his role as Chairman of UN Energy, the Director General has placed UNIDO at the centre of UN-wide efforts to coordinate its work on energy in the three key areas of access, renewables and efficiency. UN Energy was set up in 2004 in response to the 2002 World Summit on Sustainable Development in Johannesburg, which made a forceful case for the link between poverty reduction, energy access and climate change mitigation. It aims to promote system-wide collaboration that is coherent and consistent, ensuring that the UN speaks with one voice on energy matters through sharing information, and encouraging joint programming.

Efforts to create a more coherent, streamlined UN show the importance of partnership in solving the development challenges we face as a global community. By bringing together the collective strength of the various members of the UN family to raise awareness, to campaign, analyze and advise, the UN is playing a pivotal role in tackling the big issues. UNIDO, in its collaborations with UN and non-UN bodies, especially in energy, intends to remain at the centre of these efforts.

Energy partnerships for a brighter future



For most of us it is hard to imagine life without electricity. We don't think twice about turning a light on, cooking meals on an electric stove or heating our homes with clean, safe energy. But for millions in the developing world the benefits of reliable, clean energy remain out of reach. Over a billion people on the planet continue to live without electricity, another billion struggle with an unreliable supply of energy and almost three billion still rely on traditional biomass for heating and cooking, which is both unsafe and harmful to the environment. ➤

“Hundreds of millions of beneficiaries in developing countries will gain improved access to energy through grid extension and off-grid solutions, as well as scaled-up renewable energy sources, increased investment, and improved energy policies.” Kande K. Yumkella

► Energy poverty means poor healthcare and education services, with no electricity to keep schools open or medicines safe. It means a loss of productivity in hours spent collecting fuel, and condemns millions to live isolated lives far from the modern communications most of us take for granted. Development is not possible without energy and sustainable development is not possible without sustainable energy. For UN Secretary-General Ban Ki-moon sustainable energy is “the golden thread that connects economic growth, increased social equity and an environment that allows the world to thrive”.

It is against this background that the UN has taken leadership of the global energy and climate change agenda. And UNIDO, under Director General Yumkella, has been at the centre of efforts to take this agenda forward. In recognition of this commitment to energy and the environment, in 2007 the Secretary-General appointed Yumkella as chair of UN Energy.

This coordination mechanism, which has been strengthened under Yumkella's leadership, promotes coherence within the UN itself and encourages closer collective action in the public and private sector on the three keys areas of energy access, renewable energy and energy efficiency. It has evolved into a fully functioning knowledge-sharing platform, teamed up with the high-level global forum Clean Energy Ministerial (CEM) Clean Energy Solutions Centre to share policy best practice, data and analysis tools across countries. In 2011, it launched the UN Energy Knowledge Network to act as a gateway for information exchange within the UN system. This enhanced its role as an open forum where ideas and policies can be developed and shared, ensuring that the UN speaks with one voice on energy.

UNIDO's involvement in the energy agenda deepened further in 2009 when Yumkella was appointed chair of a new high-level Advisory Group on Energy and Climate Change (AGECC). The group's task was to provide recommendations on energy issues relating to climate change and sustainable development. Composed of representatives from the UN system, including the World Bank, and the private sector, it reflected a strong desire within the UN to strengthen links with business as a partner for achieving development goals.

The group issued its final report – Energy for a Sustainable Future – in 2010. It highlighted energy's importance in achieving the MDGs and in tackling climate change, paving the way for discussions at Rio+20 by linking sustainable energy to poverty reduction and green growth.

The report's conclusions and recommendations formed the basis of a new UN initiative, led by UNIDO, UN Energy and UNDP, designed to meet the problem of energy poverty head on. Sustainable Energy For All (SE4All), launched in 2011 and co-chaired by Mr Yumkella and the Chairman of Bank of America, Charles O. Holliday, is a novel collaboration between the UN, governments, private-sector companies and civil society to change to world's energy systems by 2030. It is a truly broad-based partnership which includes the UN Foundation, the World Bank, the International Institute for Applied Systems Analysis (IIASA), UNEP and many private companies, such as the Norwegian energy company, Statoil, and the Swedish power company, Vattenfall.

Its three specific goals are to ensure universal access to modern energy services; double the global rate of improvement in energy efficiency; and double the share of renewable energy in the global energy mix by 2030.

Following months of intense negotiations led by Yumkella, a high-level Group was established in the run-up to Rio+20 with a remit to push forward the initiative's Action Agenda. This agenda was given greater visibility following the UN General Assembly decision to make 2012 the Year of Sustainable Energy for All.

Today, the Sustainable Energy for All initiative is driving real action on the ground to help poor communities. In the months running up to the Rio+20 Summit, the momentum increased in support of sustainable energy for all as a global issue. By the end of the summit, \$500 million had been pledged, with over 700 commitments made, and a global network of stakeholders on board.

In less than a year, dozens of countries have engaged with the sustainable energy agenda. From Ghana to Nepal, Barbados to Lebanon, new public-private partnerships are being established on transport, energy efficiency, solar cooking and finance. And civil society groups are expanding grassroots training and advocacy.

The United States has pledged \$2 billion in grants, loans and loan guarantees for policy and regulatory development, public-private energy technology partnerships, and loans and guarantees to leverage private investment in clean energy technology. At the same time, the EU has put up \$65 million for clean energy projects in developing countries in support of SE4All.

Over 65 governments from Africa, Asia, Latin America, and the Small Island States have engaged with the initiative and are developing energy plans and programmes. The majority are from developing countries that have initiated or completed energy sector assessments and gap analyses, laying the groundwork for further action in priority areas, to undertake strategic reforms where needed, and attract new



investments and financial support.

The Government of Brazil, just to give one example, has committed to invest \$4.3 million to achieve universal energy access in Brazil by 2014. As a global leader in sustainable energy, Brazil will invest an additional \$235 billion over ten years in renewable energy and produce total energy savings of 9% by 2030.

Businesses and investors have committed over \$50 billion to the initiative, while tens of billions have come from multilateral banks, international organizations and civil society.

By combining the expertise of a broad range of participants, SE4All can be described as a mega public-private partnership that acts as a catalyst for change by helping to create the right enabling environment for private-sector engagement. It does not focus on implementing technology projects or building infrastructure but makes it possible for governments and companies to develop projects by helping to create the right market conditions, by engaging directly with countries to improve planning, and helping to find the finance to get projects off the ground.

The initiative is a perfect example of how the UN system can bring the public and private spheres together in a pioneering way that encourages private-sector innovation, in this case in energy solutions, while addressing the challenges of climate change and ensuring sustainable development. By capitalizing on the complementary strengths of the public and private sector, the UN system can give impetus to encourage the kind of innovation that will help developed countries to reduce their energy footprint, while enabling developing countries to get the clean energy they need to prosper.

UNIDO's networks *connecting people*

In an increasingly globalized and interconnected world, developing countries need to devise new ways to grow and develop their economies. The technological revolution of the last two decades has altered hugely how we communicate and is changing how business operates. As we move further into the 21st century top-down solutions imposed by hierarchical institutions are giving way to more flexible multi-stakeholder networks, making knowledge flows more democratic. But in many developing countries acquiring the knowledge required to make the right policy decisions and create the right development environment can be difficult both for companies and governments. There may be cultural barriers to overcome, institutional weaknesses, poor research skills and facilities, and a lack of trust, which is of crucial importance in the sharing and exchange of knowledge.

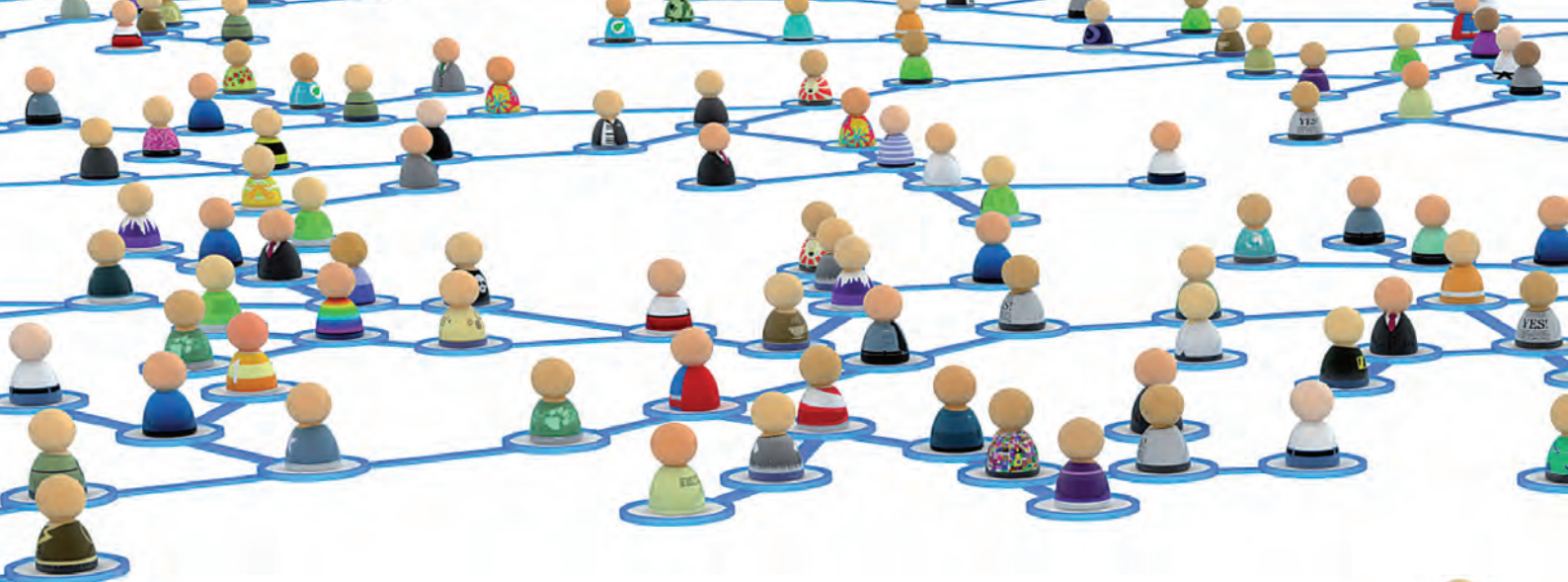
Putting the right knowledge into the hands of those who need it and can use it, can make an enormous difference to development outcomes. In recognition of this, over the past few years many multilateral development institutions have been involved in setting up numerous knowledge networks to improve how they deliver knowledge and facilitate how it is shared.

One such example is the Networks for Prosperity initiative set up by UNIDO in 2010 with support from the Government of Spain's MDG Achievement Fund. Through helping to establish a framework to support

global knowledge management, the initiative aims to overcome barriers to better knowledge sharing in the private sector. It will also help to improve the way the UN delivers its policy advice, builds its institutions and develops capacity. Working at country level, it will endeavour to make access to private-sector development knowledge easier for developing countries. Sometimes rapidly changing circumstances on the ground can make knowledge sharing challenging, as can staff turnover and failure to learn from past mistakes. Putting in place a well thought out knowledge management and sharing strategy can help to address some of these problems.

The first Networks for Prosperity report, published in 2011 with the Centre for Global Governance Studies in Leuven, Belgium, laid the basis for policy recommendations that will help developing countries to acquire private-sector knowhow. A key outcome of the report was the establishment of a Connectedness Index that measures countries' knowledge networks and links their level of connectedness with economic development indicators. The results showed that when it comes to development, networks matter, with higher degrees of connectedness meaning higher government effectiveness and greater economic development.

A second report was issued in 2012, updating results and expanding the number of countries in the index to from 75 to 132. It focused on connecting development knowledge beyond 2015, and urges the ➤



► international community to adopt network governance and knowledge network approaches in its global development strategies and the post-MDG agenda. It also argues that any new development agenda that emerges from the current debate must be more inclusive, with a strengthened role for middle-income countries in global development cooperation through intensified knowledge networking and a continued intensification of South-South cooperation.

Another UNIDO initiative that demonstrates the power of knowledge sharing and networks is the programme on Resource Efficient and Cleaner Production (RECP). Working with UNEP, UNIDO set up a programme in 1994 to establish National Cleaner Production Centres (NCPCs) to help governments of developing and transition economies build up capacity in clean production methods. But as the effects of climate change and rapidly dwindling resources put a new emphasis on resource efficient production, it became clear that sustainable clean production would only become achievable by decoupling growth from use of natural resources.

The development of RECP in 2007/08 is a reflection of this shift and broadened the scope of the original NCPC programme, linking the new programme more closely to current environmental concerns which take account of efficiency, conservation and human development. It provides a strategic and coherent framework for incorporating these ideas into national policies.

An initial meeting was held in 2009 in Switzerland to establish a global network of resource-efficient and cleaner production services. In 2011, the Global Network for for

Resource Efficient and Cleaner Production (RECPnet) began operations with an initial membership of 41 NCPCs and other national, subnational and regional RECP service providers.

RECP is now working to expand and strengthen UNIDO's network of 47 NCPCs, which advise governments and businesses on finance and technology, set up demonstration projects and training, and act as advocates for cleaner production. How well they do this depends largely on effective networking and knowledge management among the centres.

Further enhancing the Organization's clean production networks, a new UNEP-led initiative on climate technology was launched in February 2013 with UNIDO and 11 other international research and development bodies. The Climate Technology Centre and Network (CTCN) aims to speed up the transfer of climate-related technology and expertise to developing countries in order to reduce greenhouse gas emissions, and improve resilience to the impacts of climate change. It will also help reduce the costs and risks of technology transfer and aid developing countries in making informed choices on which technologies to adopt. The network will at the same time provide an information platform to share knowledge on climate technologies tailored to developing country needs and follows the successful establishment of UNIDO's Green Industry Platform, also in collaboration with UNEP (see page 56).

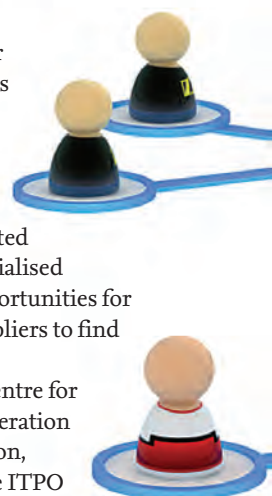
UNIDO is also using networks to promote investment and support entrepreneurship by linking up its Investment and Technology Promotion Office (ITPO)

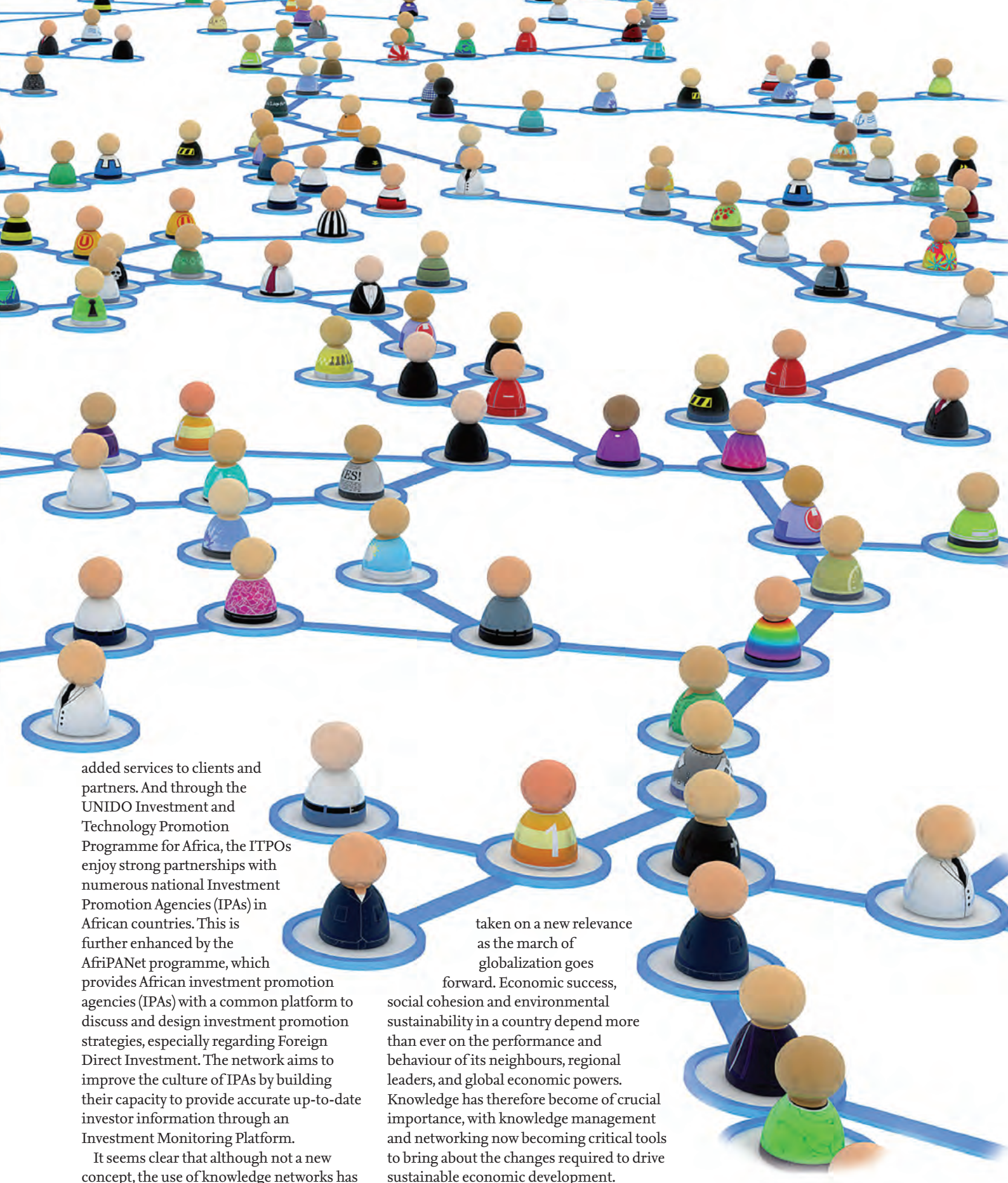
services. ITPOs bring together entrepreneurs and institutions looking for international alliances in industrial investment in and from developing countries and economies in transition. Located in both hemispheres, the specialised network of ITPOs creates opportunities for investors and technology suppliers to find potential partners.

One example is UNIDO's Centre for International Industrial Cooperation (CIIC) in the Russian Federation, which is an integral part of the ITPO network. This centre has fostered cooperation between Russian enterprises for over 20 years and is now extending these connections to neighbouring countries. In a \$2.2 million Russian Federation-backed project, UNIDO has joined forces with the Eurasian Economic Community (EurAsEC) to promote regional industrial integration. It is expected that three new CIICs will come into operation in Armenia, Belarus and Kazakhstan as a result of the EurAsEC project, further expanding the ITPO network.

At the same time through its Subcontracting and Partnership Exchanges (SPXs), UNIDO helps local enterprises to successfully meet the challenges of globalization and to take advantage of the emerging opportunities that evolve from industrial subcontracting, outsourcing and supply chain opportunities.

ITPOs are strengthened by their links to other UNIDO services including International Technology Centres (ITCs), the SPXs, the numerous Export Consortia and the NCPCs; therefore providing value-





added services to clients and partners. And through the UNIDO Investment and Technology Promotion Programme for Africa, the ITPOs enjoy strong partnerships with numerous national Investment Promotion Agencies (IPAs) in African countries. This is further enhanced by the AfriPANet programme, which provides African investment promotion agencies (IPAs) with a common platform to discuss and design investment promotion strategies, especially regarding Foreign Direct Investment. The network aims to improve the culture of IPAs by building their capacity to provide accurate up-to-date investor information through an Investment Monitoring Platform.

It seems clear that although not a new concept, the use of knowledge networks has

taken on a new relevance as the march of globalization goes forward. Economic success, social cohesion and environmental sustainability in a country depend more than ever on the performance and behaviour of its neighbours, regional leaders, and global economic powers. Knowledge has therefore become of crucial importance, with knowledge management and networking now becoming critical tools to bring about the changes required to drive sustainable economic development.



ANALYTICAL AND POLICY ADVISORY SERVICES

statistics
learning
evidence-based
economic development
global
public-private
research
evaluation
impact

UNIDO trusted adviser

One of UNIDO's main roles is to give advice to governments on how to develop and improve their industrial sector. Over almost 50 years of experience, UNIDO has evolved increasingly sophisticated ways of ensuring that this policy advice is sound and tailored to specific country needs through solid statistics, research and analysis. This has made UNIDO a valued and trusted partner which regularly reviews and develops its practices to ensure that its Member States get the best policy advice possible.

For most of the past three decades, economists have championed the supremacy of the market, with those daring to challenge the benefits of unfettered free trade or privatization seen as ill-informed or even deluded. The neoliberal ideas embodied by the so-called Washington Consensus held sway to such an extent that the words 'industrial policy' were, as Nobel laureate economist Joseph Stiglitz put it, "not to be spoken either in public or in private by respectable people". But, over the past decade these seemingly unshakable beliefs have gradually faded away as economic crises, policy failures and unexpected success from alternative models have broken down any sense of consensus. And while few would advocate a return to state planning, the concept that the state should have a role in guiding the development process is no longer seen as outlandish. In short, industrial policy is back.

One factor contributing to this is the global rise of companies in emerging economies such as China and India, which have often received a significant degree of state backing. Their success has made the idea of public support and industrial policies more acceptable. At the same time, the unprecedented level of intervention carried out by OECD countries in response to the 2007/08 global financial meltdown has also changed perceptions, while the crash itself laid bare a crisis at the heart of

capitalism that makes exclusive reliance on the free market increasingly hard to defend. Not only that, but the collective effort required to deal with the looming threat of climate change has, in no small part, changed the tenor of the debate as governments look to supranational solutions to limit its impact.

These momentous changes resonate with a particular strength at UNIDO, given its mandate to promote inclusive and sustainable industrial development. It is perhaps not surprising, then, that the period 2006-2012 has seen significant changes to UNIDO's policy advisory services, which reflect the renewed acceptance of industrial policy as a valid tool for growth and development.

Most notably, in early 2011, the Director General set in motion a wide-ranging review of the Organization's research and policy advisory services. The result was a significant strengthening of these services to better meet the needs of Member States for solid, evidence-based policy advice. A new programme emerged based on two elements: strategic industrial policy advice in the design, development, implementation and evaluation of industrial policies; and facilitation and capacity-building activities focusing on preparing public and private institutions to take over full control of policymaking.

From an operational perspective, the deliberations of the UNIDO Member States

led to a sharper focus in UNIDO on strategic policy advice and the related facilitation and capacity-building activities. This approach marked a departure from an earlier strategy to closely associate policymaking expertise with the delivery of technical cooperation activities.

A renewed emphasis on strategic policy advice also signalled UNIDO's determination to get fully behind the 2005 Paris Declaration on Aid Effectiveness, especially in its reference to "concrete and effective action to address weaknesses in partner countries' institutional capacities to develop and implement results-driven national development strategies" and the related 2008 Accra Agenda for Action, which noted that "without robust capacity – strong institutions, systems, and local expertise – developing countries cannot fully own and manage their development processes".

UNIDO presents its advice to Member States in a number of different ways, depending on specific requirements. One of the simplest requests it responds to is to review draft industrial policies, ensuring they are in line with international good practice in terms of content and that they adhere to the principles of evidence-based policymaking and private-public dialogue. Examples of this over the past few years include the Afghanistan Strategic Plan (2011-2015), the Growth and Transformation Plan of Ethiopia, and the Sierra Leone National Industrial Policy.



Above: Participants of the Executive Training for Policy Makers from Viet Nam in Vienna 2012.

Photo: UNIDO

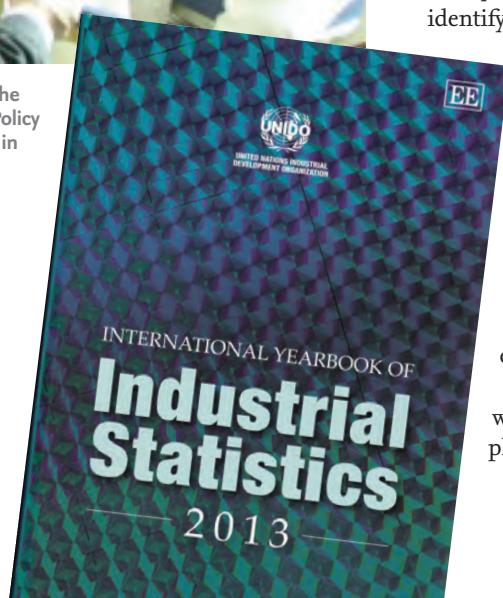
In other cases, UNIDO is called in at the production stage to assess the policymaking process along the principles highlighted above. One significant example of this approach is the report, 'The Republic of Ivory Coast's New Industrial Policy – Industrial Sector and Institutional Context Diagnosis', which provides a detailed roadmap to the Ministry of Industry to support its aspiration to bring about equitable industrial development in the country. In other instances, UNIDO's input is more focused on facilitating the identification of a consensus among stakeholders with partially overlapping objectives. Two relevant examples of this type of engagement are the cooperation with the East African Community for the finalization of East African Community Industrialization Policy 2012 – 2032 and with the Southern African Development Community (SADC) for the finalization of the SADC Regional Industry Policy Framework.

Finally, UNIDO also guides countries to identify strategic priorities to help them

choose priority sectors, as was the case with the report, "Strategic Directions on Industrial Policy in Mongolia".

This policy advice strategy remains closely linked to UNIDO's role in helping developing countries to build capacity, and so progressively reduce the need for them to rely on external expertise.

One relatively new initiative which encapsulates this philosophy is the UNIDO



for industrial information. It collects, monitors and disseminates. Over the decades, it has built up an extensive database on the manufacturing value added of 120 countries. This comprehensive body of knowledge puts the Organization in a unique position to contribute to the evolution of development economics and the debate on industrial development.

The exact focus and scope of this research has evolved over the years, in response to the changing development debate and to the resources available.

For example, at the turn of the century, the Millennium Development Goals put emphasis on poverty reduction and the provision of basic needs rather than on industrial development or economic diversification. In the last few years, this emphasis has shifted with a renewed call for economic growth and the expansion of productive capacities to be brought back to the centre of the development agenda.

Across this rapidly changing development narrative, UNIDO's biennial Industrial Development Report has, since its resurrection in 2000, consistently called for structural change and economic diversification towards the growth of the industrial sector as a solution to the many challenges facing the global community. Under the title of 'Industrial Development Report 2009 – Breaking In and Moving Up: New Industrial Challenges for the Bottom Billion and the Middle-Income Countries', it made a forceful case for industrialization as a way for LDCs and middle-income countries to eradicate poverty sustainably in the context of expanding globalization. Given the economic fallout that came fast on the heels of the sub-prime crisis in the US, it also served as a salient reminder of the importance of the real economy.

UNIDO's latest IDR reflects the ascendancy of another theme in the global development debate: global warming. With



growing agreement that a business-as-usual approach is no longer tenable, the 2011 report, 'Industrial Energy Efficiency for Sustainable Wealth Creation: Capturing Environmental, Economic and Social Dividends', argued that far from being part of the problem, industrial development that focused on energy efficiency was a solution to improving living standards in a world of rapidly diminishing, finite resources. More efficient use of energy is not only advisable to protect future generations but necessary to sustain the current one.

The global economic recovery is taking longer than many anticipated, especially in industrialized economies. At the same time, the rise of the emerging economies such as the BRICS countries has thrown fresh fodder into an old debate surrounding industrial development, namely the shift of manufacturing jobs away from industrialized countries, which has prompted a huge amount of political debate in the developed world. UNIDO is joining the fray with its next IDR, which tackles the theme of the international division of labour and the impact of manufacturing growth on employment. Ahead of the report, UNIDO has published a comparative assessment of the BRICS, entitled, 'Structural Change, Poverty Reduction and Industrial Policy in the BRICS', which focuses on industrial development as an engine of growth.

In an effort to increase the impact of its strategic research, UNIDO is also reaching out to like-minded partners. In the period since 2006, two partnerships within the UN system stand out: the first is UNIDO's collaboration with UNCTAD on the 'Economic Development in Africa Report 2011 – Fostering Industrial Development in Africa in the new Global Environment'. The report relies heavily on UNIDO's in-house research built up from its unique manufacturing database, and provides new

and evidence-based insights on how countries can diversify their economies. In the second partnership, UNIDO published the book, 'Pathways to Industrialization in the Twenty-First Century' with the United Nations University's Maastricht Economic and Social Research Institute on Innovation and Technology (UNU-MERIT).

These publications represent just some of the strategic research work UNIDO is doing that underpins its policy advice. In the past seven years, UNIDO has commissioned various studies that provide policy recommendations, in particular to resource-rich countries that want to widen their export base. One important example of this is the publication 'Promoting Industrial Diversification in Resource Intensive Economies'. The Organization has also published a number of working papers describing structural changes in the manufacturing sector, in terms of output, productivity and employment, as income per capita rises.

Looking ahead, UNIDO will continue in its role of policy adviser to Member States and act as a knowledge broker between academic research and practitioners.

Statistics

Statistics has been described as the science of producing unreliable facts from reliable figures. But in truth good statistics are the cornerstone of good policymaking. UNIDO's vast body of statistics measuring industrial growth shows the pace of industrialisation and how far technology and innovation have spurred development. It also includes measures of productivity and competitiveness.

Looking at these growth statistics helps countries to make plans and policies for long-term industrial development – but only if the statistics come from a trusted source and are put together in a comprehensive way.

In response to greater demand for industrial growth statistics following the 2008 global economic recession and its direct impact on job rates and consumer behaviour, UNIDO now produces quarterly production data for 23 different branches of the manufacturing sector. Using data from over 60 countries, it covers more than 90% of world manufacturing output, making it more complete than many other reports. The breakdown of the report into individual branch, geographic region and country groupings helps to compare growth rates across the world.

Users of UNIDO's Competitive Industrial Performance (CIP) index can look at eight different indicators on production capability, competitiveness and technological intensity based on production and trade data put together using objective quantitative measures. They can then make their own judgment on the position of a country and make any policy change they deem necessary. In 2013, the CIP will be published separately, rather than as part of UNIDO's Industrial Development Report. The Organization is also setting up a web-based data warehouse, which will simplify the access to data for the hundreds of institutions that use UNIDO resources.

These ongoing innovations and improvements to UNIDO's statistics, research and policy advisory services have helped to strengthen the overall quality of its policy advice. In particular, the Director General's decision in 2011 to bring together the analytical, statistical and policy functions of the Organization under the same management structure ensures that policy advice is grounded in solid research and industrial statistics. This closer integration means that UNIDO will be able to develop better insights and provide more relevant industrial development frameworks and policy recommendations, so improving the impact of its policies on the ground.







LOOKING AHEAD: PRIORITIES FOR THE FUTURE

Looking to the future

Over the past decade, UNIDO has undergone significant change. It is leaner and more flexible. It has honed its priorities and is more focused than ever on delivering its core services of industrial capacity building and technical cooperation. The Organization has taken a leading role in promoting green industry as part of a new sustainable development agenda and has built a reputation for forging active, meaningful partnerships both inside the UN system and beyond, through its ever closer links to the private sector. In the coming years, UNIDO will build on these strengths in its efforts to place sustainable industrial development at the heart of a new post-MDG development discussion.

The MDGs have framed the development agenda since 2000, and while significant progress has been made, many targets will be missed when they expire in 2015. The international community, governments and NGOs are all in the process of debating what a post-MDG agenda should look like.

Following calls for action at the Rio+20 summit, an intergovernmental Open Working Group comprising 30 UN member states was set up to develop new Sustainable Development Goals (SDGs). These new goals will be debated along with broader discussions on the formation of a new global development framework. Over the past year, UNIDO has been an active player in the UN system's preparation for this new framework. As a member of the UN Task Team on the post-2015 Development Agenda, UNIDO co-authored a major report, entitled 'Realizing the future we want for all', which examines the strengths and

weaknesses of the MDGs and provides initial suggestions for global action in a changing world. The Organization has also been involved in UN global thematic consultations on subjects including growth and employment, environmental sustainability, energy, inequalities, population dynamics, and food security and nutrition. As the date for MDG expiry draws nearer, UNIDO will increase its engagement in the ongoing debate and continue to push for inclusive and sustainable industrial development to form a central part of the new development agenda.

The outcome of the Rio+20 summit has already laid the groundwork for a change in focus from a socially based development agenda towards one that brings together social, economic and environmental dimensions to create an inclusive and sustainable development path. Although the MDGs sought to unify these three aspects, it is clear that the economic element was missing. Now, as the world considers what new development goals to set beyond 2015, there is an opportunity to put economic growth and structural change back onto the agenda. UNIDO believes that sustainable development will not be attained without inclusive economic growth driven by the economic diversification and structural transformation that flows from sustainable industrial development. History has shown that no country has prospered without industrialization. It has also shown that any progress made can be undone when economies falter. A recent Overseas Development Institute report found, for example, that during economic recession,

gender equality decreases and primary school completion rates fall by 50%.

This is why attention must be given to the means rather than just the ends when it comes to developing new goals and a new development framework. So, to compliment the goal of food security we must also support agribusiness development, which will create wealth and stem the tide of migration to the cities. We must focus on skills and training for youth and women, and encourage entrepreneurship. We must also invest in productive capacity, and support job creation, structural transformation and economic diversification. Only in this way will we secure a long-term reduction in poverty.

Priorities for prosperity

If, as seems likely following Rio+20, productive capacity does form part of the new SDGs, UNIDO will have a real opportunity to enhance its development role in the years ahead. UNIDO's priorities are likely to centre on areas where it is already making a difference, such as agribusiness combined with industrial upgrading and trade capacity building for job creation, along with strategies for low-carbon industrial development. In pursuing industrialization policies, inclusiveness will be just as important as growth. This means extending policies that bring the marginalized into the productive sector. Currently, over two-thirds of those living in extreme poverty are women and girls. Increasing their involvement in the productive sector is a clear way to reduce poverty and improve social integration. This is why UNIDO plans to expand its work on gender equality and the empowerment of women.

At the same time, the urgent need for action on the environment has given UNIDO's activities on energy and climate change greater importance than ever. The Green Industry Initiative and Platform, and work on resource efficiency, ecosystems, biodiversity, and industrial energy efficiency for climate change mitigation, will all remain priorities for the Organization.

As part of an overall strategy to move to low carbon industrial development, UNIDO wants to see the greening of industries form a central part of the post-2015 agenda, along with access to energy. Making industry more sustainable by raising efficiency will in turn improve competitiveness and help to maintain growth. Greening of industries also plays a role in poverty reduction, through promoting energy security, health and safety, and jobs. As the need for more efficient processes and better quality standards grows, UNIDO's expertise in capacity building is likely to be in greater demand. This will give UNIDO the chance to make a greater impact through its activities to help enterprises in developing countries to become less polluting and more efficient.

Productive partnerships

There are many challenges ahead in building a truly global partnership for prosperity beyond 2015, but there are also opportunities. UNIDO has shown itself able to adapt to changing times and changing demands. The past decade has seen a move away from a North-South driven development model to a more multi-dimensional partnership model,



Photo: UNIDO

“Improving industrial energy efficiency is key to sustainable industrial development worldwide but especially in the rapidly developing countries of the Global South. It will help realize the global green economy and green industries. Investing in energy-efficient technologies, systems, processes, training and upgrading of skills must underpin low-carbon green growth.” Kande K. Yumkella

reflecting the economic and political emergence of the South and the rise in private-sector involvement. As the UN's specialized agency for industrial development, UNIDO is well-placed to act as a bridge between the public and private sectors, helping to facilitate the transfer of knowledge and technology to developing countries. In this way UNIDO brings in private sector expertise to add value to its own core programmes to help small-scale enterprises become more competitive and more productive. UNIDO will continue to support South-South cooperation and to deepen its involvement with the private sector. But in future the nature of these partnerships is likely to change.

The complexity of the development problems facing us means that more broad-based collaborations will be necessary to bring about a sustainable future for all. UNIDO has already played a key part in the formation of multi-stakeholder partnerships, such as the Green Industry Platform or Sustainable Energy for All (SE4All), which bring together a number of players from the UN, civil society and business to act on key topics. These partnerships will become more common at the national and international level as the global community strives to find solutions that can deliver sustainable prosperity.

UNIDO, as a trusted, effective partner for development, will play a clear, defined role in this endeavour: promoting inclusive, equitable and sustainable industrial development. No other international institution is better placed – and better equipped – to do so.

UNIDO

Partner for Prosperity



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
Vienna International Centre, P.O. Box 300, 1400 Vienna, Austria
Telephone: (+43-1) 26026-0, Fax: (+43-1) 26926-69
E-mail: unido@unido.org, Internet: www.unido.org

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