

UNIDO's strategic approach to partnerships for achieving enhanced levels of inclusive and sustainable industrial development: *rapid progress and international recognition*

Background

The fifteenth session of the UNIDO General Conference, held in December 2013 in Lima, Peru, adopted a new Lima Declaration. The declaration charters the Organization's development priorities for the coming years, placing special emphasis on inclusive and sustainable industrial development (ISID). ISID addresses all three dimensions of sustainable development: social equity, economic growth and environmental protection. One of the central aspects of the Lima Declaration is the emphasis on strengthening existing and forging new partnerships. This needs to be addressed at global, regional and sub-regional level, with the full involvement of relevant stakeholders, in particular representatives of the private sector and financial institutions.

In order to define a new partnership approach for the Organization, UNIDO held extensive consultations with stakeholders during two ISID Forums in 2014. The main thrust behind the partnership business model is the mobilization of external partners and the leveraging of additional resources to accelerate ISID in Member States. UNIDO's role, apart from contributing with its technical assistance, is that of a facilitator and a coordinator, working directly with government and partners to develop and implement a strategy to support national industrialization efforts.

Operationalizing the partnership approach: the Programme for Country Partnership

In order to operationalize the partnership approach, UNIDO has developed a new type of assistance package for its Member States: the Programme for Country Partnership (PCP). A PCP is aligned with the national industrialization priorities of the benefitting country and the national programmes relevant for advancing ISID. It is also aligned with the priorities of development finance institutions that provide credit lines for large-scale infrastructure development, such as industrial zones, as well as multilateral/bilateral finance institutions that provide finance for private investment. Other partners in a PCP include UN sister organizations, bilateral donors and the private sector.

With an increasingly complex array of actors, strategies and means of intervention, it is important that activities and resource flows are well-coordinated. The PCP brings together actors through a multi-stakeholder platform to coordinate and optimize the contribution of each. A strong national coordination mechanism is required to manage the complex partnerships involved in a PCP. Therefore a task force is established that brings together key PCP partners, under the leadership of the national government. In collaboration with UNIDO, the task force is responsible for overall coordination, prioritizes projects and programmes, and allocates resources for the execution of the PCP. The task force also monitors progress to ensure that expected results are achieved.

During the third ISID Forum, held in July 2015 on the sidelines of the third International Conference for Financing for Development (FfD3) in Addis Ababa, Ethiopia, UNIDO received unanimous support for its multi-stakeholder partnership approach and the PCP model for the implementation of the proposed

Sustainable Development Goals. This support was recognized in the outcome document of the FfD3. The Addis Ababa action agenda welcomed "relevant cooperation within the United Nations system, including the United Nations Industrial Development Organization (UNIDO), to advance the linkages between infrastructure development, inclusive and sustainable industrialization and innovation." The Programme for Country Partnership is being piloted in Ethiopia and Senegal.

"I applaud UNIDO and the Governments of Ethiopia and Senegal for their dedication and hard work towards advancing inclusive and sustainable industrialization in their countries through the Programme for Country Partnership. They set an example for the rest of us on how to partner together to accelerate public investment and attract private finance in key industrial sectors. These Programmes for Country Partnership can serve as a model for realizing the other SDGs too."

- Ban Ki-moon, United Nations Secretary-General at the third ISID Forum, Addis Ababa, Ethiopia, 14 July 2015.

Programme for Country Partnership: Ethiopia

The PCP for Ethiopia focuses on developing light manufacturing industries, particularly in agro-food processing, textiles and apparel, and leather and leather products. These sectors were chosen due to their prospects for job creation, strong linkages to the agricultural sector, and potential for exports and private sector investment. The PCP also integrates complementary cross-cutting interventions according to government-defined priorities. All PCP components have been included in the Growth and Transformation Plan (GTP II, Ethiopia's central policy document), demonstrating the Government's ownership of the Programme.

A management structure for the PCP has been established. This includes a PCP Project Management Unit and a High-level Joint Steering Committee comprising relevant ministries and representatives from the private sector, development finance institutions (DFIs) and other development partners. The mandate of the Steering Committee, led by the Ministry of Finance and Economic Development, is to mobilize and allocate resources for the PCP. A National Technical Task Force was also formed to provide strategic guidance for the execution of the PCP. It is led by the Ministry of Industry and includes representatives from various national institutes.

Feasibility studies for the four large-scale Integrated Agro-Industrial Parks (IAIPs) and associated Rural Transformation Centres (estimated project cost of USD 800 million) have been completed and are under review by different stakeholders. A feasibility study and a business plan have been finalized for the establishment of a central waste treatment plant in the Modjo Leather City (MLC), of an estimated USD 60 million project cost. Funding is currently being mobilized for the development of MLC infrastructure from development partners and DFIs. In addition, a capacity-building programme for the Ministry of Industry and three national institutes has commenced.

Comprehensive project documents have been developed for the various PCP components, including for the utilization of slaughterhouse by-products, fisheries sector development, capacity-building for the three relevant sectoral institutions under the Ministry of Industry, as well as for phase two of IAIP development. Preparations are also underway for an international investment forum aimed at spurring investment in the three PCP priority sectors.

Partnerships have been established with sister UN organizations – the United Nations Conference on Trade and Development and the United Nations Economic Commission for Europe – for trade and export promotion-related activities within the priority sectors.

Ethiopia "stands to gain from UNIDO's sound technical cooperation experience and expertise in the implementation of industrial development programmes and projects. The Cooperation with UNIDO within the new ISID mandate could not have come at a more timely moment".

- **Hailemariam Desalegn, the Prime Minister of Ethiopia at the second ISID Forum, Vienna 4-5 November 2014.**

Programme for Country Partnership: Senegal

The PCP for Senegal focuses on industrial policy development, the establishment of agro-poles for agricultural value chains and industrial park development, while integrating complementary cross-cutting interventions. The Programme officially launched in April 2015, chaired by the Prime Minister of Senegal.

The PCP is supporting the operationalization of the first integrated industrial park – Diamniadio – a priority project of the Plan Sénégal Emergent, the national development strategy. UNIDO is helping the Government to develop a legal, institutional and administrative framework for the management of Diamniadio. It is also preparing a long-term incentive package to help attract investment for the operationalization of the park. In addition, the PCP is supporting the establishment of Senegal's first integrated agro-pole. Feasibility studies will produce an agro-industrial analysis and present investment models.

In order to ensure a participative and inclusive approach to these PCP deliverables, UNIDO is mobilizing relevant partners at each decision-making and implementation stage, including government and financial institutions, development banks, private companies and private sector associations, investment funds, non-governmental organizations, as well as local producers and entrepreneurs. A partner and donor round table, chaired by the Minister of Economy and Finance, will be organized at the end of this year in order to institutionalizing partnership and fund mobilization.

"The implementation of the partnership approach will reinforce industrialization and the manufacturing sector, operate special economic zones and industrial parks, and establish large-scale infrastructure. In this regard, the Programme for Country Partnership introduces innovative financing and partnership models for inclusive and sustainable industrial development, in particular through the establishment of a Partner and Donor Working Group. It is chaired by the Minister of Economy, Finance and Planning and will coordinate, harmonize and allocate financial and non-financial resources according to the priorities of the Plan Senegal Emergent."

- **Amadou Ba, Minister of Economy, Finance and Planning, Senegal at the third ISID Forum, Addis Ababa, Ethiopia, 14 July 2015. (on behalf of President Macky Sall)**

Increasing South-South and Triangular Industrial Cooperation

UNIDO's first Operational Strategy for South-South and Triangular Industrial Cooperation (SSTIC) is being developed through individual consultations and systematic validation. It aims to better position SSTIC

both internally and externally, to optimize service delivery and to ensure commitment from all stakeholders so that SSTIC can play an integral role in its contribution to ISID.

SSTIC is integrated in the PCPs for Ethiopia and Senegal. An appraisal methodology is being drafted in order to explore opportunities for matching demand and supply of Southern solutions.

UNIDO has also strengthened its cooperation with the BRICS countries (Brazil, Russia, India, China and South Africa). The Organization's key role in promoting inclusive sustainable industrial development was explicitly highlighted in the Declaration of the seventh BRICS Summit¹. UNIDO is also assisting with the development of the BRICS Technology Platform to support technology transfer.

Global forum activities that promote SSTIC include the Investing in Africa Forum² and the UN High-Level Multi-Stakeholders Strategy Forum. Such events allow for the dissemination of SSTIC success stories and increase prospects for new partnerships. The establishment of an Electronic Referral Portal with information on the export requirements of the Eurasian Economic Union, the BRICS and the Latin American and Caribbean countries is one example of an outcome of the Organization's global forum activities.

"If UNIDO, and other international organizations, are to meet the increasingly complex development challenges of the 21st century, it is clear that South-South Cooperation will be a vital instrument in encouraging innovative solutions required [...] This diversity of knowledge and technology is essential, as we know that there is no single development strategy and no single actor that can address all of the social, environmental and economic challenges we are facing."

Li Yong, UNIDO Director General, Opening Statement at the Global South-South Development Expo 2014: South-South and Triangular Cooperation for Inclusive and Sustainable Industrial Development, 17 November 2014.

Enhancing partnerships with the private sector

Over the past two years, UNIDO has enriched and deepened its portfolio of partnerships with the private sector. Since the adoption of the Lima Declaration, over 15 new partnerships have been forged covering all three dimensions of ISID – environmental sustainability, social inclusion and economic competitiveness.

UNIDO is working with **Heineken** on water stewardship initiatives, renewable energy and local sourcing. It has also partnered with **DNV Business Assurance** to promote sustainable water management. New partnerships have also been forged with **Royal Philips** on solar powered LED lighting and with **Dell International LLC** on sustainable e-waste management.

In collaboration with the **Volvo Group**, UNIDO is implementing vocational training programmes for mechanics. **Illycaffé** has also partnered with UNIDO to help increase coffee farmers' income.

¹ The Summit was held in Ufa, Russia, 8-9 July 2015

² The Forum was co-organized with the Government of the People's Republic of China, the Government of Ethiopia, the World Bank Group, the China Development Bank and the China-Africa Development Fund. It was held in Addis Ababa, Ethiopia, 30 June-1 July 2015.

Furthermore, **Deutsche Messe AG** and UNIDO will work together to organize industrial trade fairs, with a particular focus on accelerating ISID in emerging and developing countries.

Other new partnerships include companies such as **CNH Industrial NV, EON Reality Inc., Festo, Intel Corp, Ipack-IMA, Matrunita Mediterranea, Nomura Kohsan Company, Ltd.** and **Yamaha Motor Co., Ltd.**

"Enabling recycling infrastructure in developing countries has significant benefits for the environment and local community, and facilitates Dell with the recovery of valuable resources currently being discarded. Together with UNIDO we will work to establish or up-scale facilities to operate environmentally sound management practices that meet international standards for e-waste recycling and further powers the circular economy for IT."

- **David Lear, Dell Inc.'s Executive Director of Sustainability, 22 September 2014**

Partnering with development finance institutions

During 2015, UNIDO expanded its portfolio of partnerships with development finance institutions by concluding cooperation agreements with the European Investment Bank, the Islamic Development Bank and the China Development Bank.

Within the framework of the Programme for Country Partnership, UNIDO is working with the World Bank, the International Finance Corporation, the African Development Bank, the Japan Bank for International Cooperation and the Arab Bank for Economic Development of Africa.

On a project level, UNIDO is implementing an agro-industrial project in the Democratic Republic of Congo with the support of a grant from the World Bank allocated to the Ministry of Finance. Similarly, a grant from the OPEC Fund for International Development is supporting the development of a regional fisheries project in Latin America.

"Inclusive and sustainable industrial development [...] requires investments not only in industry, but also in associated infrastructure, such as transport facilities and utilities. It also calls for policies, strategies, and regulatory frameworks designed to facilitate market access, create decent jobs, attract foreign direct investment, upgrade technology and ensure environmental sustainability. In recognition of the complexity of these challenges, we applaud UNIDO for launching its Programme for Country Partnership."

- **Jim Yong Kim, President of the World Bank Group at the third ISID Forum, Addis Ababa, Ethiopia. 14 July 2015.**

"The collaboration with UNIDO will focus on some of the key sectors for the development of the African, Caribbean and Pacific Group of States, namely in the fields of energy and climate action, while much attention will also be paid to agro-business. Our working together will allow for a significant increase in the leveraging of available financing."

- **Werner Hoyer, President of the European Investment Bank at the signing of a Memorandum of Understanding with UNIDO, Luxembourg City, 9 July 2015.**

The Global Environment Facility and the Green Climate Fund

UNIDO's partnership with the Global Environment Facility (GEF) has expanded over the past years to involve three technical branches. It covers ISID-related issues on climate change mitigation, adaptation, international waters and chemicals. In the last fiscal year, the UNIDO-GEF portfolio contributed to more than 26 per cent of overall implementation, an increase of around 20 per cent from previous years. UNIDO is also involved in new GEF flagship interventions, namely the Sustainable Cities and Food Security Integrated Approach Programmes (IAPs). In Senegal, UNIDO has created direct synergy between the GEF-IAPs and UNIDO's Programme for Country Partnership.

UNIDO is in the process of becoming an implementing agency of the Green Climate Fund. UNIDO will work with the Fund on promoting low-emission and climate-resilient development. The partnership can play an important role in channelling additional financial resources for ISID in developing countries.

"There are three key sectors which require a significant transformation: the energy system, the city system and the land use system. UNIDO and GEF have been catalyzing the transformation in those key three systems [...] through a multi-stakeholder platform approach, which involves all important stakeholders and is backed by a concrete programme with finance."

- Naoko Ishii, Chief Executive Officer and Chairperson of the Global Environment Facility at the third ISID Forum, Addis Ababa, Ethiopia. 14 July 2015.