Sustainable industrial development for shared prosperity

UNIDO’s PROGRAMME FOR COUNTRY PARTNERSHIP
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TABLE OF CONTENTS

1. Foreword by the Director General: 5
2. Introduction: 6
3. The Programme for Country Partnership: 10
4. PCP Ethiopia: 16
5. PCP Senegal: 26
6. PCP Peru: 36
The comprehensive goals that the global community set in the 2030 Agenda for Sustainable Development cannot be attained in isolation, or by a single organization or country alone. Achieving the 2030 Agenda requires the pooling of resources and expertise from various actors. With this recognition, the United Nations Industrial Development Organization (UNIDO) developed an innovative partnership model to support countries in advancing inclusive and sustainable industrial development: the Programme for Country Partnership (PCP).

The PCP is a multi-stakeholder country-level partnership model that links efforts of the respective government, United Nations agencies, the business sector, global environmental financing mechanisms and financial institutions. Through the PCP, UNIDO provides advisory services to the government on industry-related issues, leads programme design, delivers multidisciplinary technical assistance and facilitates overall coordination. Each PCP is tailored to the specific country needs, but mobilizes different partners and resources to maximize the development impact. By focusing on sectors with high growth potential, the Programme helps countries achieve their industrialization goals, while being aligned with the national development agenda. UNIDO first introduced the PCP in Ethiopia, Senegal and Peru.

UNIDO’s PCP provides an innovative model for advancing not only Sustainable Development Goal (SDG) 9: “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”, but also other SDGs. As the PCP builds synergies with partner interventions, it contributes, for example, also to the achievement of SDG 17, which calls on the global community to revitalize the global partnership for sustainable development. Partnerships with financial institutions and the business sector allow UNIDO to augment the impact of its operations by leveraging the funding and investment needed for large-scale industrial projects.

This brochure provides an introduction to UNIDO’s PCP. Part I describes the context and rationale for the Organization’s renewed partnership approach. Part II describes the key features of the PCP. Part III provides an overview of the ongoing programmes in Ethiopia, Senegal and Peru.

Going forward, UNIDO will expand the PCP to additional countries and will continue working with partners to achieve an inclusive and sustainable future for all. I am convinced that only by working together through partnerships can we attain the SDGs.

Li Yong
Director General
In September 2015, the international community adopted a new development framework to guide all global, regional and national development endeavours for the next 15 years. The 2030 Agenda for Sustainable Development includes 17 Sustainable Development Goals, or SDGs, which set out quantitative objectives across the social, economic, and environmental dimensions of sustainable development.

These new and universally applicable Goals are considerably more ambitious in scope than their predecessor, the Millennium Development Goals. Achieving the SDGs requires an unprecedented level of collaboration across all countries and stakeholders. It requires diverse actors to work together through multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources. SDG 17 states the need to “strengthen the means of implementation and revitalize the global partnership for sustainable development” and highlights the central role of partnerships in fulfilling the 2030 Agenda.

As such, new forms of collaboration are increasingly shaping between *inter alia* states, international organizations, financial institutions, the business sector and civil society, leveraging resources from various actors to allow for more scalable and sustainable development results.
UNIDO’s vision for addressing today’s economic, social and environmental challenges is enshrined in the Lima Declaration, adopted by the Organization’s Member States in December 2013. The Lima Declaration provides UNIDO with a mandate to promote and accelerate inclusive and sustainable industrial development (ISID). This is based on the recognition by Member States that poverty eradication “can only be achieved through strong, inclusive, sustainable and resilient economic and industrial growth, and the effective integration of the economic, social and environmental dimensions of sustainable development”.

Inclusive and sustainable industrial development means that:

- Every country achieves a higher level of industrialization in their economies, and benefits from the globalization of markets for industrial goods and services.
- No one is left behind in benefiting from industrial growth, and prosperity is shared among women and men in all countries.
- Broader economic and social growth is supported within an environmentally sustainable framework.
- The unique knowledge and resources of all relevant development actors are combined to maximize the development impact of ISID.

Accordingly, the Organization’s programmatic approach is guided by three interrelated themes: creating shared prosperity, advancing economic competitiveness and safeguarding the environment. This applies to all of UNIDO’s work: technical cooperation activities, analytical and policy advisory services, standard-setting and compliance, and its convening and partnership building role.

UNIDO’s mandate for ISID is anchored within the internationally agreed 2030 Agenda. Of the 17 SDGs that comprise this Agenda, Goal 9: “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation” is especially relevant to UNIDO’s work. It recognizes that the industrial sector can serve as a primary engine not only of job creation and economic growth, but also of technology transfer, investment flows and skills development. This is based on the recognition that modern livelihoods have generally been built on and further developed through the industrialization process.

In addition to Goal 9, UNIDO’s mandate for ISID aligns with many other SDGs, including those related to poverty eradication (SDG 1), job creation (SDG 8), access to clean and affordable energy (SDG 7) and gender equality (SDG 5), among others.

"SDG 9: ‘Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation’ is especially relevant to UNIDO’s work."
UNIDO’s INDUSTRIAL DEVELOPMENT PARTNERSHIPS

Partnerships are not only key to successfully tackling the global development challenges that lie ahead, but also essential to the attainment of UNIDO’s mandate. Achieving inclusive and sustainable industrial development requires a broader range of resources than any individual entity can provide.

UNIDO cooperates with many different entities to fulfil its mandate and assist Member States in achieving their development goals. Partners include *inter alia* governments, development organizations, UN sister agencies, financial institutions, global environmental financing mechanisms, the business sector, civil society and academia.

Partnering with large financial entities – such as international financial institutions or development finance institutions – allows UNIDO to catalyze additional resources for large-scale industrial development projects and to support countries in moving beyond pilot demonstrations towards full-scale sustainable industrial investments.

The business sector, both local and international, is another important partner for UNIDO. International firms channel not only foreign direct investment to the host country, but also specialized knowledge and technology that helps UNIDO enhance the impact of its technical cooperation projects. By partnering with the business sector, UNIDO can increase the relevance of a skills training programme and ensure it meets labour market demand, for instance.

Partnerships can take the form of project-specific collaborations, long-term global alliances often focused on a specific theme, or crystallize in the Organization’s flagship partnership model, the **Programme for Country Partnership (PCP)**. UNIDO is also part of various global networks and platforms which serve as means of sharing information, best practices and innovative solutions in the field of inclusive and sustainable industrial development.

Finally, UNIDO’s convening role brings diverse partners together in major events, such as ISID Forums, conferences and expert meetings, in order to exchange knowledge, forge partnerships and shape strategies for advancing ISID.

"Partnerships are not only key to successfully tackling the global development challenges that lie ahead, but also essential to the attainment of UNIDO’s mandate. Achieving inclusive and sustainable industrial development requires a broader range of resources than any individual entity can provide."
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WHAT IS THE PCP?
The PCP is UNIDO’s innovative model for accelerating inclusive and sustainable industrial development in Member States. Aligned with the national development agenda and focused on sectors with high growth potential, the programme supports a country in achieving its industrial development goals.

The PCP rests on a multi-stakeholder partnership led by the host government. It builds synergies with ongoing government and partner interventions relevant to industrial development. The PCP is also designed to leverage additional investment in selected priority sectors. As such, it is a model that mobilizes partners and resources to achieve larger development impact.

For UNIDO, the PCP serves to operationalize the Organization’s mandate and SDG 9. At the same time, it is a model that can be used to implement other SDGs too.

"Through the PCP, UNIDO provides advisory services to the government on industry-related issues, leads programme design, delivers multi-disciplinary technical assistance and facilitates overall coordination."

UNIDO’s ROLE
UNIDO takes a leading role during the entire PCP cycle: from the initial country diagnostic which identifies the main bottlenecks for industrialization, to consultations with different stakeholders and programme development, and throughout implementation.

UNIDO provides advisory services to the government on all industry-related issues and facilitates overall PCP coordination. The Organization supports the government in developing a strategy for accelerating industrialization through the PCP. This includes identifying priority industrial sectors or projects, namely those with a strong potential for job creation, increasing exports and attracting foreign direct investment. UNIDO conducts value chain assessments within these sectors and advises on which interventions are required to advance inclusive and sustainable industrial development. During these processes, UNIDO identifies and reaches out to essential partners, with a focus on leveraging large-scale public and private finance.

Additionally, a multidisciplinary UNIDO team provides technical assistance for the execution of the programme in line with the three pillars of ISID: promoting shared prosperity, advancing economic competitiveness and safeguarding the environment. This includes, among other interventions, skills training programmes, industrial energy efficiency projects, and conducting feasibility studies for the establishment of major industrial projects, such as industrial zones.
**KEY FEATURES**

Each PCP is tailored to specific country needs, but maintains four main features: host government ownership; selected priority sectors or areas; a multi-stakeholder partnership; and the facilitation of large-scale public and private finance.

**GOVERNMENT OWNERSHIP**

The PCP is characterized by strong government ownership at the highest political level. This entails guidance and leadership of the programme, alignment with national development goals, and a leading role in resource mobilization.

A national coordination mechanism is set up under the leadership of the government to effectively manage the partnership. It brings together all ministries relevant to industrial development – including the Ministry of Finance – and development partners. It is responsible for overall PCP coordination, prioritizes projects and programmes, ensures synergies between funding and investment from different partners and monitors progress.

**SELECTED PRIORITY SECTORS OR AREAS**

The PCP focuses on a select number of priority sectors or areas essential to the government’s industrial development agenda. Priority sectors are typically selected based on job creation potential, availability of raw materials, export potential and ability to attract investment.

A prioritized area can be of a cross-cutting nature, such as the development of sustainable industrial zones. A focused approach enables UNIDO to concentrate its diverse, in-house expertise, and maximize impact in areas key to the country’s industrial development.

**MULTI-STAKEHOLDER PARTNERSHIP**

The PCP is a multi-stakeholder partnership from programme design to implementation. It links the industrial development efforts of the respective national government, United Nations agencies, development partners, financial institutions, the business sector, academia and civil society. Each of these different actors has its own set of priorities, limitations and advantages that need to be utilized in a coherent manner to avoid duplication of activities, capitalize on the strengths of each and result in overall greater impact. Once partners are united under the umbrella of the PCP, there is greater synergy and ease in leveraging larger investments for ISID.

**FACILITATION OF LARGE-SCALE PUBLIC AND PRIVATE FINANCE**

The PCP facilitates the mobilization and coordination of three streams of resources: public finance, business sector investment and development assistance. The host government plays a leading role in the mobilization of resources for the implementation of the PCP. This is done in part through the direct allocation of its own resources and in part through loans, for example for industrial infrastructure development. Such public finance under the PCP helps to mobilize additional private investment.

Through the PCP, UNIDO supports the government in improving the overall environment and in promoting specific investment opportunities to attract domestic as well as foreign direct investment. UNIDO also provides technical assistance designed specifically to unlock large-scale funding from development partners, such as financial institutions and bilateral donors. Such support includes, among others, conducting feasibility studies or developing incentive packages to facilitate partners’ investments.
**The PCP** is led by the host government at the highest political level.

The PCP targets prioritized sectors and areas, aligned with the national industrialization strategy.

**Priority sectors/areas**

The PCP leverages large-scale public and private investment for industrial development, infrastructure and innovation.

The PCP creates synergy with partner interventions: UN agencies, development partners, financial institutions and the business sector.

**Government ownership**

**Facilitation of public and private finance**

**Multi-stakeholder partnership**
PILOTING THE PCP

In order to pilot the model, UNIDO conducted high-level scoping missions to potential PCP countries and consulted with relevant stakeholders. In mid-2014, Ethiopia and Senegal were selected as the first two pilots of the programme. UNIDO multidisciplinary technical teams were assembled who, in close collaboration with the respective governments and potential partners, formulated the PCP for each country. In December 2015, Peru became the third PCP pilot country.

By the end of 2017, UNIDO will roll-out a new PCP for each remaining geographical region – Europe and Central Asia, Asia and Pacific, and the Arab region – thus completing the piloting phase.

"Based on the success of and lessons learned from the first three pilots, the PCP approach will be expanded to additional countries."

PARTNERSHIP TRUST FUND

UNIDO has established an overarching Partnership Trust Fund to support the development and roll-out of the PCPs. Through voluntary contributions, the Trust Fund supports activities such as the development of an industrialization strategy, preparatory activities in selected countries, overall PCP coordination, joint activities with PCP partners, bridging a funding gap where there is potential to trigger additional large-scale funding, and global forum activities aimed at promoting partnerships.
THE PROGRAMME FOR COUNTRY PARTNERSHIP

ETHIOPIA
The PCP for Ethiopia is rooted in the country’s national development strategy for the period 2015 to 2020, the Growth and Transformation Plan II (GTP II). The GTP II aims to bring about the structural transformation of the Ethiopian economy from one based on agriculture to one driven primarily by industries. The overall objective of the GTP II is for Ethiopia to become a middle-income country by 2025.

The PCP for Ethiopia is supporting the Government in implementing the GTP II and achieving its industrial development goals. The Government has identified the development of light-manufacturing and industrial zones as vehicles for accelerating industrialization, which are therefore integral parts of the PCP for Ethiopia. The three priority sectors of the PCP – agro-food processing, leather and leather products, and textiles and apparel – also lie at the heart of the GTP II.

A national coordination mechanism has been established under the leadership of the Government, bringing together all relevant ministries and PCP partners. It is composed of a Joint Steering Committee, chaired by the Ministry of Finance and Economic Cooperation and the Ministry of Industry, and several technical task forces.

"The PCP for Ethiopia focuses on developing light-manufacturing, particularly in agro-food processing, textiles and apparel, and leather and leather products."
**PRIORITY SECTORS**

The PCP for Ethiopia focuses on three priority sectors, namely 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, high export potential and capacities to attract business sector investment.

**AGRO-FOOD PROCESSING**

Agro-industries account for the largest share of manufactured goods in Ethiopia, with food and beverages constituting approximately 52%. The improved investment climate alone, however, has not been sufficient to attract investors to the agro-processing sector in places where there is high economic potential. This is mainly due to the lack of proper infrastructure and the inadequate supply of raw materials.

In order to address some of these challenges, the PCP is supporting the establishment of four integrated agro-industrial parks (IAIPs), a priority initiative of the Government of Ethiopia. The IAIPs will focus on adding value to locally sourced agricultural products and will address constraints to business sector development. The parks will provide large- and medium-scale firms with access to infrastructure and utilities, as well as business services. At the same time, they will serve as a platform for catalyzing investment and job creation.

"The PCP is supporting the establishment of four integrated agro-industrial parks, a priority initiative of the Government of Ethiopia."

**TEXTILES AND APPAREL**

An abundance of raw materials, competitive wages and low energy costs give the Ethiopian textiles and apparel sector a comparative advantage over other countries. The sector comprises a number of state-owned and private enterprises covering all stages of the value chain. Their main activities include spinning, fabric weaving, dying, finishing and the production of ready-made garments. Ethiopia also has a flourishing cotton-based handloom industry with a large number of traditional weavers.

The textiles and apparel sector offers substantial opportunities for access to regional and international markets, especially as foreign direct investment is increasing. A growing number of garment companies from Turkey, India, Italy and other countries are investing and registering in Ethiopia. Investments in the sector exceeded USD 1.2 billion in the last five years and have
created over 50,000 jobs. However, in order for the sector to achieve its full potential, production and supply chain inefficiencies along the cotton-to-textiles value chain need to be addressed.

In response, the PCP for Ethiopia is helping to increase the supply of quality raw materials, upgrade workforce skills and build the capacity of support institutions along the value chain. The programme is also promoting investment opportunities in integrated textile mills.

LEATHER AND LEATHER PRODUCTS

The Ethiopian leather industry enjoys significant comparative advantages as country has one of the world’s largest livestock populations. It includes 52 million cattle (first in Africa and sixth in the world), 27 million sheep (third in Africa and tenth in the world) and 23 million goats (third in Africa and eighth in the world).

The PCP is developing a large-scale programme aimed at upgrading the livestock value chain in Ethiopia, which will address three important livestock-related components: red meat, dairy, and hides and leather.

The Government introduced a tax on exports of pickle and wet-blue leather, which led to a significant structural change in the leather industry by encouraging manufacturers to move from primary processing to the production of crust and finished leather. The Ministry of Industry is targeting an increase in exports of leather and leather products, from USD 130 million in 2015 to USD 1.4 billion by 2020, which is expected to create 336,000 new jobs.

The PCP is supporting Ethiopia in the establishment of the “Modjo Leather City” (MLC), a modern and environmentally-friendly leather district based on an existing concentration of tanneries in the town of Modjo. The MLC will have a common wastewater treatment plant and centralized services for chrome recovery and by-product processing.
An analysis of the current institutional responsibilities and regulatory powers will be conducted to identify redundancies and improve effectiveness of procedures in public institutions. Public officials will also benefit from training courses on trade facilitation.

Environment and energy

Industries are major consumers of energy and require an uninterrupted supply. However, for industries located in isolated areas, energy access is constrained by limited infrastructure and an unreliable power supply. With this in view, the PCP is promoting the use of locally available renewable energy resources, such as bio-waste or small hydropower stations, to power industrial park operations. A systematic and integrated approach to energy efficiency will lead to substantial energy savings, thereby increasing the productivity and competitiveness of industries.

While Ethiopia ranks as Africa’s largest meat producer, an estimated 300,000 tons of animal by-products are dumped annually in open fields. Apart from the loss of valuable economic resources, waste creates an environmental problem. The PCP is therefore assisting the Government in developing industrial complexes with higher environmental standards and improved waste management systems. UNIDO, together with its PCP partners, will help set up a rendering industry to generate semi-products for the downstream manufacturing of a variety of industrial and food products.

CROSS-CUTTING COMPONENTS

In order to promote investment in the three priority sectors, UNIDO and the Government of Ethiopia are undertaking several activities in collaboration with PCP partners. This includes reviewing the related policy framework, preparing feasibility studies, mobilizing resources for infrastructure development, preparing specific investment profiles and organizing international investment events.

Trade facilitation

In order to optimize the development of light industries in Ethiopia, inefficiencies in trade facilitation also need to be addressed. These include high freight-handling costs, high costs of financial services and long delays in the authorization of letters of credit, as well as complex customs procedures and high customs fees.

The PCP is helping national institutions to develop and apply quality standards and certification schemes in conformity with international market requirements, in particular for industrial zones. UNIDO is also working with its PCP partners to set up a trade knowledge centre to provide information on import-export procedures, tariffs, and best practices related to relevant World Trade Organization agreements. This will help reduce information asymmetries between public institutions, businesses and investors.

Institutional capacity-building

Strong national institutions are essential for Ethiopia to achieve its national development goals and capitalize on the large investment flows coming into the country. The Government has recently established a number of new institutions to support the industrialization process, in addition to upgrading existing ones. However, challenges remain in terms of coordination between the various institutes, as well as limited human resource capacity for addressing strategic and structural issues within the institutions themselves.
The PCP is working with the Government of Ethiopia to strengthen the capacity of the Ministry of Industry to generate industrial intelligence, in particular for agro-industries. It will also support the establishment of an “industrial observatory” to centralize all industry-related data, alongside an effective monitoring and evaluation system. The PCP will also help the Government to institutionalize South-South and triangular industrial cooperation.

"Strong national institutions are essential for Ethiopia to achieve its national development goals and capitalize on the large investment flows coming into the country."
The PCP for Senegal is being implemented within the framework of the Plan Sénégal Emergent (PSE), the country’s national development strategy. The overall objective of the PSE is to transform Senegal into “an emerging country by 2035 with social solidarity and a state of law”.

The PCP for Senegal is supporting the implementation of the industrial component of the PSE, with focus on selected priority industrial projects. To this end, the PCP is supporting the Government in designing a national industrial policy and identifying sectors with strong potential for economic growth.

The Government of Senegal has identified several key industrial projects to spearhead the structural transformation of the economy; these form the basis of the PCP. Such projects include the establishment of agro-poles for high potential value chains, the development of integrated industrial parks and the development of a regional mining hub. Another flagship PSE initiative supported by the PCP is a national reform on special economic zones and the related incentive package.

A national coordination mechanism has been established under the leadership of the Government of Senegal, bringing together relevant ministries and PCP partners. The National Steering Committee is coordinated by the Ministry of Industry and Mining, under the supervision of the Prime Minister’s Office. A Partner Donor Working Group will also be established under the auspices of the Ministry of Economy, Finance and Planning.

"The PCP for Senegal is being implemented within the framework of the Plan Sénégal Emergent, the country’s national development strategy."
The PCP for Senegal focuses on five main areas: i) industrial policy development; ii) the establishment of agro-poles; iii) the operationalization of a new generation of integrated industrial parks; iv) the development of a regional mining hub; and v) special economic zones and incentive package reform.

**INDUSTRIAL POLICY**

The *Plan Sénégal Emergent* is the reference document orienting economic and social policy in Senegal and provides strategic guidance for industrial projects. However, in order to achieve the objectives of the PSE, Senegal needs an effective national industrial policy and action plan. The PCP is therefore supporting the Government in designing a strategy to accelerate industrialization, including identifying priority sectors.

The PCP will support the establishment of a strategic unit within the Ministry of Industry, dedicated to the development of a strategy and an action plan for the implementation of Senegal’s industrial policy. Training workshops will be delivered to government officials on conducting industrial diagnosis, selecting priority industrial sectors, and assessing the social and environmental impacts of industrialization.

To this end, UNIDO and the National School of Development of Peking University prepared a report on growth identification and facilitation for industrial upgrading and diversification (GIFIUD) within the framework of the PCP. The GIFIUD report presents an analysis of Senegal’s potential key sectors and provides recommendations for achieving “quick wins” based on international market opportunities.

**AGRO-POLES**

Agro-industries have the potential to contribute significantly to economic development and poverty reduction. They can generate employment for rural populations involved in farming, but also in activities such as handling, packaging, processing, transport and marketing of agro-food products.

The Government of Senegal has therefore prioritized the establishment of competitive and integrated agro-poles within its national development strategy. Agro-poles will serve as geographical clusters of infrastructure and support services for small and medium-sized enterprises (SMEs) operating in the agro-industrial sector.

The PCP has helped the Government to delineate the concept and scope of an agro-pole. This includes the identification of its components, location and targeted agro-industrial value chains. The PCP is supporting the establishment of three agro-poles for high-potential value chains: fruits and vegetables; aquaculture and fisheries; and livestock.

The agro-poles will provide the appropriate infrastructure, technologies and services to strengthen agro-industrial value chains. Such support services will include training programmes to promote commercial farming, value addition and modern marketing techniques. In addition, the PCP will help define the regulatory, financial and management framework of the agro-poles, as well as the design of on-site infrastructure. UNIDO also serves an advisory function to the Government and the business sector on investment-related decisions. As such, large-scale public and private investments, including from financial institutions, are being mobilized for the establishment of the agro-poles.

"The PCP supports the Government in designing a national industrial policy and identifying sectors with potential for economic growth."
INTEGRATED INDUSTRIAL PARKS

The agro-food processing, textile and mineral sectors have high-potential in terms of industrial capacity, value addition and job creation. However, the small size of production units and economic actors, high input costs and limited access to finance are major impediments to the country's industrialization. By providing the required infrastructure and support services, industrial parks can address some of these challenges. Through policy advice and technical support, the PCP for Senegal is supporting the development of a new generation of integrated industrial parks.

The PCP has been instrumental in the operationalization of the first phase of Diamniadio, Senegal’s first integrated industrial park. The PCP has developed a business model for the park’s management and an incentive package to attract public and private investment for infrastructure development.

UNIDO will support the Government of Senegal in mobilizing funds from international investors and financial institutions for the second phase of Diamniadio. Once fully operationalized, the integrated industrial park will serve as one-stop-shop, providing maintenance, logistics and services for companies. The PCP will also conduct feasibility studies and select sites for the development of additional integrated industrial parks.

REGIONAL MINING HUB

Endowed with significant mining potential, Senegal aspires to position itself as a mining hub for the West Africa region. The development of a regional mining hub is another priority project of the national development strategy as it holds considerable promise for attracting foreign direct investment, creating jobs, boosting exports and therefore contributing to overall economic growth. The mining hub will incorporate: i) services, for instance to facilitate hiring of subcontractors for the management of mining-related facilities; ii) logistics, such as distribution centres for equipment; and iii) specialized technical training for mining operators and engineers, among others.

In order to support the Government in developing a roadmap for the realization of this project, UNIDO conducted a comprehensive assessment of the Kedougou region, one of the main gold-bearing areas in operation. This included an analysis of the supply and demand of mining services in the region and a mapping of key stakeholders.

Through the PCP, UNIDO technical assistance will help develop a business model for the hub’s management and operations, as well as an incentive package. The PCP will also help to identify and mobilize technical and financial partners for its establishment.

SPECIAL ECONOMIC ZONES AND INCENTIVE PACKAGE REFORM

Based on UNIDO’s experience in developing the legal, regulatory and institutional framework for the Diamniadio integrated industrial park, the Government of Senegal – through the Ministry of Investment Promotion, Partnerships and Development of State Teleservices – requested UNIDO’s technical support for the development of a reform regarding special economic zones and the related incentive package.

Within the framework of the PCP, UNIDO provided technical assistance to the drafting of the reform, subsequently adopted as law by the Government of Senegal.

The PCP will further support the development of a regulatory framework for the implementation of the new reform and the setting up of a dedicated public-private joint committee.
UNIDO will support Senegal in mobilizing funds from international investors and financial institutions.
Environment

In order to increase sustainable production and industrial resource efficiency within the industrial parks and agro-poles, the PCP will help establish eco-industrial parks, support the Sustainable Cities Initiative in Senegal and promote the “greening” of value chains. These interventions are aligned with UNIDO’s Green Industry Initiative and will focus on pollution prevention, pollution abatement and resource management.

Energy

For most industrial parks and agro-poles in Senegal, energy access is constrained by limited infrastructure services and an unreliable power supply. It is therefore necessary to harness locally available renewable energy resources, such as production waste and solar energy, to power their operations. The PCP is supporting the integration of renewable energy and energy efficiency technologies in industrial parks and agro-poles. It will also strengthen public and business sector capacities to provide energy efficiency services, and improve the legal and regulatory framework for energy-related investments.

Trade facilitation

In order to orientate trade facilitation services towards PSE targets and priorities, quality-support services will be provided within the agro-poles and industrial parks to ensure compliance with international food safety and quality requirements. The national quality infrastructure will be strengthened by improving the policy framework for food safety and hygiene, and by upgrading institutions involved in standards and metrology.

Innovation, science and technology for industry

This PCP component aims to increase the productivity and competitiveness of the industrial sector through innovation. Two comprehensive surveys will be conducted: one on the Senegalese national innovation system and the other on the innovation capacities of firms across the country. The surveys will help develop tailored capacity-building and upgrading programmes aimed at strengthening the innovation capacities of institutional actors and firms. The PCP will also create and embed the surveys in a National Observatory on Innovation and Productivity to improve the evaluation, monitoring and management of the national innovation framework.

South-South and triangular industrial cooperation

The PCP is helping the Government of Senegal to institutionalize South-South and triangular industrial cooperation (SSTIC), in an effort to complement traditional “North-South” cooperation. Interventions will aim to increase levels of investment, trade, technology and knowledge flows between Senegal and southern countries. Improved SSTIC will contribute to an overall increase in trade of value added products, increased manufacturing capacity, and lower production costs for southern manufacturing companies active in the country.

"By providing policy advice and technical support, the PCP for Senegal is supporting the development of a new generation of integrated industrial parks."
THE PROGRAMME FOR COUNTRY PARTNERSHIP

PERU
Over the past decade, Peru has been one of the fastest-growing economies in the Latin America and Caribbean region and classifies as an upper-middle-income economy by the World Bank. Its steady growth can largely be attributed to sound macroeconomic policies and economic openness, resulting in renewed investor confidence and improved infrastructure.

Launched in January 2016, Peru is the newest of the PCPs. The PCP for Peru aims to drive modern, competitive and inclusive industrialization, in line with the country’s national development strategy, the Plan Bicentenario: El Perú hacia el 2021 (Plan 2021), and goal of acquiring membership in the Organisation for Economic Co-operation and Development (OECD). The programme will support Peru’s continuing socioeconomic progress, with a focus on promoting national quality infrastructure and innovation systems, boosting the country’s competitiveness and increasing productivity through sustainable value chain development.

UNIDO has worked closely with the Ministry of Production and potential partners to develop a full-fledged programme for Peru. National coordination mechanisms have been established under the leadership of the Government of Peru, bringing together all relevant ministries and PCP partners. The two coordination bodies are: a National Advisory Board, under the leadership of the Ministry of Production, and a Partner and Donor Working Group (PDWG) under the auspices of the Ministry of Economy and Finance, Ministry of Production and Ministry of Foreign Affairs. The PDWG will be responsible for ensuring synergies and leading resource mobilization for the PCP.

"The PCP for Peru aims to drive modern, competitive and inclusive industrialization."

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**PCP Peru - Snapshot**

PCP Peru is supporting the implementation of the country’s *Bicentennial Plan: Peru towards 2021.*

**National objectives:**
- OECD membership by 2021
- A fourfold increase in the volume of exports between 2010 and 2021
- An average annual growth rate of around 6% per year

**Four PCP priority areas:**
- Quality and innovation
- Value chain and enterprise development
- Sustainable industrial parks and zones
- Industrial resource and energy efficiency, renewable energy

**Key industrial development projects:**
- Quality and standards compliance of SMEs in the coffee and cocoa sectors
- Developing sustainable industrial parks and zones
- Strengthening the network of Innovation and Technology Centres
- Value chain development in the aquaculture sector
PRIORITY AREAS

The PCP for Peru focuses on four key interlinked areas: i) quality and innovation; ii) value chain and enterprise development; iii) sustainable industrial parks and zones; and iv) industrial resource and energy efficiency and renewable energy.

QUALITY AND INNOVATION

Peru’s quality and innovation system has advanced considerably in recent years. This is partially due to the development of a national quality policy and the establishment of the National Institute for Quality (INACAL) in 2015, complemented by significant public investment in innovation grants. Yet, there is a need to strengthen the newly created institutions and balance the supply and demand of quality and innovation services in an inclusive and sustainable manner. As such, the PCP for Peru places emphasis on building national institutional capacity and boosting demand for quality and innovation services. The PCP will help foster a culture of quality in order to increase productivity, innovation and safety in the industrial sector.

As part an initial assessment, INACAL and UNIDO hosted a joint workshop which provided inputs for a roadmap for the promotion of a national culture of quality in Peru.

The PCP will also provide technical support to the network of Innovation and Technology Centres (CITEs) in the country. These centres are expected to facilitate linkages and market access for small and medium-sized enterprises (SMEs) and provide sophisticated technical support for larger firms.

UNIDO conducted an independent assessment of 20 newly established CITEs in order to identify and map the key services of these centres and better understand their respective roles. Building on the findings of the report and inputs from key innovation institutions, the PCP is helping the Government to develop and implement a new comprehensive strategy for the national CITE network.

VALUE CHAIN AND ENTERPRISE DEVELOPMENT

In order to strengthen prioritized clusters and value chains, the PCP will focus on building capacities in and transferring international technologies to sector-specific institutions. The programme will also work on increasing production and processing capacity to deliver competitive and high-quality products. This includes supporting the creation of clusters, new product designs and joint marketing targeted at high-value markets, inside and outside Peru.

Within the PCP framework, the Government has identified the aquaculture sector as a priority, due to its high export potential and capacity to attract business sector investment. Peru has a strong fishing industry; however, fish farming accounts for only 2% of total fish exports and aquaculture development is still incipient. The sector offers substantial opportunities for access to international markets with a wide variety of products, including shrimp, fan shell or sea scallop, trout, tilapia and several Amazonian fish. Nonetheless, substantial challenges will need to be addressed with regards to feed and fish ponds in order to expand the sector and ensure a uniform level of quality.

Following an initial assessment of the Peruvian aquaculture sector, UNIDO conducted a study on potential business models for the production and processing of aquaculture products. The study looked at the main opportunities and challenges within the sector, in particular related to the introduction of modern technologies and improved culture protocols for selected species of Amazonian fish, in view of attracting investors and increasing the production capacity of existing farms.

"The PCP will work to improve coordination, governance and the overall performance of the CITE network."
SUSTAINABLE INDUSTRIAL PARKS AND ZONES

Industrial zones act as a catalyst for private investment, but also risk aggregating negative social and environmental impacts from industrial activities. The PCP therefore aims to boost the productive capacity of industrial parks, while ensuring the economic, social and environmental sustainability of such areas.

UNIDO’s dual approach will focus on the development of new sustainable industrial parks as well as the transformation of existing industrial zones. The PCP will help the Government of Peru to reinforce regulatory mechanisms for sustainable industrial park planning and promote the integration of best available techniques and technologies in the construction, operation and management of industrial parks. This includes low-carbon and clean technologies and practices, as well as energy efficiency, sound chemicals management and renewable energy.

UNIDO is developing a study to help the Government of Peru determine which manufacturing sectors and which regions should be prioritized for the development of sustainable industrial parks, zones and related infrastructure. The results of this study will support the formulation of a roadmap for the development of a national strategy on sustainable industrial parks and zones.

The PCP conducted a sustainability review of the master plan for the development of a new industrial park in the district of Ancón and will provide further technical support for its establishment. To support the sustainability of existing industrial parks, UNIDO is developing a project aimed at transforming the industrial area of Callao into a sustainable industrial zone, to be funded by the Global Environment Facility.

"The PCP aims to ensure the economic, social and environmental sustainability of industrial parks."

RESOURCE AND ENERGY EFFICIENCY AND RENEWABLE ENERGY

Peru’s main environmental challenges include water pollution, soil degradation and air pollution. In the Environmental Performance Review of Peru (2016), the OECD estimates environmental damage costs of around 4% of gross domestic product. Around 70% of those costs are associated with health damages resulting from waterborne diseases, urban air pollution and lead contamination.

A key objective of the PCP is therefore to ensure that the industrialization models developed within the framework of the programme promote economic growth, while protecting human health and the environment at the same time.

The PCP will promote the efficient management of natural resources (water, material waste, etc.) and the use of environmentally sound technologies. The PCP will also support renewable energy for industrial applications across value chains and will promote voluntary policies on energy efficiency, such as sustainable energy management systems. Finally, the PCP will bring together different government agencies and programmes to improve the coordination and control of activities that impact the environment, such as the management of industrial chemicals.

CROSS-CUTTING COMPONENTS

The PCP for Peru also integrates complementary cross-cutting interventions according to government-defined priorities.

Institutional capacity-building

To achieve its national development goals and capitalize on the large investment flows coming into the country, Peru needs strong national institutions. Those established by the Government in recent years still face various challenges, including limited institutional coordination.
The PCP will strengthen synergies among national ministries and institutes by helping stakeholders to identify possible areas for collaboration, mainly through sectoral working groups and engagement in pilot projects. The PCP will also organize trainings for government officials and other national counterparts to build technical capacity to support industrial policy formulation and implementation.

**Gender and women empowerment**

According to the OECD’s Social Institutions and Gender Index, Peru holds a low gender discrimination rating. Nonetheless, women still face higher levels of poverty and unemployment than their male counterparts. Hence, it is essential for value chain and enterprise development initiatives to reflect the specific needs of women entrepreneurs and to include a gender aspect in monitoring and evaluation.

The PCP will integrate gender into all objectives and outputs by following a three-pronged approach: i) mainstreaming gender into all programme components; ii) promoting policy instruments related to gender and green industry; and iii) designing activities specifically aimed at empowering women entrepreneurs.

**Integrating SMEs into sustainable industrial parks and value chains**

The PCP will support the integration of SMEs into larger value chains in order to increase their access to regional and global markets. In this regard, the programme will focus on upgrading technical and administrative know-how, fostering an entrepreneurial spirit and helping businesses to increase their profitability. This, in turn, will enhance SME competitiveness, create more jobs, and promote inclusive growth.
For more information, please contact:

UNIDO’s Department of Partnerships and Results Monitoring, Country Partnerships Division:

prm@unido.org

For more information on the Programmes for Country Partnership, please visit:

https://isid.unido.org/index.html