



PROGRAMME FOR COUNTRY PARTNERSHIP FOR PERU

CONCEPT NOTE



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INDUSTRIAL DEVELOPMENT ORGANIZATION



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BACKGROUND

The Government of Peru is committed to promoting inclusive and sustainable industrial development (ISID) in view of building a more resilient economy, with reduced dependence on a few key sectors, and increasing development opportunities for all. The Government's vision is rooted in the National Plan for Productive Diversification under the leadership of the Ministry of Production (PRODUCE).

Launched in mid-2014, UNIDO's Programme for Country Partnership (PCP) is an innovative model of partnership at the country level that brings together actors in a multi-stakeholder platform to leverage investment funding and deliver large-scale development impact. The PCP aims to support countries on their path to inclusive and sustainable industrial development. It rests on close partnerships with government, United Nations agencies, industry, multilateral development banks, and private sector investors who often share similar objectives, but vary in technical expertise and development approach. The PCP is consistent with the 2013 Lima Declaration, with the 2030 Sustainable Development Agenda, and with the conclusions of the third International Conference on Financing for Development.

The early accomplishments of the first two pilot PCPs – Ethiopia and Senegal - generated interest in expanding the geographic scope of the Programme, and highlighted the importance of acquiring additional experience prior to mainstreaming the approach. While the first set of PCPs focused on low-income countries, the "second generation" of PCPs will include middle-income countries with a different set of challenges.

Against this backdrop and upon the request of the Government of Peru for the development of a PCP, UNIDO conducted a high-level mission to Peru to evaluate its potential as a PCP pilot country. The aim of the mission was to assess the prerequisites of a PCP intervention—a stable macro-economic environment with a steady growth outlook, a well-

articulated national development strategy with due consideration to inclusive and sustainable industrialization as a driver of growth, a coherent resource mobilization plan with emphasis on private initiatives, and public investment in related infrastructures—and to sensitize needs and priorities of the government, along with interests of potential donors, for the development of a PCP for Peru. The mission, conducted in October 2015, confirmed the above prerequisites and led to the inclusion of Peru in UNIDO's PCP programme.

OBJECTIVE OF THE PROGRAMME FOR COUNTRY PARTNERSHIP FOR PERU

The objective of the PCP for Peru is to support the implementation of the National Plan for Productive Diversification (NPPD), a comprehensive industrial policy established in 2014 and implemented by the Ministry of Production of Peru.

After decades of reliance on commodities, the NPPD emphasizes industry as the engine of growth. The NPPD focuses on priority sectors such as forestry, aquaculture and textiles. A detailed Action Plan identified the main bottlenecks faced by these sectors: lack of innovation, inefficient bureaucracy and outdated technology. It also identified sector-specific issues such as: a lack of financing in the forestry sector; limited compliance with safety standards in the aquaculture sector; and, for textiles enterprises, increasing competitiveness from producers in China, Viet Nam, or El Salvador.

The NPPD has six priority areas:

- Facilitate the emergence of new engines of growth;
- Develop Innovation and Technology Centres (CITEs) and other measures to enhance the productivity of micro, small and medium-sized enterprises (MSMEs);

- Strengthen the National Institute of Production;
- Implement the national innovation policy;
- Implement the national quality policy;
- Develop and promote modern industrial parks; and
- Reduce the financing cost for MSMEs.

One year into the NPPD, several concrete measures have already been implemented. This includes the expansion of the network of CITEs, the creation of the National Quality Institute, tax reforms to promote research and development, and the design of several industrial parks.

In line with NPPD, the PCP aims to establish a multi-stakeholder partnership that takes the Plan beyond the current promotion and implementation capacities of the Government of Peru, to facilitate the inclusion and coordination of a wide range of international actors. In doing so, it will foster coherence and continuity of policies that influence the potential of productive diversification.

INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT, THE SUSTAINABLE DEVELOPMENT GOALS AND THE PCP FOR PERU

The PCP will provide an opportunity for the Government of Peru to orient development strategies and initiatives towards achieving the very ambitious Sustainable Development Goals (SDGs), above all SDG 9 (Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation).

The dimension of environmental sustainability will be addressed through the identification of potential for green industry development as well as programmes that improve industrial resource efficiency and reduce the environmental impact of industries.

The dimension of inclusiveness will focus on the inclusion of MSMEs in local, national and international

value chains. Technical assistance programmes will aim to improve technological capacities of MSMEs; address quality, standardization and certification issues; address supplier development programmes; and provide support to clusters and networks of enterprises.

The industrial parks programme of the Government of Peru will provide an opportunity to strengthen both dimensions – sustainability and inclusiveness – through the inclusion of less developed regions in the economic development of the country, the pooling of environmental management capacities, and the application of resource efficiency in park areas. This will require the mobilization of significant resources for infrastructure development and the creation of facilities for the financing of MSMEs.

PCP FOR PERU PRIORITY AREAS

Taking into account the priorities established by the NPPD, the principles of ISID and the SDGs, the PCP for Peru will focus on the following areas:

- Public-private working committees in priority sectors;
- Sustainable industrial zones and parks;
- Innovation and quality themes, and the support of Technology Innovation Centres;
- Industrial resource efficiency, including energy efficiency and renewable energy for productive use; and
- Sound management of chemical substances and waste.

Depending on the results of fact finding missions and coordination meetings with potential national and international partners, additional priority areas may be added to the above list.

INSTITUTIONAL ARRANGEMENTS PARTNERSHIP STRATEGY

Within the Government of Peru, the leadership of the PCP rests with the Ministry of Production. The latter will lead the partnership and involve all necessary authorities and institutions from the public and private sector.

Within UNIDO, the Partnerships and Results Monitoring (PRM) branch coordinates the piloting process of the PCPs, overseeing the design, negotiation, development, promotion, execution and monitoring of the PCPs. Lessons learned will help develop standard operating procedures that will guide the future development and implementation of the PCP approach. The PRM branch, the appointed PCP for Peru coordinator at UNIDO Headquarters and the UNIDO Regional Office for the Andean Region will coordinate the development of the PCP for Peru.

The partners will establish a rigorous monitoring and reporting mechanism so that all UNIDO Member States can benefit from the lessons learned from the PCP for Peru.

The PCP for Peru is a multi-stakeholder partnership that includes partners in the public, private and financial sectors, as well as partners from international financial and cooperation institutions, bilateral partners, donors in Peru, and academia.

Key partners at the national level include the Ministry of Economy and Finance, the Ministry of Environment, the Ministry of Foreign Affairs, the Ministry of Agriculture and Irrigation, the Ministry of Foreign Trade and Tourism, and the National Society of Industries. Key partners at the international level include the Development Bank of Latin America, Global Environment Facility, Inter-American Development Bank, International Finance Corporation, United Nations agencies such as the Food and Agriculture Organization, International Labour Organization, United Nations Development Programme, United Nations Environment Programme, as well as the World Bank. In addition, bilateral donors will be invited to join the partnership in areas of mutual interest.

During the design of the partnership strategy, the specific roles of each partner will be defined and the potential to align the partners' policies and programmes to the goals of the PCP identified. Funds mobilization for the PCP will be closely coordinated with all national and international partners to ensure that sufficient resources are mobilized to achieve the objectives of the PCP.

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