



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Sustainable Industrial Development for Shared Prosperity: ISID Programme for Country Partnership



INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

Although great care has been taken to maintain the accuracy of information herein, neither UNIDO nor its Member States assume any responsibility for consequences which may arise from the use of the material.

This document may be freely quoted or reprinted but acknowledgement is requested.

Operationalizing ISID through the partnership approach

CONTENT

Inclusive and Sustainable Industrial Development

UNIDO's Partnership Approach

Pilot Programmes for Country Partnership

Programme for Country Partnership for Ethiopia

Programme for Country Partnership for Senegal



Photo: Bringing key stakeholders together: The Prime Ministers of Ethiopia and Senegal and the Secretary-General of the United Nations hosted by the Director General of UNIDO at the Second ISID Forum, November 2014



Inclusive and Sustainable Industrial Development

UNIDO's vision

Adopted by UNIDO Member States in December 2013, the Lima Declaration provides UNIDO with a mandate to achieve inclusive and sustainable industrial development (ISID). The mandate 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”.

UNIDO advances ISID by building and improving the industrial capacities of its Member States, in close coordination with a wide range of partners.

ISID 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.

ISID in the global development agenda:

- ISID is relevant to all UNIDO Member States, as an integral part of any resilient economy, and as the primary source of income generation for both individuals and governments to enable them to pursue their own development priorities and plans.
- ISID allows for rapid and sustained increases in living standards for all people, in all industries and their related service sectors.
- ISID provides the technological solutions to environmentally sound industrialization.
- ISID requires suitable institutional capacities, an enabling infrastructure, a vibrant private sector and a conducive business environment.
- ISID can only be achieved in partnership with all related stakeholders.



ISID requires larger resources and inputs than any individual entity can provide. The new UNIDO partnership approach aims to mobilize external partners and additional resources in order to extend the impact of UNIDO's technical cooperation and accelerate ISID in Member States.

The rationale of UNIDO's partnership approach: A catalytic role to accelerate public & private investment for ISID

The rationale

To establish nationwide ISID momentum and increase overall impact, a number of interventions are required. These range from upgrading infrastructure such as roads and energy utilities, to policies and strategies aimed at fostering market access, employment generation and foreign direct investment.

Technology and skills upgrading programmes are also needed to ensure adequate and equitable wage levels and benefits, in addition to interventions addressing environmental sustainability. Financing such a comprehensive and complex industrial development process requires the mobilization and merging of significant public and private capital.

The partnership approach calls for collective actions and catalyzes local and international development partners to provide the necessary support, knowledge and financial resources needed for ISID. Aside from its technical cooperation activities, UNIDO's role is to bring the various actors together and coordinate partnership activities – under the leadership and ownership of the host government – to build a solid foundation for sustainable economic growth.

Through partnerships with governments, development finance institutions (DFIs), UN agencies, multilateral and bilateral development agencies, civil society and the private sector, UNIDO will have a much larger impact on the ground. The Organization's technical expertise can be applied according to priorities set by governments of recipient countries, who will also benefit from additional resources leveraged from financial institutions and private industry.

Mutual benefits and higher impacts

UNIDO has considerable experience partnering with the private sector on development initiatives and is well positioned to capitalize on the growing willingness of private companies and finance institutions to participate in efforts to reduce poverty and contribute to inclusive economic growth.

The prospect of mutual benefits is also a strong incentive for the development of partnerships between UNIDO and DFIs. Financial institutions can utilize the Organization's technical competence to screen project portfolios and assess proposed interventions to address ISID challenges. In turn, UNIDO can complement its technical cooperation services with parallel flows of financial resources for higher ISID impact.

Achieving ISID goals requires long-term commitments. Strategic partnerships will expand the impact of UNIDO's work well beyond the short-term grant-funded capacity-building assistance traditionally provided by the Organization.

By integrating its delivery of technical assistance with the resources of DFIs and private industry, UNIDO will be in a much better position to support its Member States in the pursuit of their ISID objectives. Moreover, middle- and high-income countries also benefit through investment opportunities in local value chains and access to new markets, creating a win-win scenario for all partners.



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). The PCP is not a static template, but a custom-built partnership formula with each beneficiary country maintaining ownership of the complete process by defining its needs and required support, and finally ensuring the success of its delivery.

Each PCP is aligned with the national industrialization priorities and development plans of the beneficiary country. At the same time, the selected countries need to be fully aligned with ISID objectives and demonstrate full ownership of the Programme. They need to embed the PCP into their national resource mobilization strategies, and remain open to partnerships for upscaling technical cooperation services and leveraging additional resources.

Creating an enabling environment for ISID

As part of the initial PCP assessment, UNIDO will identify the most promising industrial sectors for ISID, based on the country's national development plan. Jointly with the host government and other key stakeholders, the Organization will assess the current policy framework and support the government in developing a holistic strategy for accelerating industrialization.

Depending on the country situation, different approaches will be applied – ranging from assistance in developing and implementing an industrial policy to supporting the government in devising a comprehensive strategy for its implementation, as well as a monitoring system to help evaluate the outcomes of the policy.

Integrating technical assistance programmes and national priorities for ISID

UNIDO will identify and map the activities of different partners related to priority industry sectors. Findings will be included into the overall PCP framework, making sure that all links of the targeted value chains are considered and respective gaps identified.

The PCP will incorporate a wide range of interventions, from large infrastructure development projects to small and medium-sized enterprise (SME) support activities and skill development schemes. It will also identify opportunities for the integration of local supply chains into the PCP.

UNIDO will provide critical capacity-building and technology transfer support and, in addition, play a catalytic role for large-scale public and private investments by conducting feasibility studies for industrial projects, for instance.

In order to ensure environmental sustainability, UNIDO's considerable experience with Green Industry, resource-efficient cleaner production systems and waste management, as well as industrial energy efficiency and renewable energy approaches, is also integrated into the PCP framework.

Coordinating a partnership network

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.

During the assessment and implementation phase of the PCP, UNIDO will consult with all relevant development partners to determine the potential and benefits of collaboration. A strong national coordination mechanism is required to manage the complex partnerships involved in a PCP.

A task force brings together key PCP partners under the leadership of the national government. In coordination with UNIDO, it is responsible for overall coordination, prioritizes projects and programmes, and allocates resources for the execution of the PCP. The task force will also monitor progress to ensure that expected results are achieved.

Piloting the partnership approach in Ethiopia and Senegal

In order to develop pilot PCPs, UNIDO conducted high-level scoping missions to consult with relevant stakeholders in late 2014. Ethiopia and Senegal were selected for the first two UNIDO-PCP initiatives. Multidisciplinary technical teams were assembled who, in close collaboration with the respective governments and potential partners, formulated the PCP for each country.

The host governments approved the PCP documents in early 2015. Start-up activities for the PCPs are currently being implemented, including the preparation of feasibility studies and the definition of relevant partnership modalities.



Pilot Programmes for Country Partnership: Ethiopia and Senegal



Programme for Country Partnership for Ethiopia

The PCP for Ethiopia focuses on developing labour-intensive light manufacturing, 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, high export potential and capacities to attract private sector investment. The PCP also integrates complementary cross-cutting interventions according to government-defined priorities.

Agro-food processing

Agro-industries account for the largest share of manufactured goods in Ethiopia, with food and beverages constituting approximately 52 per cent. 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 will support the establishment of four Integrated Agro-Industrial Parks (IAIPs) with surrounding Rural Transformation Centres (RTCs). The IAIPs will focus on adding value to locally sourced agricultural products and will address constraints to private sector development. The parks will provide large- and medium-scale firms with industrial land, 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.

RTCs will also be set up around each IAIP. They will serve as aggregation points with a modern warehouse and market

facilities, connecting the parks with the surrounding rural community. The newly established IAIPs are expected to host 90 large foreign and domestic companies, create around 80,000 jobs in rural areas, and link more than one million smallholder farmers to the food industries.

Textiles and apparel

The textiles and apparel sector includes a small number of state-owned enterprises and a growing number of private companies at all levels of the value chain. Their main activities include spinning, fabric weaving, dyeing, finishing and the production of ready-made garments. Ethiopia also has a cotton-based handloom industry with a large number of traditional weavers.

The sector offers substantial opportunities for access to regional and international markets, especially as foreign investment is increasing. A number of garment companies from Turkey, India and other countries have invested and registered in Ethiopia. In fact, investments in the textiles and apparel sector exceeded USD 1.2 billion in the last five years and created over 50,000 jobs.

Despite this potential, production and supply chain inefficiencies along the cotton-to-textiles value chain constrain the country's ability to compete at the global level. Raw material shortages are also one of the main challenges faced by the industry. In response, the PCP will help increase the supply of quality raw materials, upgrade workforce skills and build the capacity of support institutions along the value chain. The Programme will also promote investment opportunities in integrated textile mills.

Leather and leather products

Ethiopia's leather sector enjoys significant international comparative advantages owing to its abundant raw materials, highly skilled workforce and low costs. The country has one of the world's largest livestock populations with 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 Government introduced a tax on exports of pickle and wet-blue leather, which led to a significant structural change in the leather industry by inciting 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 170 million in 2012, to USD 1.4 billion by 2020, which is expected to create 336,000 new jobs.

The PCP is supporting the Government of Ethiopia in the establishment of a leather industry cluster on the basis of an existing concentration of tanneries in the town of Modjo. UNIDO is finalizing a feasibility study on the founding of the Modjo Leather City and will support the Government in mobilizing resources for its establishment. The PCP will also help set up four footwear and leather goods clusters, and strengthen the fashion design and training capabilities of the Leather Industry Development Institute (LIDI).

Cross-cutting components

Industrial zone development

Industrial zones act as a catalyst for private investment. They also offer the opportunity to link small-scale suppliers to resident manufacturers, enabling local firms to access global value chains. The first government-run, large-scale industrial zone – the 156-hectare Bole Lemi Industrial Zone – was designed to attract export-oriented agro-processors, pharmaceutical companies and textile manufacturers. It currently hosts leather and textile product manufacturers.

The Government is planning to develop four industrial zones in Dire Dawa, Kombolcha and Hawasa, expand the Bole Lemi Industrial Zone and provide support to several parks developed by the private sector. The new industrial zones are estimated to cost USD 1.5 billion and will create more than 170,000 jobs in the next five years.

The PCP is preparing feasibility studies, mobilizing capital, promoting investment and linking local small and medium-sized enterprises (SMEs) to larger companies operating in the industrial zones.

Trade facilitation

In order to optimize the development of light industries in Ethiopia, inefficiencies in trade logistics 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 will help national institutions to develop and apply quality standards and certification schemes in conformity with international market requirements, in particular for industrial zones. UNIDO will also work with its PCP partners to set up a trade knowledge centre to provide information on import-export procedures, tariffs, and best practices in logistics operations. This will help reduce information asymmetries between public institutions, businesses and investors.

An analysis of the current institutional responsibilities and regulatory powers will be conducted to identify redundancies and improve ineffective procedures in public institutions. Public officials will also benefit from training courses on trade facilitation.

Environment and energy

Industrial parks are major consumers of energy and require an uninterrupted supply. However, for industrial parks located in isolated areas, energy access is constrained by limited infrastructure and an unreliable power supply. With this in view, the PCP will promote 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

to develop 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, initially targeting seven export-oriented slaughterhouses.

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 institutions, as well as limited human resource capacity for addressing strategic and structural issues within the institutions themselves.

In order to address some of these institutional challenges, UNIDO—in collaboration with its PCP partners—will 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.





Programme for Country Partnership for Senegal

The PCP for Senegal focuses on three main areas: i) industrial policy development; ii) the establishment of agro-poles for agricultural value chains; and iii) the operationalization of existing industrial parks and the development of new ones. The PCP also integrates complementary cross-cutting interventions according to government-defined priorities.

Industrial policy

The Plan Senegal Emergent (PSE) is the key document for the orientation of economic policy in Senegal and provides strategic guidance for projects addressing industrialization. However, the PSE requires the integration of an industrial policy, strategy and action plan. The PCP is therefore supporting the Government of Senegal in designing an effective industrial strategy and action plan. It is also helping to identify and develop key policy instruments and mechanisms, and further strengthen government capacity for designing and implementing industrial policy.

Establishment of agro-poles

Similar to Ethiopia, the Government of Senegal is putting emphasis on the development of agro-industries due to its important linkages with the agricultural sector. The PCP will support the establishment of three agro-poles. One agro-pole will focus on fruits and vegetables; the second on aquaculture and fisheries; and the third on livestock and high value added agro-food products. The agro-poles will serve as incubators of small and medium-sized enterprises (SMEs) involved in high value added food sectors and operating in strategic geographical areas.

Each agro-pole will operate as a private-public entity linking rural enterprises to the market. It will provide the appropriate infrastructure, technologies and services to support the development of SMEs, including facilities for processing, packaging, logistics, storage and quality control of specific product ranges, as well as training. The agro-poles will also include services for capacity-building, advisory support, marketing, as well as research and development. Around 18,000 new jobs will be created through the agro-poles over the next ten years.

Industrial park development for light industries

The Government has designed an industrial development package with the objective of transforming Senegal into a regional industrial hub. In this context, the strategic choices of the PSE regarding industrialization have been mainly directed towards the development of industrial parks. The PCP will support the operationalization of existing industrial parks and the development of new ones through institutional capacity-building, integrated management and investment promotion.

The institutional framework for industrial park management is currently under review, including the legal framework for special economic zones, public-private partnerships and electricity policy. Industrial park development is expected to generate 40,000 new jobs.

Cross-cutting components

Private sector development

The PCP will integrate technical assistance interventions that foster private sector growth, especially of SMEs. These interventions will focus on clustering, sub-contracting and value chain development to accompany the development of the industrial parks and agro-poles. The ultimate objective is to improve the productivity, market access, and the research and development capacities of enterprises in high value added sectors, such as agro-industry, tourism, fisheries and aquaculture.

Investment promotion

The PCP will develop a survey to collect qualitative and quantitative data on the impact of investors in Senegal. The data collected will be integrated in an Investment Monitoring Platform (IMP), accessible to private and public institutions across the country. The IMP will gather comprehensive information not only on how investors respond to the Senegalese business environment, but also on how they impact employment, skills development and technology diffusion. The results of the survey will help strengthen the institutional capacities of relevant stakeholders and promote investment for ISID.

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 Programme 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 will support the integration of renewable energy and energy efficiency technologies in industrial parks and agro-poles. It will also strengthen public and private 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 (NQI) 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 Senegal National System of Innovation (SNSI) and the other on the innovation capabilities of firms across the country. The surveys will help develop tailored capacity-building and upgrading programmes aimed at strengthening the innovative 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 Programme 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 address low 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 and improved manufacturing, and lower production costs for southern manufacturing companies active in the country.





For specific technical information, please contact:

Ciyong ZOU
Director, Partnerships and Results Monitoring Branch

Tel.: (+43) 1 26026-3386

E-mail: C.Zou@unido.org

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

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



INCLUSIVE AND SUSTAINABLE
INDUSTRIAL DEVELOPMENT

OPERATION PLATFORM



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