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Implementation of the Lima Declaration: Towards inclusive and sustainable industrial development

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Report by the Director General

In line with General Conference resolution GC.15/Res.1, the present document reports on UNIDO's assistance to Member States towards achieving inclusive and sustainable industrial development (ISID) and provides information on UNIDO's strategic approach to partnerships. The document also comprises a progress report on UNIDO and the 2030 Development Agenda for Sustainable Development. In accordance with Board decision IDB.43/Dec.8(j), the present document provides an action plan for supporting and monitoring progress towards achieving ISID, as a concrete follow-up to the industry-related development goals of the post-2015 development agenda.

I. Introduction

1. The fifteenth session of the UNIDO General Conference, held in December 2013 in Lima, Peru, adopted the Lima Declaration: Towards inclusive and sustainable industrial development (GC.15/Res.1). The Declaration sets out the Organization's development priorities for the coming years, placing special emphasis on inclusive and sustainable industrial development (ISID). ISID addresses all three dimensions

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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 the global, regional and subregional level, with the full involvement of relevant stakeholders, in particular representatives of the private sector and financial institutions.

2. 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 the relevant government and partners to develop and implement a strategy to support national industrialization efforts.

II. Operationalizing the partnership approach: the Programme for Country Partnership

3. 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 (DFIs) 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 United Nations sister organizations, bilateral donors and the private sector.

4. 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.

5. During the third ISID Forum, held in July 2015 on the sidelines of the Third International Conference on Financing for Development (FfD3) in Addis Ababa 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 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.”

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

Programme for Country Partnership: Ethiopia

6. 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.
7. A management structure for the PCP has been established. This includes a PCP Project Management Unit and a high-level joint steering committee, comprising representatives from relevant ministries, the private sector, 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 implementation of the PCP. The task force is led by the Ministry of Industry and includes representatives from various national institutes.
8. Feasibility studies for the four large-scale integrated agro-industrial parks (IAIPs) and associated rural transformation centres (estimated project cost of \$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) (estimated project cost of \$60 million). Funding is currently being mobilized from development partners and DFIs for the development of the infrastructure of the MLC. In addition, a capacity-building programme for the Ministry of Industry and three national institutes has commenced.
9. 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, and for phase two of IAIP development. Preparations are also under way for an international investment forum aimed at promoting investment in the three PCP priority sectors.
10. Partnerships have been established with sister United Nations organizations, the United Nations Conference on Trade and Development and the United Nations

Economic Commission for Europe, for activities related to trade and export promotion 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”.

- His Excellency Mr. Hailemariam Desalegn, Prime Minister of Ethiopia, at the second ISID Forum, Vienna, 4 to 5 November 2014.

Programme for Country Partnership: Senegal

11. The PCP for Senegal focuses on the design of industrial policies, the establishment of industrial parks and agro-poles for agricultural value chain development, and the support of cross-cutting interventions. The Programme officially launched in April 2015, chaired by the Prime Minister of Senegal.

12. The PCP is supporting the operationalization of the first integrated industrial park in Diamniadio, a priority project of the national development strategy “Plan Sénégal Emergent”. UNIDO is helping the Government to develop a legal, institutional, and administrative framework for the management of the park. 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.

13. To ensure a participative and inclusive approach to these PCP deliverables, UNIDO is mobilizing relevant partners at each stage of decision-making and implementation, including the Government; financial institutions; development banks; private companies and private sector associations; investment funds; non-governmental organizations; and 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 to institutionalize 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 Sénégal Emergent.”

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

Increasing South-South and triangular industrial cooperation

14. 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 for SSTIC to play an integral role in its contribution to ISID.

15. 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.

16. UNIDO has also strengthened its cooperation with the BRICS countries (Brazil, the Russian Federation, India, China and South Africa). The Organization's key role in promoting ISID was explicitly highlighted in the declaration of the seventh BRICS Summit.¹ UNIDO is also assisting with the development of the BRICS Technology Platform to support technology transfer.

17. Global forum activities that promote SSTIC include the Investing in Africa Forum² and the United Nations High-Level Multi-Stakeholders Strategy Forum.³ 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."

- Mr. 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, Washington, D.C., 17 November 2014.

Enhancing partnerships with the private sector

18. 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.

¹ The summit was held in Ufa, the Russian Federation, from 8 to 9 July 2015.

² The forum was co-organized with the Government 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, from 30 June to 1 July 2015.

³ The forum was organized by the United Nations Office for South-South Cooperation and took place on 25 and 26 August 2015 in Macao, China.

19. UNIDO is working with Heineken on water stewardship initiatives, renewable energy and local sourcing. It has also partnered with DNV GL — 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.

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

21. Other new partnerships include companies such as CNH Industrial NV; EON Reality Inc.; Festo; Intel Corporation; 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.”

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

Partnering with development finance institutions

22. In 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.

23. Within the framework of the Programme for Country Partnership, UNIDO works 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.

24. On a project level, UNIDO is implementing an agro-industrial project in the Democratic Republic of the Congo with the support of a grant from the World Bank allocated to the Ministry of Finance. Similarly, a grant from the Organization of the Petroleum Exporting Countries (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.”

- Mr. Jim Yong Kim, President of the World Bank Group, at the Third ISID Forum, Addis Ababa, 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 agrobusiness. Our working together will allow for a significant increase in the leveraging of available financing.”

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

The Global Environment Facility and the Green Climate Fund

25. 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 “Integrated Approach Programme (IAP) on sustainable cities and the IAP on food security”. In Senegal, UNIDO has embedded its contribution to the GEF-IAPs into the UNIDO PCP.

26. 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 catalysing 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.”

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

III. UNIDO and the 2030 Development Agenda for Sustainable Development

27. The intergovernmental negotiation process on the post-2015 development agenda was concluded with the United Nations Sustainable Development Summit 2015, held from 25 to 27 September 2015 in New York. On that occasion, the General Assembly adopted the document “Transforming our world: the 2030 Agenda for Sustainable Development”⁴ (2030 Agenda), which establishes the new universal development framework for the next 15 years.

28. Inclusive and sustainable economic growth, industrialization and engagement with the private sector are explicitly mentioned in the Declaration as an integral part of the 2030 Agenda and its means of implementation. The inclusion of ISID among the 17 Sustainable Development Goals (SDGs) in Goal 9 “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation” embeds UNIDO’s universal mandate squarely into this new policy framework. Furthermore, the interrelated nature of the SDGs and their holistic approach to sustainable development demonstrate the strong relevance of ISID across all SDGs, and thus offer UNIDO a global role in the implementation, monitoring and review of the 2030 Agenda.

29. UNIDO provided significant support and information to Member States during the intergovernmental negotiations leading to the finalization of the 2030 Agenda, particularly through the Friends of ISID group in New York. The Organization was also present at all relevant meetings leading to the adoption of the 2030 Agenda and, as already mentioned in paragraph 5, held its Third ISID Forum on financing for ISID at the margins of the FfD3. Moreover, UNIDO held a high-level side event entitled “Operationalizing the 2030 Agenda for Africa’s industrialization” at the United Nations Sustainable Development Summit 2015, which called upon all stakeholders to join forces and form a new global partnership for Africa’s industrialization under Goal 9.

30. Following the adoption of the 2030 Agenda, expectations regarding UNIDO’s responsibilities and role are two-fold:

(a) The Organization is expected to advance and grow its partnership and programme portfolio worldwide for the implementation of Goal 9 and other industry-related SDGs by the year 2030. This will be achieved through fostering gradual growth and geographic expansion of the country partnerships on ISID. Also, strategic alliances to advance and achieve Goal 9 will be envisaged; and

(b) UNIDO will need to provide an adequate intergovernmental platform and service for monitoring and reviewing progress made towards the achievement of Goal 9 and other industry-related SDGs and targets. While national reviews will remain the backbone of global development monitoring, the 2030 Agenda asks for regional and global thematic reviews to inform the high-level political forum, under the auspices of the General Assembly and the Economic and Social Council, on progress made and possible development gaps.

⁴ A/RES/70/1.

IV. Action plan for supporting and monitoring progress towards achieving ISID

31. The 2030 Agenda calls for a “systematic follow-up and review of implementation” of the Agenda through a “robust, voluntary, effective, participatory, transparent and integrated follow-up and review framework”, operating at the national, regional and global levels.⁵

32. The SDGs and targets will be “followed up and reviewed using a set of global indicators”. The global indicator framework will be agreed by the United Nations Statistical Commission by March 2016 and adopted thereafter by the Economic and Social Council (ECOSOC) and the United Nations General Assembly (UNGA), in line with existing mandates.

33. The Agenda further foresees the establishment of a network of follow-up and review processes at the global level, in which the “high-level political forum (HLPF) will have a central role in overseeing this system, working coherently with the UNGA, the ECOSOC and other relevant organs and forums, in accordance with existing mandates”.⁶ The HLPF will also be informed by the annual *Global Sustainable Development Report* (GSDR) by the United Nations Department of Economic and Social Affairs (UNDESA) as well as regional sustainable development reports (RSDRs) by the Regional Economic Commissions.⁷

34. This effort is expected to be supported by thematic reviews of progress on the SDGs, which will take place at the HLPF, and will be “supported by functional commissions of the ECOSOC and other intergovernmental bodies and forums which should reflect the integrated nature of the Goals as well as the interlinkages between them. They will engage all relevant stakeholders and, where possible, feed into, and be aligned with, the cycle of the HLPF”.⁸ Through this enhanced and decentralized system of monitoring and review linkages, it is envisaged that the global review mechanism of the HLPF will fully reflect the holistic and universal nature of the 2030 Agenda and the 17 SDGs.

35. In the context of progress on industry-related SDGs, and in particular towards achieving Goal 9, UNIDO and its policymaking organs are positioned to play a leading role in any global thematic follow-up and review mechanism. Any such mechanism needs to be of an intergovernmental nature and fully Member States-driven. It should also link the thematic review activities at the agency-level to the universal and holistic considerations of the HLPF. The United Nations Secretary-General will provide further guidance in a report on the follow-up and review mechanisms in January 2016, based on a currently conducted survey among all Member States and United Nations entities.

36. Member States may therefore wish to consider options for the establishment of an appropriate follow-up and review mechanism in UNIDO for the industry-related

⁵ A/RES/70/1, paras. 72 and 73.

⁶ A/RES/70/1, para. 82.

⁷ A/RES/70/1, para. 83. UNIDO has so far actively contributed to the GSDR with a leading role in a dedicated chapter on industrialization and sustainable consumption and production. UNIDO also contributed to the first prototype RSDRs through dedicated thematic inputs.

⁸ A/RES/70/1, para. 85.

SDGs, and in particular Goal 9, in accordance with the mandates given by the Lima Declaration, the medium-term programme framework 2016-2019 and the 2030 Agenda. For these deliberations, Member States may wish to consider the establishment of an open working group on the modalities and terms of reference for the follow-up and review mechanism for industry-related development goals in the 2030 Agenda. The working group should report its findings to the forty-fourth session of the Board.

V. Action required of the Conference

37. The Conference may wish to take note of the information contained in the present document and endorse UNIDO's engagement in the implementation of the 2030 Agenda, and in particular Goal 9 and other industry-related Goals. Furthermore, the Conference may wish to provide guidance on the most suitable framework and preparatory arrangements for the follow-up and review mechanism for Goal 9 and other industry-related Goals and targets in the 2030 Agenda.
