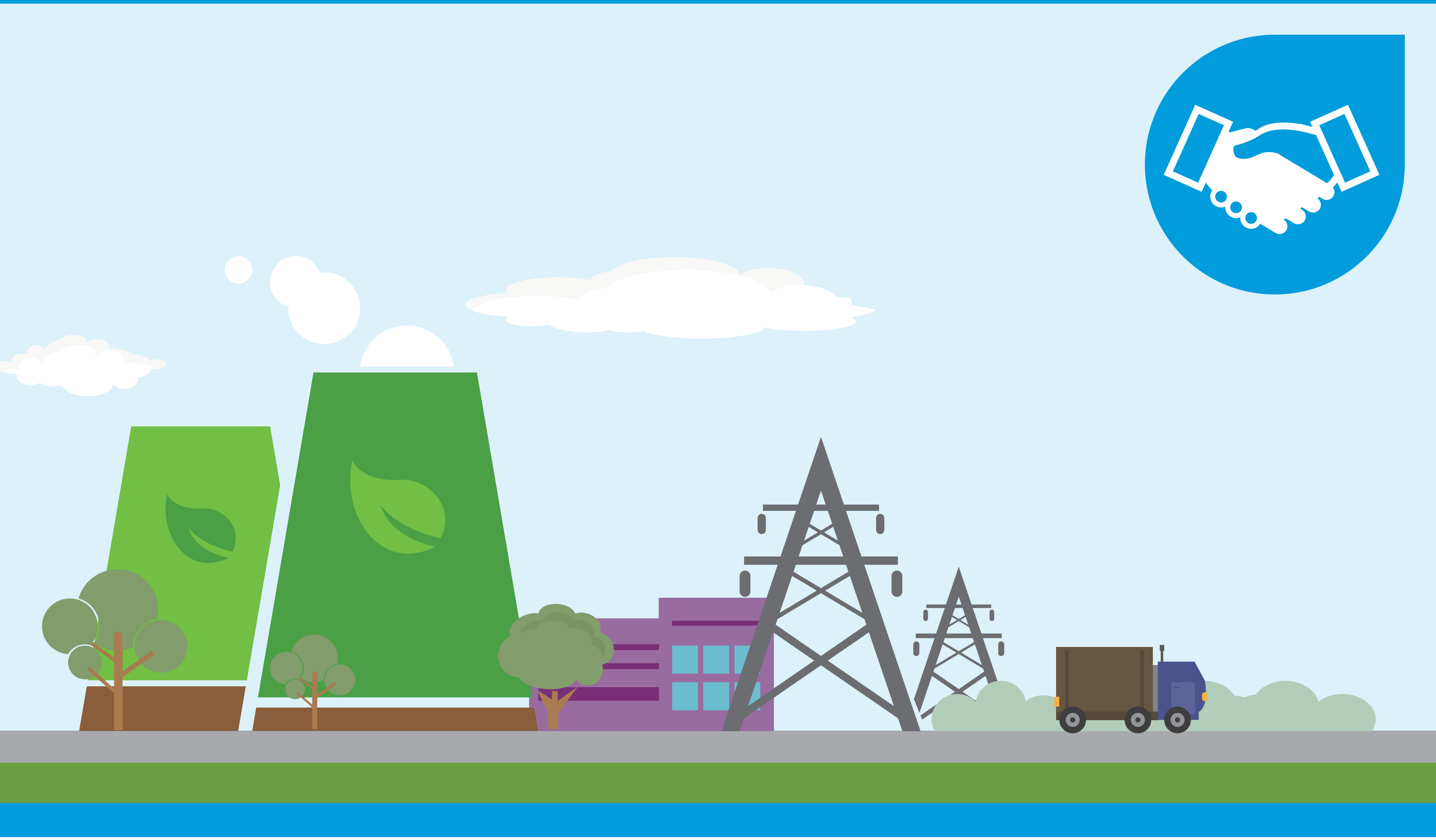
UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

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



INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT

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Operationalizing ISID through the partnership approach

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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

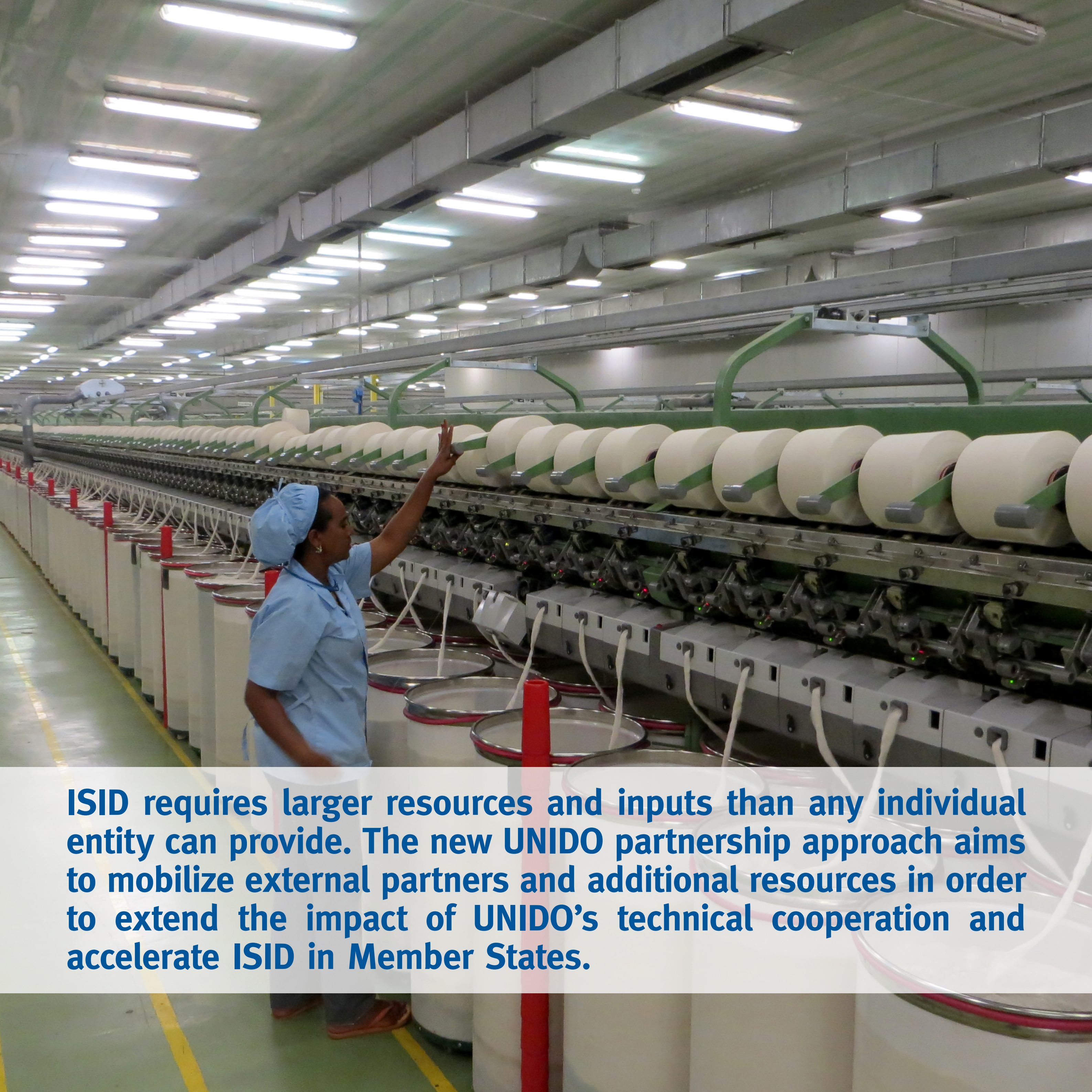
UNIDO aims to achieve inclusive and sustainable industrial development (ISID) for its Member states. ISID means that:

- 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.

The integration of the economic, social and environmental dimensions required to realize sustainable development for the benefit of our future generations is at the core of ISID. UNIDO advances ISID by building and improving the industrial capacities of its Member States, in close coordination with a wide range of partners.



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.

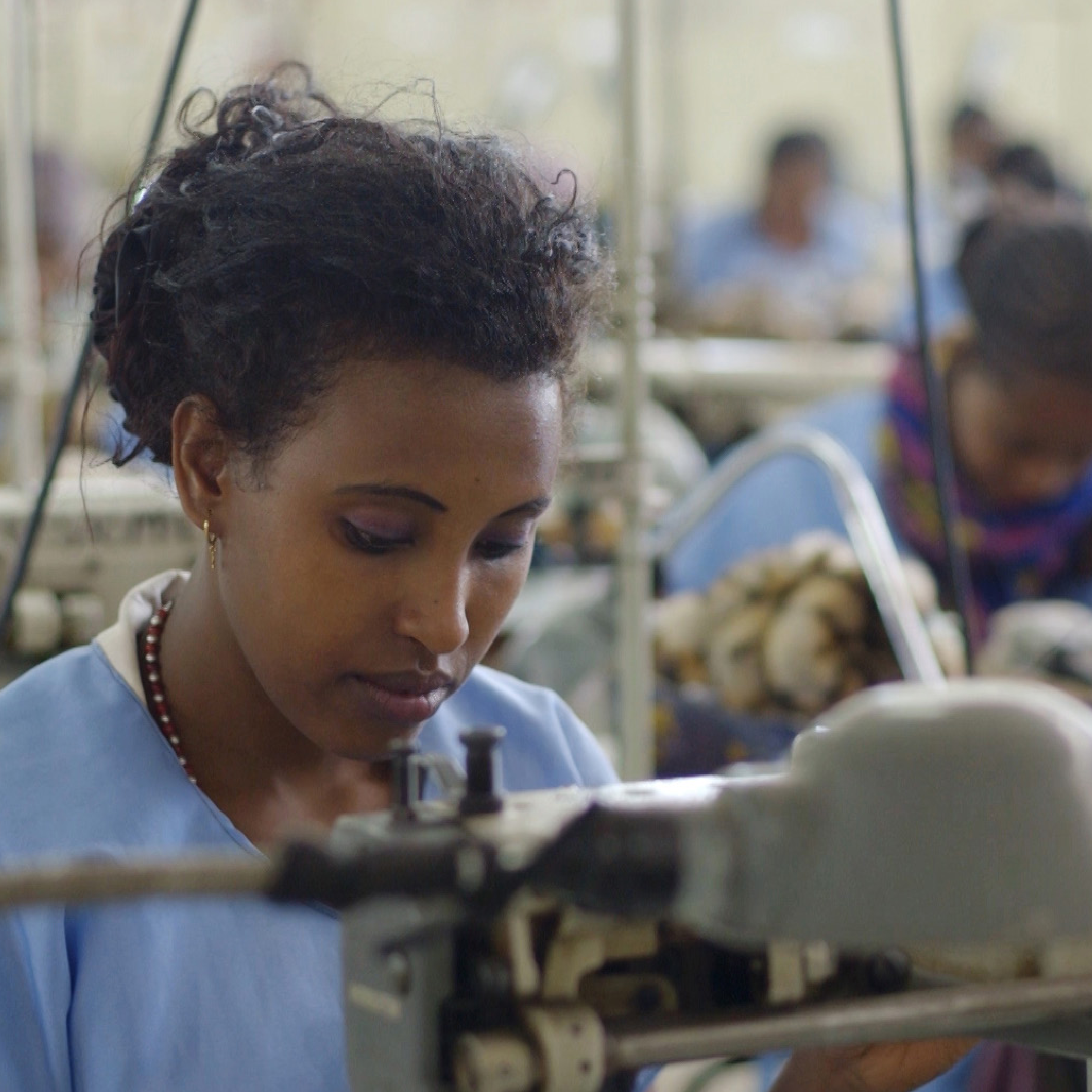
Mutual benefits and higher impacts

The prospect of mutual benefits is a strong incentive for the development of partnerships between UNIDO and DFIs. Such 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.

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.

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 national development plans of the beneficiary country. At the same time, PCP 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 to upscale technical cooperation services.

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 different partner activities related to priority industry sectors. This will be incorporated into the overall PCP framework, making sure that all links of the targeted value chain are considered and respective gaps identified. Such interventions may include large infrastructure development projects, small and medium-sized enterprise (SME) support activities or skill development schemes, for instance.

UNIDO will provide critical capacity-building and technology transfer support through its technical assistance and, in addition, play a catalytic role for large-scale public and private investments. This will be achieved by conducting feasibility studies for industrial projects, such as industrial processing zones (IPZs) or common effluent treatment plants. As such, UNIDO will be in the position to leverage investments well beyond its traditional technical cooperation approach.

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

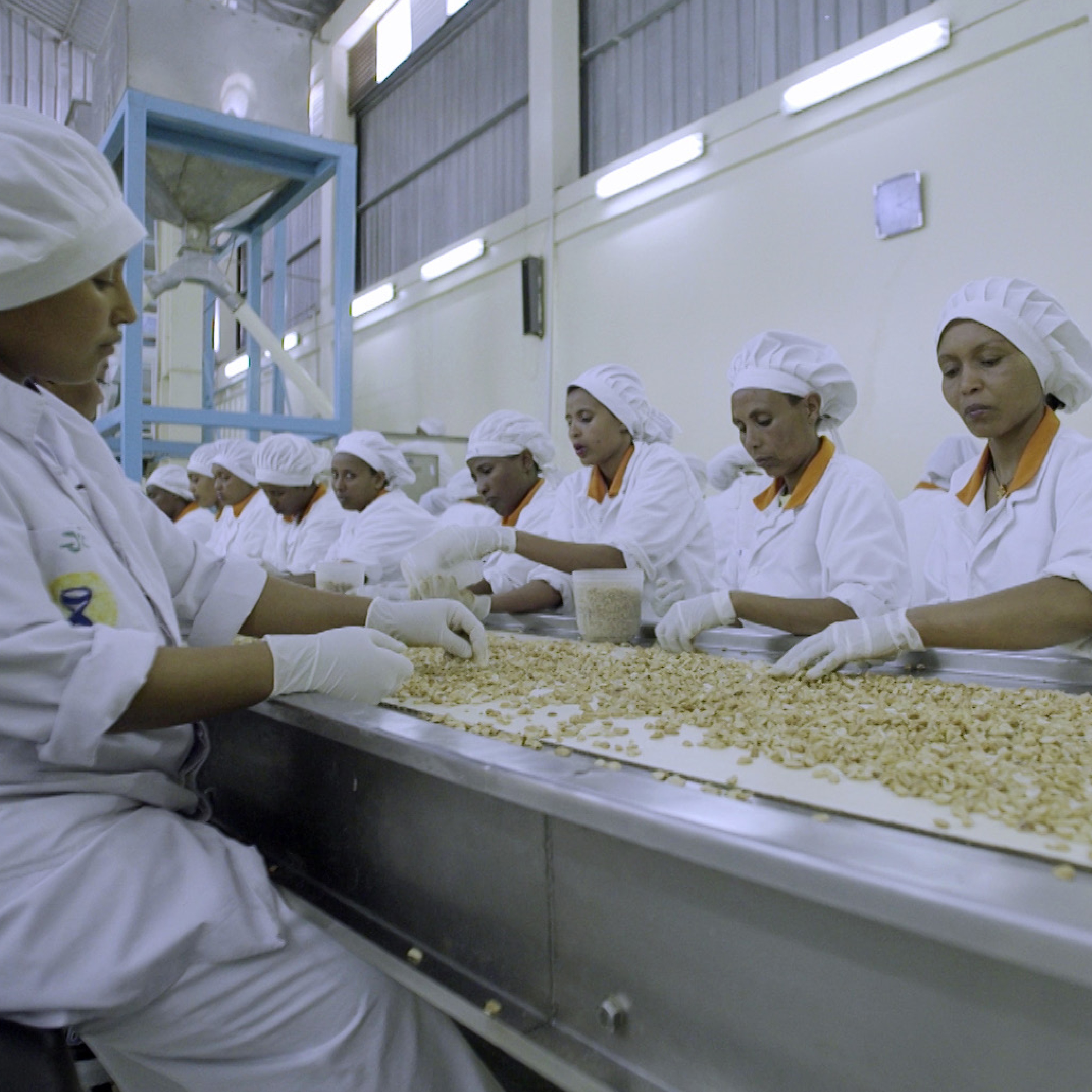
During the assessment and implementation phase of the PCP, UNIDO will consult with all relevant partners to determine the potential for collaboration and identify bottlenecks. It will also identify opportunities for additional investment for ISID and the integration of local supply chains into the PCP.

A strong national coordination mechanism is required given the complexity and multitude of partnerships involved in a PCP. A task force, under the leadership of the national government and in coordination with UNIDO, brings together key PCP partners. It is responsible for coordination and ensuring that interventions are funded and implemented along the PCP framework. The task force will also monitor progress in order to ensure that expected results are achieved.

Piloting the partnership approach: PCP for Ethiopia and PCP for 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. In early 2015, the PCP documents were approved by the host governments. Start-up activities for the PCPs are currently being rolled-out.

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 the agro-food sector; the textile and garment sector; and the leather and leather products sector. Industrial zones are instrumental for promoting investment in these sectors. The PCP is designed to leverage public and private investment in industrial infrastructure and manufacturing capacity to support these initiatives.

Agro-food processing

Agro-industries account for the largest share of manufactured goods in Ethiopia, with food and beverages constituting approximately 52 percent. 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 subsequent inadequate supply of raw materials. Therefore, the focus of the Programme is on the establishment of four Integrated Agro-Food Parks (IAFPs) with surrounding Rural Transformation Centers (RTCs).

The IAFPs will be established in selected regions of Ethiopia as a platform for catalysing investment and job creation. The parks will focus on value addition of locally sourced agricultural products and address cross-cutting constraints for private sector development, such as access to utilities and business services. The Programme provides large- and medium-scale firms with industrial land and access to infrastructure and utilities, as well as business services. The RTCs are strategically placed aggregation points with a modern warehouse and market facilities connecting the park with the surrounding rural community. It is expected that the IAFPs will host 90 large foreign and domestic companies, will create approximately 80,000 jobs in rural areas, and will link more than two million smallholder farmers to the food industries.

Textiles and garments

The Ethiopian textile and garment sector offers significant opportunities for access to regional and international markets, especially as Asian investment is increasing. Nonetheless, production and supply chain inefficiencies along the cotton-to-textile value chain prevent Ethiopia from becoming a global player in the textile and garment sector.

The 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, dying, finishing and the production of ready-made garments. Ethiopia also has a cotton-based handloom industry with a large number of traditional weavers.

The country is now beginning to attract international buyers and investors. A number of garment companies from Turkey, India and other counties have invested and/or registered in Ethiopia. Total investment in the textile sector exceeded USD 1.2 billion in the last five years, and created over 50,000 jobs. In order to accelerate investment in the textile and garment industries, the PCP will improve 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. Ethiopia 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 making manufacturers go beyond primary processing to produce 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 will create 350,000 new jobs.

The Programme is supporting the establishment of a leather industry cluster on the basis of an existing concentration of tanneries in Modjo. Approximately 30 companies may be clustered in the Modjo Leather City, with an aggregate workforce of 45,000.

The Programme is also helping set up four footwear and leather goods clusters, and to strengthen the fashion design and training capabilities of the Leather Industry Development Institute (LIDI).

Cross-cutting components

Industrial zone development

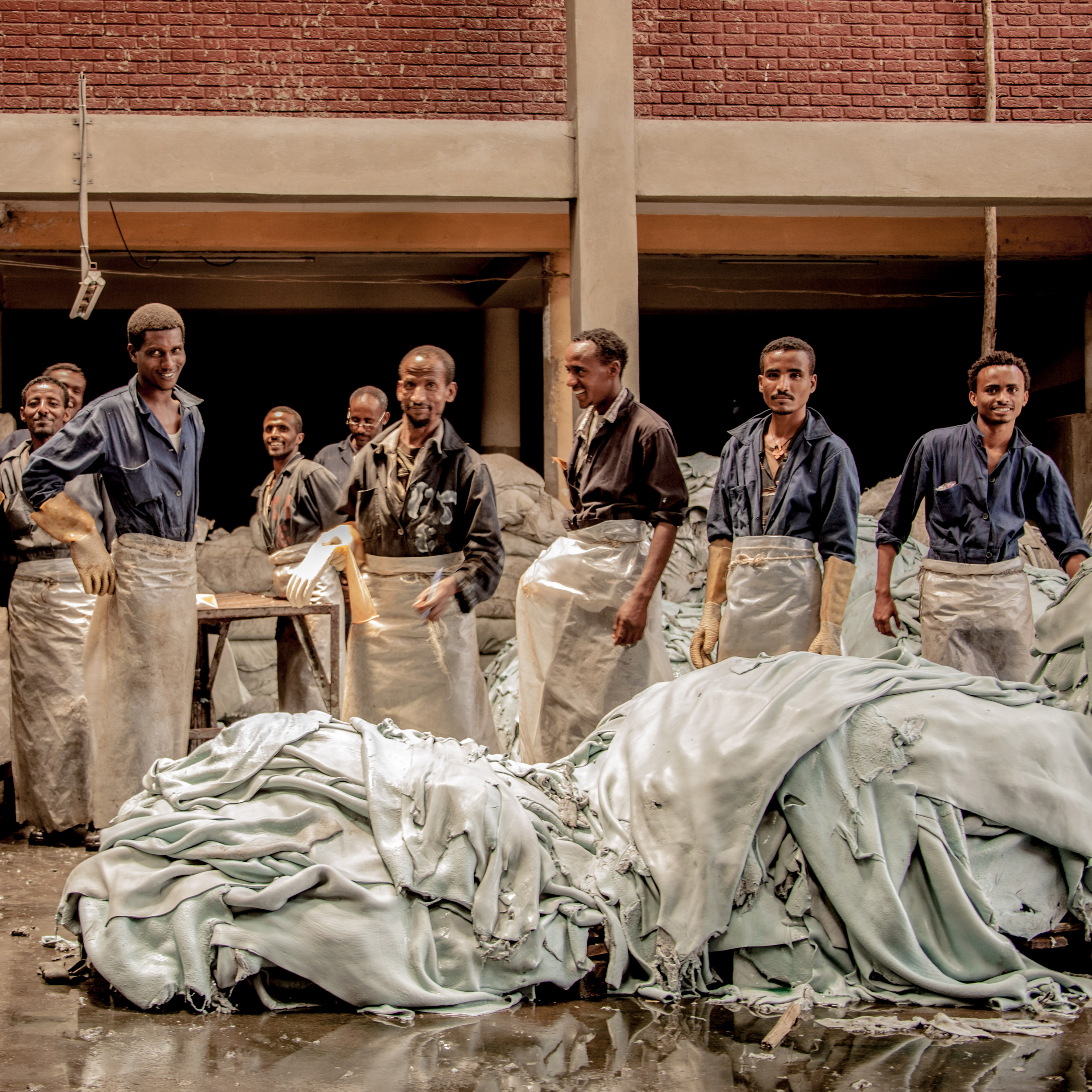
Industrial zones are a catalyst for private investment and offer the opportunity to link local small-scale suppliers to resident manufacturers, enabling local firms to access global value chains. The first government-run, large-scale industrial zone – the 156-hectare Bole Lemi Industrial Zone – was designed 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 additional 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 SMEs to larger companies operating in the industrial zones.

Trade facilitation

The development of light industries in Ethiopia continues to be constrained by high freight-handling costs, high costs of financial services, long delays in the authorization of letters of credit, complex customs procedures and high customs costs, and logistical inefficiencies. Consequently, the PCP is supporting relevant government institutions in the following areas: (i) creation of an information and knowledge centre on import-export procedures, tariffs and best practices in



logistics operations to reduce information asymmetries among businesses, public institutes and investors, and improve national competitiveness; (ii) training of public officials in trade facilitation and gaining a better understanding of different strategies applied by other countries; and (iii) analysis of current institutional responsibilities and regulatory powers in order to eliminate redundancies and improve ineffective procedures in public institutions.

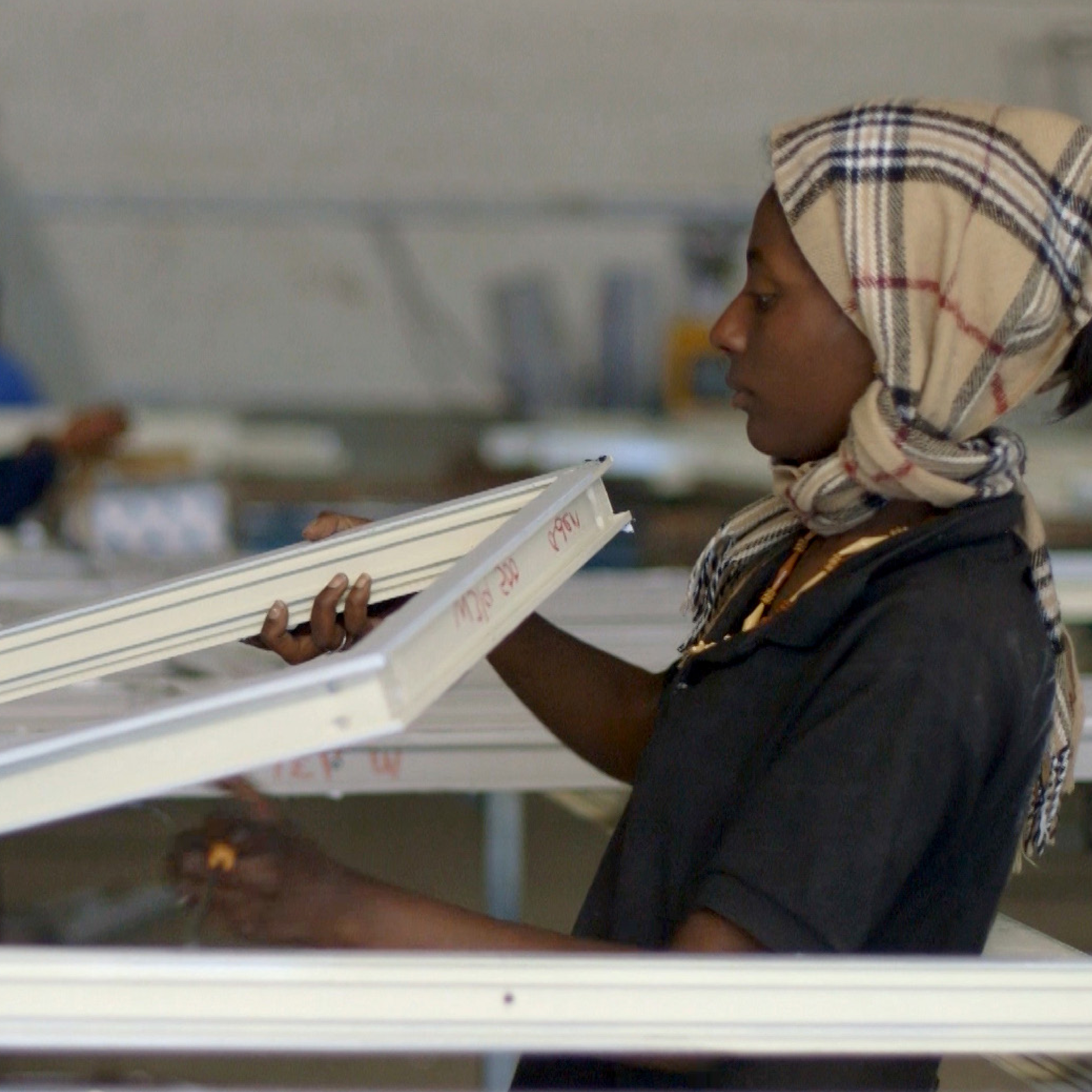
Environment and energy

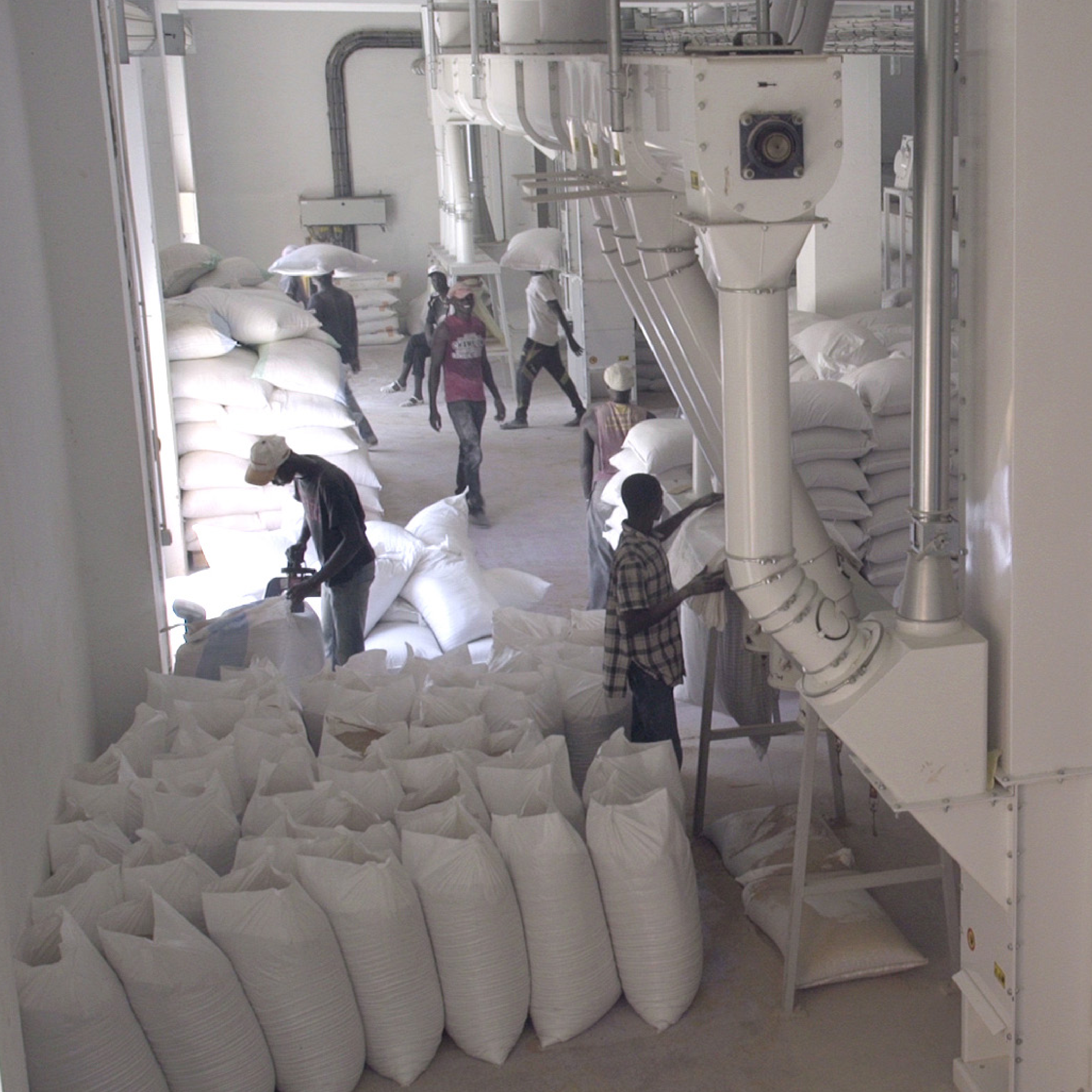
Industrial parks are major consumers of energy and require an uninterrupted supply. The Programme harnesses locally available renewable energy resources, such as bio-waste, to power park operations. A systematic and integrated approach to energy efficiency will lead to substantial energy savings, thereby increasing the productivity and competitiveness of industries. Bio-waste can also be used as an input in the rendering industry to generate semi-products for the downstream manufacture of a variety of industrial and food products. The PCP is initially targeting seven export-oriented slaughterhouses.

Apart from the loss of valuable economic resources, waste creates an environmental problem. An estimated 300,000 tons of animal by-products are dumped annually in open fields. The PCP is therefore assisting the Government to: (i) design industrial complexes with superior environmental standards, and improve waste management through targeted interventions at various stages of the leather, textile and garment, as well as agro-food value chains; and (ii) establish renewable energy sources in potential RTCs over the next five years.

Institutional capacity-building

Strengthening institutional capacity is one of the most important cross-cutting elements to support the growth of the private manufacturing sector and achieve industrialization targets. Weaknesses were identified with regards to coordination between institutions as well as human resource capacity within institutions. The PCP works to: (i) strengthen the analytical capacity of the Ministry of Industry in the generation of industrial intelligence and policy (primarily in agro-industries); (ii) establish a monitoring and evaluation system known as an “industrial observatory”; and (iii) 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.

Industrial policy

The Plan Senegal Emergent (PSE) is the central 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 a clear 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 – incubators of small and medium-sized enterprises (SMEs) involved in high value added food sectors and operating in strategic geographical areas. 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.

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. It is expected that 18,000 new jobs will be created in 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 under review. In addition, a road map will be established for the implementation of industrial parks.

In order to facilitate the institutional arrangements for the development and management of industrial parks, the legal framework for special economic zones (SEZs), public-private partnerships (PPPs) and electricity policy, is being reviewed. The PCP will strengthen institutional capacities for industrial park management through the elaboration of business and development plans, the establishment of a promotion strategy and an upgrading of the management structure. The Programme will also conduct feasibility studies and promote investment opportunities within the parks. It is expected that 40,000 jobs will be created within the industrial parks.

Cross-cutting components

Private sector development and investment promotion

Technical assistance is provided through the PCP to support private sector growth, especially SMEs, and to strengthen the investment environment. This includes mechanisms to link the local private sector and supply chains with industrial parks and Agro-Poles, through sub-contracting, access to finance and cluster development. The ultimate objective is to improve the productivity, market access, and research and innovation of enterprises in high value added sectors (agro-industry, tourism, fisheries and aquaculture).

Environment

The Programme's response to the need for sustainable production and industrial resource efficiency within industrial parks and agro-poles will be based on UNIDO's Green Industry Initiative. The Initiative follows a two-pronged approach aimed at improving the environmental performance of existing industries and creating new industries delivering environmental goods and services, focusing on: (i) pollution prevention; (ii) pollution abatement; and (iii) 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 that regularly disrupts operations. It is therefore necessary for industrial parks and Agro-Poles to harness locally available renewable energy resources, such as production waste and solar energy, to power their operations. A systematic approach for energy efficiency will result in significant energy savings, thereby increasing the productivity and competitiveness of industries.

The Programme supports the integration of renewable energy and energy efficiency technologies and services in industrial parks and Agro-Poles. It also strengthens public and private sector capacities to provide energy efficiency services and improves the legal and regulatory framework to promote market-based scaling-up of 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 meet 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.

South-South and Triangular Industrial Cooperation

The Programme is helping the Government of Senegal to institutionalize South-South and Triangular Industrial Cooperation, in an effort to complement traditional "North-South" cooperation. This component addresses low levels of investment, trade, technology and knowledge flows between Senegal and southern countries, contributing 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

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