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IMPLEMENTATION OF THE INTEGRATED PROGRAMMES

Report by the Director-General

Reports on the implementation of General Conference decision GC.8/Dec.18, in compliance with paragraph (d) of that decision.

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For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

Introduction

1. In decision GC.8/Dec.18, the General Conference took note of reports by the Director-General on implementation of the Business Plan in the regions. The present document addresses the status of the integrated programmes and provides information on complementary activities in each region. The document should be considered in conjunction with the *Annual Report 1999*, chapters I and III.A. Specific, up-to-date information on the integrated programmes for individual countries will be provided during the session.

2. Since their inception in 1998, integrated programmes have become the main vehicle for UNIDO technical cooperation activities. Currently, there are 29 ongoing programmes: 10 in Africa, 6 in Arab countries, 3 in Asia and the Pacific, 5 in Europe and NIS and 5 in Latin America and the Caribbean. An additional 11 programmes are at various stages of development, and a further 18 will be reviewed in September 2000 for possible formulation in the same year.

I. LEAST DEVELOPED COUNTRIES

3. The priority accorded to least developed countries (LDCs) in the development and implementation of integrated programmes, as reported in the *Annual Report 1999* (IDB.22/2, chap. II.B), is in full accord with the Business Plan. In 1999 four additional programmes were developed and approved for LDCs (Ethiopia, Mozambique, Sudan, Yemen), bringing the total number to nine, with a total value of \$58 million. During the period July to October 1999, the three Managing Directors visited eight African LDCs to review the progress of implementation of the ongoing programmes (Uganda, United Republic of Tanzania) and to discuss the priority areas for development of new ones (Benin, Lesotho, Mali, Niger, Togo, Zambia).

II. AFRICA

4. UNIDO technical assistance to sub-Saharan Africa and LDCs emphasizes institutional capacity-building for the enhancement of industrial competitiveness and private sector development. The basic philosophy is to give key stakeholders in industrial subsectors the basic tools to determine their own industrial development needs and priorities, and to assist them in defining and establishing their own comprehensive medium-term and long-term industrial development agenda. UNIDO integrated programmes generally have addressed some common subsectoral and cross-sectoral thematic priorities:

- Enhancing competitiveness of agro-industries;
- Capacity-building in quality management, standardization and certification;
- Development of industrial partnership and investment promotion;
- Promotion of micro, small and medium enterprises (MSMEs);
- Development of environmental programmes;
- Capacity-building in industrial governance.

5. In addition to the seven integrated programmes finalized in 1998, development was initiated in 1999 in respect of 13 programmes, of which four (Côte d'Ivoire, Ghana, Mozambique, Senegal) were approved, five (Eritrea, Lesotho, Mali, Namibia, Nigeria) will be finalized and reviewed in early 2000 and the programming missions for the remaining four countries (Cameroon, Madagascar, Togo, Zimbabwe) will commence in mid-2000.

6. Implementation of integrated programmes has commenced in 10 countries (a total outlay of \$73 million) with the contribution of seed money from the Industrial Development Decade for Africa (IDDA), the Danish Fund and other Industrial Development Fund resources. So far, the seed money has achieved three main goals:

- To demonstrate UNIDO's commitment to the programmes and establish a true partnership with the client countries;
- To initiate the implementation of the programme to avoid loss of momentum;
- To leverage additional donor funds.

7. Over 50 per cent of IDDA resources were allocated to integrated programme formulation and implementation in the 1998-1999 biennium. For 2000-2001, the Secretariat has earmarked more than 80 per cent (\$8 million) of the resources for the development and implementation of the integrated programmes. It is noteworthy that:

- UNIDO attempted to ensure that the implementation of programmes developed in 1998 and 1999 is not disrupted, that the Director-General's pledges to ministers are honoured and that new programmes are given a fair chance to be started;

- Funds were also allocated to programmes in African Arab countries including Algeria, Egypt, Morocco, Tunisia and Sudan;
- All programmes in Africa will receive some funding to ensure equity.

8. A summit on industrial development was organized as part of the thirty-fourth meeting of the Organization of African Unity Heads of State in Algiers in August 1999. UNIDO also collaborated in the organization of the fourteenth Conference of African Ministers of Industry (CAMI-14) at Dakar in October 1999. The first meeting of the Bureau of CAMI-14 was hosted by UNIDO in Vienna at the end of November 1999 as a parallel event with the General Conference of UNIDO.

9. Additional information on the UNIDO programme for Africa, including global forum activities, advocacy and constituency-building is provided in the *Annual Report 1999* (IDB.22/2, chap. II.B).

III. ARAB REGION

10. As the basis for the formulation of strategies to support the Arab region, a new UNIDO subregional approach was adopted, based on an analysis of commonalities in their economies. The common focus of the region is employment and competitiveness and practical issues related to the World Trade Organization. The issues of the subregions to be addressed are:

- Arab Mediterranean countries—need to urgently modernize, expand and diversify industry;
- Arabian Gulf countries (oil-based economies)—scope for expansion with forward integration; industrial diversification; technology transfer; quality, standardization and metrology;
- Palestine and Arab LDCs—small weight of manufacturing industry; processing of agricultural products; import substitution.

11. Integrated programmes have been prepared for Algeria, Jordan, Morocco, the Palestinian Authority, Saudi Arabia, Sudan, Tunisia and Yemen (of these, six are ongoing). The framework for technical cooperation for Egypt is under finalization. The total budget for the eight integrated programmes would amount to \$49 million. The amount actually allocated—including seed money—was \$4.7 million (as of February 2000), with pledges amounting to \$6.7 million.

12. UNIDO plans to develop integrated programmes for Djibouti, Kuwait, Lebanon, Syrian Arab Republic and

United Arab Emirates in 2000. With these additions, the total number of programmes will reach 14 and will provide a coverage of 70 per cent of the region.

13. Programme activities at the national level were complemented by cooperation at the regional level:

- The Arab Regional Forum on Industry held at Cairo, Egypt, from 6 to 7 November 1999, was based on the characteristics of the economies in the region, and discussed such issues as job creation, labour productivity, quality, new technologies and how to most effectively proceed to link Arab markets with those of the industrialized world;
- Cooperation with the Arab Industrial Development and Mining Organization (AIDMO) and the United Nations Economic and Social Commission for Western Asia (ESCWA) was strengthened by identifying areas for closer cooperation and implementation. A joint communiqué was released in November 1999 that identifies specific areas of cooperation with both organizations;
- Cooperation with AIDMO and UNEP will be strengthened in the areas of environment, information and technology transfer, as agreed in a 1999 meeting between the League of Arab States and numerous United Nations organizations;
- UNIDO has provided a number of inputs to the Turin Centre (ILO) for training courses in support of Arab countries.

14. Based on the agreement with the Arab Maghreb Union countries, programmes are being formulated for developing capabilities in industrial policies and strategies.

IV. ASIA AND THE PACIFIC

15. The subregional approach applied in Asia and the Pacific grouped the countries in South Asian economies, transition economies and LDCs. The main focus areas of UNIDO strategy are poverty reduction, industrial capacity-building through investment promotion, industrial restructuring and policy reform, and environmentally sustainable industrial development.

16. Integrated programmes have been prepared for India, Sri Lanka and Thailand, with total budgets for the three programmes amounting to \$21 million. The amount actually allocated is \$2.7 million (as of February 2000). Four programmes (Islamic Republic of Iran, Lao People's Democratic Republic, Nepal, Pakistan) are at various stages of development. UNIDO plans to start developing

integrated programmes for Bangladesh and Mongolia in 2000.

17. Dominant themes of integrated programmes in the region to date are:

- Building industrial policy formulation capacity;
- Development and promotion of competitiveness of agro-industry and SMEs;
- Promotion of investment and technology transfer;
- Promotion of environmentally sustainable programmes/projects.

18. An important complementary activity was the Asia-Pacific Regional Forum on Industry convened at Bangkok in September 1999. High-ranking government officials, business leaders, academics, international organizations and civil society organizations addressed such important and topical issues as the implications of the Asian crisis for industry and industrial policy in the region, reforms and strategies to promote SME development, and the need to formulate a strategic vision and appropriate industrial policies for the new millennium.

V. EUROPE AND NIS

19. Many countries in the Europe and NIS region suffer from:

- Erosion of industrial potential;
- Declining contribution of industry to GDP;
- Ageing technologies;
- Poor product quality;
- Environmental degradation resulting from previous industrial activities;
- Low utilization of installed production capacity disguising a rising trend in hidden unemployment;
- Narrowing markets for locally-manufactured goods;
- Difficulties in increasing foreign capital inflows to industrial sectors;
- Lack of clear vision or strategy for industrial development in the twenty-first century or for confronting challenges faced by the manufacturing sector.

20. Notwithstanding the above, the industrial sector plays and will continue to play an increasing role in the transition of the economies of the region into dynamic, developed market economies. They are, moreover, economies which in many cases already possess many of the preconditions for completing this transition process, and which have an important role to play in the process of increasing globalization of world industry. This in turn calls for a special approach to technical cooperation in the region.

21. Because of the heterogeneous nature of the countries of the region and the conscious effort to address the challenges faced by countries at different levels of industrial development, a wide range of service modules enter into the various integrated programmes. Nevertheless, requests from the countries in the region for cooperation from UNIDO address their priorities in a number of common areas:

- Cleaner production and environmental management;
- Investment and technology promotion;
- Quality, standardization, and conformity assessment;
- Private sector development.

22. Each programme has certain additional country-specific features in its design. In this respect, one of the hallmarks of the regional and country specificity of integrated programmes in the region is the emphasis on the development of industrial capacities, not only at the national but also at the regional and local levels.

23. Against this background, five integrated programmes have been developed and are ongoing, covering Armenia, the Russian Federation and its three regions (Moscow Oblast, St. Petersburg, Republic of Bashkortostan), with a total outlay of \$22 million. Development work was also carried out on draft integrated programmes for Romania and Uzbekistan. For other countries of the region (such as the former Yugoslav Republic of Macedonia), programmes of cooperation are being designed that are also characterized by an integrated approach to addressing, with the recipient country, the needs for technical cooperation in industry, but in a less formal fashion.

24. Preparations are being made for a regional forum on industrial cooperation and partnership in Central and Eastern Europe and NIS. The forum, to be held in 2000 under the joint sponsorship of UNIDO and the Ministry of Economic Affairs of Hungary, will attempt to give

a specific regional dimension to both the global analysis undertaken and conclusions drawn from the UNIDO Forum on Sustainable Industrial Development (29 November-1 December 1999). In particular, the forum will promote industrial cooperation and partnership in the region within the context of increasing globalization in the new millennium.

VI. LATIN AMERICA AND THE CARIBBEAN

25. For the countries in Latin America and the Caribbean, UNIDO applied one of three approaches:

- Promotion and implementation of integrated programmes;
- Promotion and implementation of a single module;
- Strategic knowledge-intensive advisory and policy monitoring services.

26. Through establishment of a continued dialogue with UNIDO stakeholders and effective multidisciplinary missions, UNIDO attempts to address the following issues in developing programmes in the region:

- Lack of national consensual vision;
 - Social and economic inequity;
 - Poverty alleviation;
 - Development of export industries;
 - Development of medium and small businesses;
- Growing environmental concerns;
- Absence of efficient regional knowledge-sharing mechanisms.

27. Against this background, integrated programmes were prepared and approved for Bolivia, Colombia, Cuba, Guatemala and Honduras with a total outlay of \$34 million. The amount actually allocated—including seed money—was \$2.9 million (as of February 2000). Discussions are ongoing with the authorities of Ecuador, Nicaragua and Paraguay concerning the possibility of developing integrated programmes.

28. With seed money resources from UNIDO's Regular Programme for Technical Cooperation (RP) in 1999, the implementation of these programmes gained considerable momentum. With a total of RP funds of approximately \$650,000 and a significant government special-purpose contribution in the case of Guatemala, most of the

components of all five integrated programmes could be started or further developed. In many cases, promising results were achieved which, in turn, will facilitate further implementation.

29. Upon request of the Government of Mexico, a preparatory assistance project has been prepared for developing a programme to support the food-processing industry in Chiapas State, with particular emphasis on women's entrepreneurship development. A mission fielded in March 2000 held discussions with the Ministry of Foreign Affairs, local authorities and individuals in the private sector. UNIDO's intervention will concentrate on two major areas: micro, small and medium food-processing units and the development of women's entrepreneurship at the MSME level.

30. As a joint initiative to address the need for an efficient regional knowledge-sharing mechanism, UNIDO convened a meeting on technology foresight with its International Centre for Science and High Technology at Trieste, Italy, in December 1999. The objective was: (a) to build further awareness of and support for technology foresight among Latin American decision-makers and researchers; (b) to secure political and technical endorsement for an action plan for a regional technology foresight initiative; and (c) to establish a Latin American network for interaction and dissemination of information. The meeting was attended by more than 130 participants from over 30 countries, including top representatives from the public and private sector, national technology councils, technological support institutions and academia. Several donor countries confirmed their interest in cooperating with the programme, and Argentina, Brazil, Chile, Colombia, Uruguay and Venezuela expressed their commitment to cooperate with the network and initiate actions for conducting technology foresight in their respective countries.

31. To complement these efforts, a cooperation arrangement is being developed with the Economic Commission for Latin America and the Caribbean (ECLAC). In February 2000, UNIDO received a high-level ECLAC delegation headed by its Executive Secretary. In a general presentation to UNIDO senior management on the mandate and work programme of the Commission, emphasis was placed on the macroeconomic performance of the region during the 1990s and its expectations for the years to come. At the micro level, ECLAC's presentation on productivity growth and productivity gaps between the countries of the region and the United States of America provided interesting insights on the performance of certain industries in Latin America and the Caribbean. Closer cooperation with ECLAC was discussed for the future, whereby ECLAC's analyses could be put to use for UNIDO's programme in the region.

**VII. ACTION REQUIRED OF
THE BOARD**

32. The Board may wish to take note of the information provided in the present document.