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### **UNIDO activities in agro-related industries and agribusiness**

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### **Note by the Secretariat**

Provides a progress report on UNIDO activities in agro-related industries and agribusiness.

## **I. Background**

1. On 22 July 2008, a joint briefing was given to Member States on the global food crisis by UNIDO and the Food and Agriculture Organization of the United Nations (FAO). This briefing provided an overview of the crisis, highlighting the underlying causes as well as the possible consequences and the responses of national governments and the international community. UNIDO's position on the crisis, and its potential contribution towards overcoming it, was also presented, in particular the role that agro-industries could play as a means for promoting both food security and economic growth.

2. This was followed by a second briefing to Member States on 23 September 2008. As part of UNIDO's response to the food crisis, three groups of activities and programmes were highlighted: (a) the role of the Organization in advocacy and as a provider of high-level advisory services; (b) examples of specific food security programmes initiated by UNIDO; and (c) selected programmes of high impact that were in the process of being implemented.

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3. A summary of the presentations made in the two above-mentioned briefings was prepared and a report sent to all Permanent Missions in September 2008.<sup>1</sup> An extensive report by the Director-General on how UNIDO can best contribute to a system-wide solution of the global food crisis, prepared in compliance with decision IDB.34/Dec.6 of the Board was subsequently distributed for discussion by the Member States (document IDB.35/9).

4. On 26 May 2009, following an additional briefing on UNIDO activities in agro-industries and at the request of a Member State, a presentation entitled “UNIDO’s Activities in the Field of Agro-Industries — Building Capacity for Reducing Social and Economic Disparities” was prepared and distributed to all Member States. A detailed report, based on this presentation made on 26 May 2009, was prepared and distributed to the Board as document IDB.36/CRP.5. The document was divided into three main parts: (a) a short description of activities related to agro-industries at UNIDO, outlining selected technical and economic trends and challenges as well as UNIDO’s response to them; (b) the activities of the Organization in terms of capacity-building for food security and reduction of social and economic disparities; and (c) concluding remarks, presenting a proposal for the way forward, which could be summarized as follows:

(i) The food crisis was an opportunity to demonstrate that UNIDO’s work in agro-industries can be concentrated in addressing the long-term structural issues needed to enhance food security in the most affected countries and regions, while at the same time generating wealth through economic growth;

(ii) For UNIDO to be able to provide the required services, however, appropriate modalities would need to be put in place for the mobilization of the required financial resources. It was in this context that the Director-General proposed the establishment of a special trust fund on increased food security through agribusiness and agro-industry promotion, with details provided in document IDB.36/12/Add.1, chapter III A.

## II. Response to Board decision IDB.36/Dec.16

5. At the thirty-sixth session of the Board, which took place from 23 to 26 June 2009, the debate of agenda items 9 and 17, which focused on the global food crisis and UNIDO activities in agro-industry and agribusiness respectively, the Member States raised different issues. Essentially, these can be summarized in the following three categories:

(a) Extent to which UNIDO cooperates with other United Nations agencies including FAO, International Fund for Agricultural Development (IFAD), the World Bank and other international institutions working in agro-industries and how enhanced coordination could deliver better results and avoid duplication;

(b) Breakdown of funds allocation by UNIDO on agro-industries projects under technical cooperation programmes and opportunities for attracting additional investments to the sector;

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<sup>1</sup> Information note No.27 of 17 September 2008, issued with report entitled “*Addressing the world food crisis*”.

(c) List of various technologies necessary for sustained growth in agro-industries and cases where technology transfer has been successful in reducing post-harvest losses and strengthening agribusiness value chains.

6. A summary of the initial response by the Secretariat to the comments made by the Member States during the thirty-sixth session of the Board was distributed on 2 July 2009.<sup>2</sup> As part of the implementation of Board decision IDB.36/Dec.16, two additional briefings were given. The first, which entailed a more detailed response to all issues raised by Member States as a presentation, was held on 11 September 2009. The presentation consisted of 20 groups of statements, which was also distributed to Permanent Missions the same day. The second briefing, on 27 October 2009, featured the launching of *Agro-industries for Development*, the book prepared by FAO, IFAD and UNIDO, the three organizers of the Global Agro-industrial Forum held in New Delhi in April 2008. This was distributed on 28 October 2009. A brief report by the President of the Industrial Development Board on the informal consultations conducted in compliance with decision IDB.36/Dec.16 is also presented in document GC.13/16.

7. The key elements of the information provided by UNIDO to Member States as a result of these briefings can be summarized as follows:

(a) From 2004 to 2008, UNIDO increased its overall technical cooperation delivery by about 30 per cent. The operations directly linked to technical cooperation in agro-industries increased, in the same period, by about 260 per cent (from \$5.2 to \$18.6 million).

(b) UNIDO, working with the agro-industrial sector,<sup>3</sup> provides selected production factors (productive inputs) to be scaled-up through large-scale government interventions and investments. It has established, or strengthened the capacity of Member States through transfer of knowledge (technology and management) to rehabilitate technical facilities, to develop human resources, to provide renewable and more efficient energy systems for productive activities and to introduce environmental management systems at the factory or facility level, among other activities.

8. Furthermore, it should be noted that agribusiness and agro-industries will be addressed in the UNIDO proposal to support the Union for the Mediterranean Business Development Initiative. In this context the cooperation will be extended to the UNIDO ITPO network so as to complement technical cooperation activities with the promotion of responsible investment and technologies to small and medium enterprises to maximize development impact and spill-overs.

### III. The challenges continue

9. The major challenges to Member States as well as to UNIDO, and the areas where agro-industries would bring concrete results, could be expressed in six sequential steps: (a) increase agriculture and livestock production by a quarter to a

<sup>2</sup> Information note No.34 of 2 July 2009, issued with a summary of Secretariat comments in response to statements made by Member States.

<sup>3</sup> Comprising four groups of commodities plus the manufacturing of selected agricultural inputs including food, leather, textile, wood and agricultural machines.

half by 2025 under limited availability of land and water; (b) double production yields, combined with a reduction of post-harvest losses, particularly in Africa; (c) organize small holders worldwide, particularly in Africa, and use the latest possible knowledge (technology and management) that can be absorbed by the target groups; (d) establish the necessary policies to create a favourable environment for development; (e) build up productive capacity in both farm and non-farm areas to optimize the use of local resources; and (f) prepare and guide local officials and associations of producers to negotiate in the international marketplace (including discussions on international and private standards) to finally insert their respective countries into global markets.

10. It is recognized that the costs of this will be significant. Investments will have to be made primarily by private sector players. The public sector will thus be challenged to create and maintain the conditions where the private sector (including farmers) can profitably invest in agribusiness and agro-industries.<sup>4</sup>

#### **IV. Concluding message on the impact of UNIDO's agro-industries operations**

11. UNIDO engages in poverty reduction by building up or strengthening the productive capacities of countries through the quantitative expansion and qualitative upgrading of the performance of industry. The Organization operates mostly through transfer of knowledge (technology and management) that can then be implemented in the agro-industry sector.

12. Technical cooperation on farm-agribusiness linkages has traditionally focused on micro-determinants for adjusting the existing structures to market demand. UNIDO, however, has expanded the scope of its traditional cycle of assistance, where attention used to be given essentially to the project cycle, and it has, increasingly, become a provider of high-level advisory services to the Member States through a combination of technical cooperation programmes and projects, and global forum functions. The series of recent global and regional meetings, and the incorporation of their main results into the daily work of the Organization, is illustrative.

13. At the same time, the Organization has focused on strengthening its strategic, upstream and normative operations. As a basis for the sectoral approach, UNIDO works through the entire agro value chain, which includes financial institutions as well as several other actors, in particular other United Nations organizations, in order to strengthen the impact of UNIDO programmes and projects.

14. UNIDO has welcomed the constructive advice and corresponding support it has received from the Member States since the first joint briefing with FAO, on 22 July 2008. The final objective has been to enhance the impact of services, based on concrete models of successful technical cooperation programmes and projects, that address the long-term structural changes required to build up food security, to

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<sup>4</sup> Further information is contained in the UNIDO and FAO document *Accelerating Agribusiness and Agro-industries Development in Africa: A Programme Framework*, which is a background document for the High-level Conference on the Development of Agribusiness and Agro-industries in Africa (HLCD-3A) to be held in Abuja, Nigeria in March 2010.

prevent food crises in the future, and to strengthen the role of UNIDO as provider of high-level advisory services to Member States in order to promote industrial growth for poverty reduction and development.

## **V. Action required of the General Conference**

15. The Conference may wish to take note of the information provided in the present document.

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