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Progress report on regional programmes, including:

- (a) Regional programme for Latin America and the Caribbean;
- (b) Regional programme for Africa;
- (c) Arab regional programme; and
- (d) Other regional programmes

Progress report on regional programmes

Report by the Secretariat

The present report provides an account of the work undertaken by UNIDO under the framework of its five regional programmes. The document outlines the key trends that characterize the manufacturing sector at the global and regional level and it also provides a short introduction to the major challenges and opportunities faced by developing countries.

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I. Introduction

1. The first part of the document discusses the recent global economic downturn and it presents evidence of encouraging signs of recovery. It explores the dynamics of global manufacturing production and trade (chapter II) and also the role of industry in the ongoing debate on sustainability, climate change and energy access (chapter III). The second part introduces the rationale for the UNIDO response to these challenges (chapters IV and V) and elaborates on the Organization's five regional support programmes (chapters VI to X).

2. The document also examines the dramatic changes in the global economic and development landscape. By late 2007, growth was still robust, particularly in emerging economies. Manufacturing growth was a key factor in reducing the number of poor people across the world. Progress was being achieved towards the Millennium Development Goals, although some structural imbalances were emerging, as signalled by the twin crises in food and fuel prices. In 2008, however, a global financial and economic crisis spread, starting from industrialized countries and progressively spreading to developing ones. It adversely affected world economic growth and threatened the global development agenda. This year has witnessed a timid upswing in the world economy, driven primarily by a return to growth in the developing countries.

II. Manufacturing value added — global and regional trends

3. The 2008 financial and economic crises caused an unparalleled decline in employment, demand and trade in the world economy. Reduced consumer spending and business investment resulted in a fall of global manufacturing production. The crisis affected primarily industrialized countries, although the developing ones were not immune to its adverse effects. The crisis, however, does not seem to have challenged the long-term shift of manufacturing activities from industrialized to developing countries. Developing countries accounted for approximately one-fifth of global manufacturing value added (MVA) in the early 1990s. By 2009, their share had risen to one-third.

4. Table 1 provides an overview of regional trends in MVA. Among developing regions, Asia and the Pacific have consistently been the largest and fastest growing manufacturers. Within this region highlights include continued growth in East Asia (driven by China) and marked improvements in South and South-East Asia, resulting from robust manufacturing growth not only in the Indian subcontinent but also in Indonesia, Malaysia and Viet Nam. Manufacturing growth in the remaining regions of the world witnessed a less significant upswing. The share of Latin America and the Caribbean countries remained fairly stable at around 6 per cent of world MVA. The performance of Africa continues to be subdued. With \$54 billion in 2009, Africa accounts for less than 1 per cent of world MVA. If South Africa is excluded, sub-Saharan countries accounted for only 0.38 per cent of global MVA in 2009, slightly up from 0.31 per cent in 2005.

Table 1
Share of developing regions or country groups in world MVA (percentage)

Regions	2005	2009
East Asia and Pacific	11.37	17.49
South and South-East Asia	5.55	6.90
Latin America and Caribbean	6.05	6.13
Europe and NIS	4.04	4.87
Arab countries	1.82	2.31
Africa*	0.71	0.84

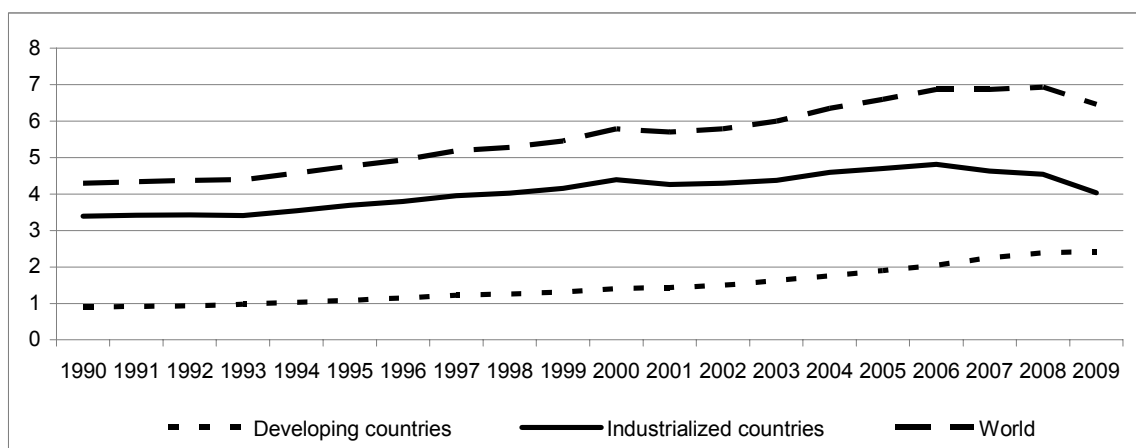
* Excluding North-African countries included under Arab countries.

5. The impact of the financial and economic crisis on the real economy is most visible in terms of the growth rate of MVA. At the global level, MVA growth averaged 2.3 per cent between 2000 and 2008 but it shrank by 6.8 per cent as a result of the global recession. At the industry level, world manufacturing activity declined in 20 out of 22 sectors with export-oriented industries and consumer durables suffering the most. The slowdown in manufacturing, however, was felt disproportionately by industrialized economies, as indicated in graph 1.

6. As with the previous economic downturn at the turn of the century, the performance of developing countries stands in contrast with that of the industrialized ones. In both downturns, developing countries at worst stagnated (with the trend line becoming flat) while industrialized countries visibly contracted and ended the decade with broadly the same MVA that they had at the turn of the century.

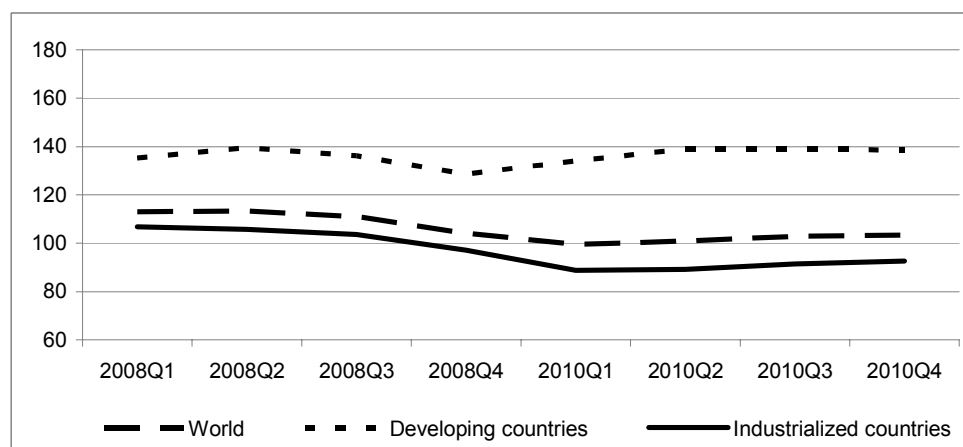
Graph 1

Trends in manufacturing value added in billions of United States dollars (1990-2009)



7. In view of the longer-term trends described above, it is not surprising to note that the path out of the recession, though still fragile, owes largely to the dynamism of manufacturing in developing countries. Graph 2 provides quarterly data on the performance of manufacturing production from the onset of the global downturn.

Graph 2
Quarterly change of world industrial production in 2008-2009 (2005=100)



8. The trends highlight a much more severe and prolonged contraction in the industrialized economies for the four quarters of 2008 and a timid recovery in 2009. In contrast, the decline in the developing countries occurred at a later stage, namely in the second quarter of 2008. Moreover, a more vibrant upswing can be witnessed starting already at the end of 2008, though it decreased as from the second quarter of 2009. The resilience of manufacturing activities across developing countries masks different performances over regions and time. Table 2 disaggregates the experience of developing countries by region over the same period of time.

Table 2
Quarterly change of MVA by country groups in 2008-2009 (percentage)

Regions	2008Q2	2008Q3	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4
East Asia and Pacific	7.1	-4.5	-7.7	17.0	6.0	-1.9	-3.4
South and South-East Asia	-1.4	1.7	-3.3	-0.6	1.7	3.1	1.7
Latin America and Caribbean	1.8	-0.3	-3.8	-6.9	1.5	3.0	4.7
Europe and NIS	-2.0	-1.5	-4.2	-15.8	-0.2	2.1	0.0
Arab countries	-1.9	-2.2	-3.3	-0.9	2.5	-0.4	4.6
Africa*	2.1	-3.2	-7.3	-17.2	-3.5	2.5	3.3

* Excluding North-African countries included under Arab countries.

9. The immediate impact of the crisis was most heavily felt in the Arab countries and in Central Asia, especially where the manufacturing base is heavily geared towards energy production and therefore sensitive to the drops in energy prices. As the financial downturn spread to a broader range of commodities, economies that are dependent on primary processing were also hit, most noticeably in Africa and in Central Asia (which recorded falls of 17.2 per cent and 15.8 per cent respectively). In the Asian context, the crisis struck first and most severely the countries on the Pacific Rim on account of close integration in global production networks and thus sensitivity to economic slowdown in Japan and North America. The rest of the

region was more mildly affected by the downturn, but it also displayed a slower recovery in the first two quarters of 2009. By the end of 2009, the majority of the regions had returned to robust manufacturing growth.

10. The largest countries in Latin America experienced a decline in MVA in 2009, which contracted by 4.8 per cent, 3.3 per cent and 11 per cent in Argentina, Brazil and Mexico respectively. The dramatic drop in Mexico may be explained by close commercial links with the United States of America, the centre of the financial crisis. Several countries in East Asia continued to grow amid the downturn, including China (9.4 per cent), Taiwan Province of China (5.6 per cent) and Indonesia (4.6 per cent). India stood well through the global recession, exhibiting 5.1 per cent growth in MVA. In North Africa, Egypt, Tunisia and Morocco increased their MVA by 6 per cent, 3.7 per cent and 3.6 per cent respectively, despite the proximity to the European markets that were also severely impacted by recession. In sub-Saharan Africa, Mozambique, Burkina Faso and Uganda exhibited the highest growth rate, with respectively 10 per cent, 10 per cent and 8.9 per cent. A few countries in the region, such as Burundi, Liberia and Madagascar, recorded however a fall in MVA.

11. Despite the crisis, MVA in least developed countries (LDCs) grew at a rate of 6.9 per cent between 2008 and 2009. Four Asian LDCs exhibited a double-digit growth rate, namely Afghanistan (18.9 per cent), Cambodia (18 per cent), Myanmar (11 per cent) and Lao People's Democratic Republic (10 per cent). Bangladesh, the largest manufacturer among LDCs, grew by 7 per cent.

12. Over the last decade, the shares of resource-based (RB) and low-technology (LT) manufacturing in global MVA have declined in favour of medium-high technology (MHT) manufacturing, the latter increasing its share from 48.8 per cent in 2002 to 55 per cent in 2008. This trend is in line with a process of continued structural change in global manufacturing, whereby low-technology productions account for gradually smaller shares of total MVA.

13. The strength of this process is more evident in the industrialized economies, where nearly two-thirds of MVA are generated by medium-high technology activities, up from little over one half at the beginning of the decade. The association between high income and structural change towards medium- and high-tech manufacturing is so strong that the latter is seen as an inherent feature of economic development.

14. In this context, the continued reliance of African manufacturing on resource-based activities (46 per cent of MVA in 2002 and 45.9 per cent in 2008) is particularly alarming. Countries in Asia and the Pacific displayed the strongest evidence of structural change, driven in particular by medium-high technology activities in East Asia, climbing from 47 per cent in 2002 to 51 per cent in 2008. Europe and NIS witnessed a similar trend whereby nearly half of the manufacturing value added in 2008 was generated by medium-high technology activities.

Table 3
Technological composition of MVA share (percentage), 2002 and 2008

Country groups or regions	2002			2008		
	RB	LT	MHT	RB	LT	MHT
World	29.4	21.8	48.8	24.6	20.5	55.0
Industrialized countries	26.7	19.5	53.8	20.4	16.0	63.7
Developing countries	34.6	27.1	38.4	30.1	26.8	43.1
East Asia and Pacific	29.0	23.8	47.2	25.4	23.6	51.1
South and South-East Asia	36.9	25.5	37.6	33.2	23.2	43.5
Latin America and Caribbean	39.1	26.5	34.5	36.9	25.4	37.7
Europe and NIS	31.4	23.8	44.8	28.1	23.3	48.6
Arab countries	34.8	35.8	29.4	29.5	37.2	33.3
Africa*	46.0	29.0	25.0	45.9	28.2	25.9

* Excluding North-African countries included under Arab Countries.

15. The *UNIDO Industrial Development Report of 2009* analysed these trends in greater detail in terms of the extension of global production networks and the emergence of trade-in-tasks.¹ In view of the slow recovery of manufacturing in industrialized countries (see graph 2), it is reasonable to question if this process of technological deepening and structural change will keep up its pace in the future.

16. The growth of trade over the last decade is widely seen as the distinctive feature of economic globalization. Worldwide trade consists mainly of manufactured exports, which account for 80 per cent of total exports by value. From 2003, world manufactured exports grew on average at 14 per cent per annum, reaching \$12 trillion in 2008 (table 4). Manufacturing exports from developing countries grew at an average of 18.3 per cent per annum, thus faster than the world average. As an outcome, the share of developing countries in world manufactured trade climbed consistently over the previous 20 years from approximately 10 per cent in 1990 to a little over 30 per cent in 2000 and approaching 40 per cent by the end of the decade.

Table 4
Trends in world manufactured exports, 2003-2008

Country groups or regions	2003	2004	2005	2006	2007	2008	Average annual growth (2003-08)
World (in trillions of US\$)	6.260	7.560	8.450	9.730	11.000	12.100	14.1%
Industrialized countries	69.0%	67.6%	65.7%	64.2%	63.6%	63.1%	12.1%
Developing countries	31.2%	32.3%	34.3%	35.8%	36.3%	37.3%	18.3%

¹ Trade-in tasks refers to the concept of unbundling the production process into steps that are located in different countries. Sometimes business schools refer to it as “value chains”, and the media refer to it as “offshoring” (*UNIDO Industrial Development Report 2009*, page 19, section 2.3 A).

<i>Country groups or regions</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>Average annual growth (2003-08)</i>
East Asia and Pacific	12.6%	13.4%	14.4%	15.3%	15.8%	16.3%	20.0%
South and South-East Asia	8.0%	8.0%	8.2%	8.4%	8.0%	8.2%	14.7%
Latin America and Caribbean	4.5%	4.4%	4.6%	4.7%	4.5%	4.6%	14.8%
Europe and NIS	3.7%	4.2%	4.6%	4.8%	5.3%	6.0%	25.2%
Arab countries	1.6%	1.6%	1.8%	1.8%	1.9%	1.5%	13.1%
Africa*	0.7%	0.7%	0.7%	0.8%	0.7%	0.8%	16.4%

*Excluding North-African countries included under Arab countries.

17. Two features of such growth performance are of great strategic relevance for developing countries:

(a) Six out of the ten most dynamic manufactured exports are resource-based (iron, copper, ferrous waste, petroleum). Unlike the trend in MVA share, only one high-tech industry (office machines) is among the most dynamic exports;

(b) While the largest share of world trade (66.2 per cent in 2008) still takes place among industrialized countries, South-South trade climbed to 50.4 per cent of total trade from developing countries in 2008 (up from 46.2 per cent in 2005) with an annual growth rate of 22.6 per cent from 2003 to 2008.

18. Finally, the regional dimension of manufactured exports needs to be emphasized. The Asia and the Pacific region currently accounts for nearly one-fourth of global manufactured exports, namely 16 per cent from East Asia and the Pacific and another 8 per cent from South and South-East Asia. It is in the former that much of the growth took place (from 12.6 per cent of global manufactured exports in 2003 to 16.3 per cent in 2008), while the pace of growth in the rest of the region was in line with the global trend. The share of exports from Europe and NIS also exhibited growth rates that exceeded the global trend, and indeed the greatest dynamism over the period with an average growth rate of 25.2 per cent.

19. Latin America and the Caribbean matched the global growth rate during the decade so that their share of global manufacturing trade has remained constant at a little under 5 per cent. Similarly, the Arab countries and Africa did not see their share of global manufacturing export change much between 2003 and 2008, accounting for 1.5 per cent and 0.8 per cent respectively. From a structural perspective, however, the contrast between East Asia and Latin America on one side and the Arab countries and Africa on the other should be stressed. While the share of resource-based and low technology products in manufacturing exports declined in the former group, it was the share of medium technology products in manufacturing that actually declined in the latter. In terms of structural change and economic diversification, the implications for the African continent are significantly negative.

III. Industry and energy — global and regional trends

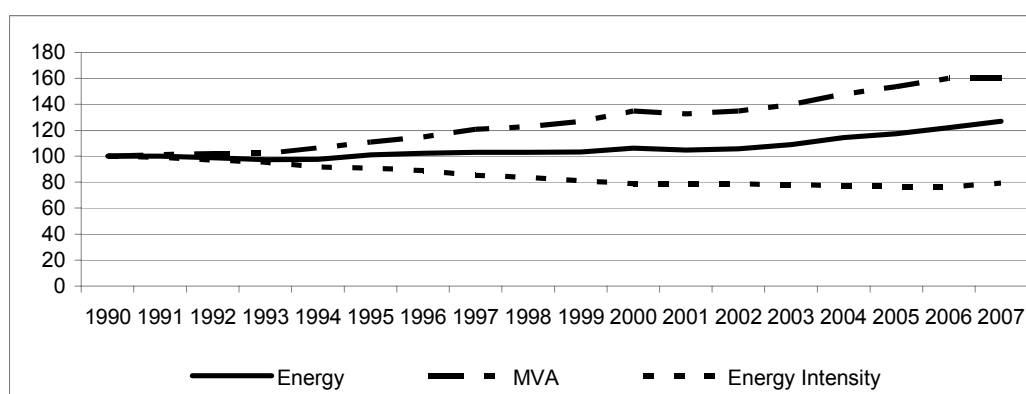
20. Over the last decade, public opinion has paid renewed attention to issues of sustainability, climate change and the depletion of non-renewable resources, especially fossil fuels and water. Indeed, the energy challenge is at the heart of many critical economic, environmental and developmental issues faced by the world. Specifically, the imperative to transform national energy systems is related to two interdependent and pressing emergencies at the core of industrial development. There is a need to broaden access to energy as a precondition for people to use their skills and resources productively. This is a particularly urgent need in developing countries, where an overwhelming majority of the estimated 1.5 billion people currently live without access to electricity. At the same time, there is also a need to increase energy efficiency.

21. The distinctive feature of industry is indeed the great potential for efficiency improvements. That is why energy intensity in industry (especially in metals, petrochemicals, and paper sector) is so much under focus in current public debate. The merits of an energy efficiency agenda are not however confined to its environmental implications. Governments both in industrialized and in emerging economies, are looking at energy-saving technologies as a key driver of competitiveness. Accordingly they reserved significant shares of economic stimulus packages for this purpose. Moreover, attaining higher industrial energy efficiency is likely to have an important strategic dimension in a world where commodity markets display large and unanticipated fluctuations.

22. The historical trends for energy intensity in manufacturing over the period of 1990 to 2007 are presented in graph 3. As can be seen, energy consumption by the industrial sector has been stable during the 1990s while it steadily increased from 2000 onwards. As described earlier in this chapter, MVA increased consistently over the period. The resulting worldwide trend for energy intensity is thus remarkable and suggests that a gradual decoupling of MVA from energy consumption is being achieved, i.e. significantly more value added is being produced in the manufacturing sector with relatively smaller increases in energy consumption.

Graph 3

Trends in value added, energy consumption and energy intensity in industry (1990=100)



23. Nevertheless, such improvement masks profound differences across the world. As indicated in table 5, for example, sub-Saharan Africa uses on average one ton of oil equivalent to produce \$1,000 of MVA, while the average industrialized country uses around five times less energy to achieve the same result. This difference is partially explained in terms of the value-adding sectors in the two regions (energy-intensive commodity processing in the former, higher-tech productions in the latter) but also in terms of the wide gaps in technology and energy management practices.

Table 5
Manufacturing energy intensity, selected years 1990-2007, tons/\$1,000

<i>Country groups or regions</i>	<i>1990</i>	<i>1995</i>	<i>2000</i>	<i>2007</i>
Industrialized countries	0.26	0.24	0.22	0.20
Developing countries	1.20	1.02	0.79	0.69
East Asia and Pacific	1.14	0.97	0.64	0.61
South and South-East Asia	1.69	1.35	1.28	1.04
Latin America and Caribbean	0.51	0.50	0.48	0.47
Europe and NIS	2.14	2.02	1.53	1.04
Arab countries	1.10	1.20	1.02	0.92
Africa*	1.22	1.15	1.15	1.01

*Excluding North-African countries included under Arab countries.

24. Over the previous two decades, however, developing countries have improved the energy intensity of their manufacturing sectors to a remarkable extent. Although starting from a very high level in 1990, Europe and NIS succeeded in nearly doubling the energy efficiency of its manufactured production: while producing \$1,000 of MVA required the consumption of 2.14 tons of oil equivalent in 1990, it only required one ton in 2007. Marked improvements can be seen across Asia and in the Arab countries as well. Though less dramatic, a more efficient use of energy is a key element in the experience of Africa and of Latin America as well, both of which compare favourably with the performance of the industrialized countries.

IV. Opportunities and challenges for industrial development

25. The chapters above provided an introduction to some of the key trends that characterize the development of industry, both at the global and at the regional level. In particular, evidence was provided on the continued and deepening diversification of the global economy. This entails a progressive process of structural change within the manufacturing sector, which is more evident in the industrialized countries but progressively shared by the most dynamic economies in the developing world. Indications regarding the nascent recovery from the global economic slowdown were also put forward, stressing the leading role of emerging economies. Finally, the above chapters highlighted the enduring disparities in access to and use of energy for the generation of manufacturing value added. This global landscape confronts policymakers in developing countries with persisting challenges, often exacerbated by economic slowdown in the key industrialized countries, but also with emerging opportunities.

26. The promotion of structural change, i.e. the process whereby productive capacities are transferred from primary production to manufacturing, and within manufacturing from lower to higher value-added activities, continues to retain a prime strategic role, especially as the global economy enters a phase of turbulence and uncertainty. The dramatic and unpredicted collapse in the value of economic activities most exposed to financial speculation (whether commodity-related in developing countries or service-related in industrialized ones) serves as a reminder of the virtues and resilience of the real economy. As highlighted above, economies that had witnessed a strong degree of industrial diversification and deepening in the preceding decade appear to be emerging from the global economic slowdown with far greater ease.

27. In the current context, pragmatism and readiness to experiment and to learn are likely to be more relevant features of successful policymaking than dogmatism and reliance on preconceived recipes. The sudden and unexpected crisis that hit some of the most competitive and structured global markets, such as financial securities, commodities as well as several housing markets, has considerably shaken the confidence in the self-regulating virtues of free markets, which were at the core of the Washington consensus and of much of the development debate over the last two decades.

28. Finally, issues related to industry and its role in development are again being discussed after decades of relative disregard. If significant progress has been made towards the achievement of the Millennium Development Goals, it has been chiefly driven by strong political will, continued globalization, and high rates of economic growth. As a number of countries, including the poorest ones, have achieved major successes in combating extreme poverty and hunger, improving school enrolment and child health, expanding access to clean water and HIV/AIDS treatment and controlling malaria, tuberculosis and neglected tropical diseases, this has been significantly due to the development of their productive capacity.

29. In this regard, evidence continues to confirm that success in the fight against poverty can hardly be sustainable, broad-based and enduring without adequate investment in the industrial sectors. Industry is the seedbed for entrepreneurship, business investment, technological progress, the upgrading of human skills and the creation of decent jobs. Through intersectoral linkages, industrial development can create the foundation for a more effective and efficient agricultural sector, reducing post-harvest losses and thus increasing access to food for the poorest people. Finally, improvements in material and energy efficiency in industrial production carry the greatest chances to address the issue of global warming both in an environmental and in a politically sustainable manner.

30. At the regional level, this suggests the need for pragmatic and evidence-based programmes. Within each of the major regions, the problems faced and the strategies to tackle them differ profoundly: recommendations relevant for medium-sized countries challenged by the competition from emerging economies are fundamentally different from those for low-income countries that are highly indebted or overly reliant on exporting primary commodities. Inside each region, economies that rely heavily on exporting semi-manufactured products to neighbouring industrialized economies are facing remarkably different paths out of the global slowdown than economies that are driven by the strength of domestic demand.

31. A few common points emerge from an analysis of global and regional trends that are being highlighted for the benefit of policymakers. The regional programmes of UNIDO, presented in the following chapters, are based on a combination of responses to one or more of the following challenges and opportunities in light of local contingencies and prevailing conditions.

(a) In the short-term, agriculture remains a crucial source of livelihood for most developing countries, in particular the LDCs, which have not yet acquired a strong industrial base. However, processed goods account for only 30 per cent of agriculture-based industrial products exported by developing countries, compared to 98 per cent of those from industrialized countries. The lack of efficient agro-industries and agribusiness thus constitutes a key weakness in most developing countries, especially the LDCs and those in Africa. Global public opinion is starting to acknowledge the key role of commercial farming and agricultural value chains in economic development. This is because agribusiness can be crucial in the fight against poverty since it can create sustainable employment opportunities and generate wealth, but it also helps diversify the economic structure and thus enhance resilience. Furthermore, it can increase food security through a reduction of post-harvest losses, improvement of food quality and safety, and greater efficiency along the food chain.

(b) Developing countries in particular need to expand access to reliable and modern energy services if they are to reduce poverty while increasing productivity and enhancing competitiveness. As noted above, about 1.5 billion people have no access to electricity and another billion people have access only to unreliable electricity networks. This means that people suffer the consequences of insufficient power both for productive income-generating activities and for services such as health and education. Clearly, there is a need to transform the global energy system. Debate should take place on how to improve the performance of energy systems, both at the national and regional level. Particularly in low-income countries, there is an urgent need to expand access to modern energy services in a way that is economically viable, environmentally sustainable, affordable and efficient.

(c) In several middle-income developing countries, obsolete and inefficient technologies and operating practices imply higher-than-needed material and energy consumption. This places these countries at multiple disadvantages: first, their patterns of production and consumption are not sustainable and increasingly uncompetitive. Secondly, environmental and other standards exacted by importers in the industrialized world are often difficult to attain. Thirdly, developing countries are under pressure from investors, importers and governments of industrialized countries to introduce remedial measures, including the adoption of less polluting technologies. In developing countries, the challenge is to further sustain the decoupling of economic growth from the consumption of natural resources. A green industry initiative is called for to support developing countries to pursue legitimate developmental aspirations while minimizing the impact of industrial development on human health, the environment and the global climate. Specific targets ought to include a reduction in the use of energy and natural resources per unit of industrial production, but also of solid waste, effluent discharges and of environmentally damaging or toxic emissions.

(d) The profound differences that characterize the path out of the economic downturn across the world are likely to generate a further fragmentation of global

demand. Addressing the rising demands and changing needs of consumers from emerging markets will create new opportunities for South-South trade. Evidence is already available of how the offshoring of productive processes from the most dynamic economies in the developing world is providing viable commercial opportunities for manufacturers in some of the neighbouring countries. The emergence of South-based transnational corporations is a crucial by-product of this trend, which is likely to continue for the foreseeable future, providing new options for South-South investment and transfer of technologies. Finally, South-based sovereign funds, which had gained great visibility before the onset of the global downturn, are likely to re-emerge as channels for much-needed infrastructural investment and know-how for developing countries.

(e) A second by-product of the global downturn is likely to be a further concentration of global production networks, both directly related to manufacturing activities (as in the case of garments and automobiles) as well as indirectly (as in the case of supermarket chains). This trend is likely to be accompanied by a further gain in importance of so-called private voluntary standards, i.e. buyer codes of conduct, certificates, and product labels. These are often set by buyers from industrialized countries as a tool to protect their brands and to ensure quality and traceability along their value chains. The multiplication of such standards as well as their lack of homogeneity is rapidly emerging as a key hindrance to the participation of South-based manufacturers in global production networks but also, as a result, to their ability to absorb state-of-the-art technology and management practices. As the distinction between local, regional, and global markets will continue to be blurred, meeting such private standards is likely to emerge once again as a challenge but also an opportunity that manufacturers in developing countries will find hard to ignore.

(f) As presented above, the current global downturn was triggered by glaring failures both of the market system to deliver reliable guidance on issues such as value creation and wealth distribution. A challenge facing policymakers is thus how to best align public policies to the uncertainty of the global economy, as well as to the implementation capacity of public officials and to the priorities of the domestic and increasingly of the international private sector. Industrial diversification policies will most likely be based on a careful mix of experimentalism (to test uncharted paths and market niches), pragmatism (to ascertain priorities and trade-offs without reliance on predefined strategies and ideologies), and the capacity to monitor and take remedial actions in close and transparent dialogue with private actors (to avoid that policies are beholden to vested interests). Furthermore, such policies will need to balance initiatives at the regional and subregional level (to further reduce trade barriers and to increase the mobility of goods and services across boundaries), at the national level (especially the setting of strategic priorities and the assessment of results) and at the local level (where interactions between the public and the private sectors are most likely to affirm a supportive set of cultural norms and shared values). The economic downturn may however prove a benefit in disguise, as opinion makers in general and the development community in particular have finally come to acknowledge, once again, such policies as the legitimate domain of sovereign states.

V. The UNIDO response

32. As the specialized agency of the United Nations with the mandate to promote and accelerate sustainable industrial development in developing countries and economies in transition, the priorities and strategies that UNIDO promotes, are shaped by the issues, trends and challenges described above. At the same time, the work of UNIDO is based on four mutually supportive pillars, namely its technical cooperation and capacity-building, its analytical and advisory functions, its role as convener and finally its normative functions for the identification of common global standards.

33. The remainder of the document provides a review of the work of UNIDO under its five regional programmes (namely for Africa, the Arab region, Asia and the Pacific, Europe and NIS, and for Latin America and the Caribbean). Beforehand, however, there follows a discussion of a few global activities that, while not aimed at any specific region, lie at the core of the UNIDO strategy and provide the foundation for its technical and advisory work at the regional, subregional and national level.

34. A good example is the long-standing partnership between UNIDO and the International Organization for Standardization (ISO). Since 2008, this partnership has focused on the development of a set of international standards for industry in the areas of environmental and energy management, food safety, energy use and energy efficiency but also standardization practice and conformity assessment for developing countries. Pursuant to its mandate as promoter of global norms and standards, UNIDO strives to contribute to a reduction in global emissions, an increase in material efficiency, and greater access to world markets for producers in developing countries. The work with ISO has led to the joint preparation of a variety of guidelines and dedicated tools, most recently on energy management, which are at the core of the UNIDO technical cooperation in the five regions.

35. From the work that UNIDO undertakes with an exclusive focus on regional operations, lessons learned are carried over from one operation to another. A case in point are the two agricultural forums organized by UNIDO in collaboration with the International Fund for Agricultural Development (IFAD) and the Food and Agriculture Organization (FAO) of the United Nations in India (see Asia programme for details) and in Nigeria (see Africa programme for details), wherein the latter was planned and carried out building on the findings of the former. A similar argument runs for other international conferences organized by UNIDO on diverse themes such as technology foresight or green industry.

36. Similarly, a growing share of the advisory work UNIDO provides is best understood as a continuation of the research undertaken for the *UNIDO Industrial Development Report of 2009*, which examines structural change and policies to promote industrial diversification. In the context of its five regional programmes, UNIDO has been confronted with growing demands by Member States, which are launching policies for industrial deepening, technology upgrading and improvement in competitiveness, often matched with a determination to explore low-carbon paths. UNIDO intends to maintain its intellectual leadership in these areas, for example through the proposed international conference, to be held in Ghana in 2011, on the strategic challenges and opportunities faced by oil-rich economies. Moreover,

UNIDO intends to further explore the issue of energy efficiency and sustainability under the framework of its next *Industrial Development Report*, to be issued in 2011.

37. UNIDO continues to discharge the mandate it received in 1993 from the United Nations Statistical Commission to maintain global industrial statistics in partnership with the Organisation for Economic Co-operation and Development (OECD). UNIDO regularly publishes the *International Yearbook of Industrial Statistics*, which is often referred to as the authoritative source both in academic literature and by practitioners of economic development. Moreover, this comprehensive statistical database lies at the core of the advice that UNIDO offers to Member States on industrial diversification, competitiveness and structural change.

38. On the theme of access to energy and reaching out to the billions of people who are still deprived from it, the leadership of UN-Energy provides a strong opportunity for UNIDO to discharge its mandate in terms of global advocacy. Moreover, its calls for action are increasingly being reflected in the decision-making process of multilateral funding agencies, as for example by the Global Environment Facility (GEF), and resulting in earmarked funding for technical cooperation projects on the promotion of renewable energy.

39. Global initiatives and efforts are also called for to deal with similar challenges and opportunities being faced by countries across different regions, and in particular by LDCs. Since 2007, UNIDO has worked with relevant United Nations system organizations, such as the World Trade Organization (WTO) and the United Nations Office of the High Representative for the least developed countries, landlocked developing countries and small island developing states (UN-OHRLLS), to provide a venue for LDC Ministers of Industry and Trade to come together and agree on a common platform to voice their concerns and expectations. Focusing on issues pertaining to access to international markets, and on the impact of the global downturn on LDCs, these conferences have produced a series of ministerial declarations in advance of the fourth United Nations Conference on LDCs, to be held in Istanbul in 2011.

40. Against this background, the remainder of the present report provides evidence of the work of UNIDO in the context of its five regional programmes. A brief introduction to the challenges and opportunities faced in each region is followed by a description of the key activities undertaken by UNIDO in the context of its three thematic priorities. Indications are also provided on planned activities and events in each region.

VI. Regional programme for Africa

41. Since the turn of the century, Africa has exhibited a number of positive trends. On the political front, countries have worked to strengthen their democratic governance systems. These efforts have generally resulted in a reduced level of conflict, although some areas in the continent experience enduring challenges. Africa has progressed considerably on the social front, with remarkable achievements in primary school enrolment, vaccination, use of insecticide-treated

bed nets, reductions in HIV/AIDS prevalence rates and visible improvements on gender equality.

42. On the economic front, the recent global crisis does not seem to have significantly affected Africa's economic pulse and commercial vibrancy with real gross domestic product (GDP) growth averaging 6 per cent annually from 2000 to 2008. The inflow of investment grew steadily to \$88 billion in 2008, significantly up from \$20.9 billion in 2003. African exports have displayed a similarly impressive trend, boosted by increased trade with Asia, particularly China and India. A combination of sustained commodity prices and improvements in macroeconomic management lies at the core of these achievements.

43. Economic growth has, however, failed to generate an equivalent increase in employment and thus to significantly reduce poverty. In order to tackle this overarching challenge, Africa needs to sustain growth and enhance its productive capacities to ensure a diversification of its current comparative advantage in commodities. To do this, the countries in the region need to address supply-side constraints such as limited industrial capabilities, inadequate institutional support, bottlenecks in access to energy and infrastructure, and outdated technologies especially in view of environmental and climate challenges. Moreover, a lethargic agricultural sector has constrained industrial production and competitiveness in many countries and therefore requires special attention.

44. As a result, numerous requests for strategic advice and policy support have been received by UNIDO from Members States in the region that intend to promote a process of structural change and industrial diversification in their own economies. UNIDO is presently addressing such requests, specifically in countries such as Botswana, Cameroon, Cape Verde, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Ghana, Lesotho, Rwanda, Sierra Leone, Sudan, Togo and Zimbabwe. Moreover, cooperation towards the diversification of production structures and exports lies at the core of the agreement recently signed by UNIDO and the Southern African Development Community (SADC). Finally, UNIDO intends to collaborate with the Government of Ghana to organize the international conference "Competitiveness and Diversification: Strategic Challenges in a Petroleum-Rich Economy" in 2011. The conference is aimed at countries that intend to capitalize on the windfall profits from extractive resources to spur a process of industrial deepening and diversification.

45. Under the thematic area of poverty reduction through productive activities, UNIDO continues to implement programmes on youth employment, agro-processing, small and medium enterprise (SME) development and investment promotion. In the context of youth employment, UNIDO is engaged in the implementation of the Mano River Union Youth programme. Since its launch in 2008, over 5,000 young people have been trained in entrepreneurship skills. Fourteen youth groups have been assisted with grants to improve and develop business ventures. In addition, four virtual communication hubs have been established in the Mano River Union countries to encourage an exchange of information and experiences. UNIDO continues to implement several projects to enhance the capacity of SMEs in Africa, especially under the framework of the Delivering as One initiative in countries such as Mozambique, Rwanda and United Republic of Tanzania.

46. A regional programme to promote foreign and domestic investment was launched in 2008. Under the programme, the fourth African Investor Survey is being completed with coverage of over twenty countries. Data from the survey will allow investment promotion agencies to identify the right investors and will help companies to recognize business opportunities. Governments will be able to capitalize on its findings to strengthen their capacity to formulate industrial policies and strategies for investment promotion. An online investment monitoring platform is currently being established to facilitate dissemination of information. Moreover, agreements have been reached with countries such as Ghana, Kenya, Nigeria, South Africa, Uganda, United Republic of Tanzania and Zambia to host dedicated centres to promote subcontracting arrangements between foreign and domestic investors.

47. In cooperation with the African Union (AU) Commission, IFAD and FAO, a High-level Conference on Development of Agribusiness and Agro-Industries in Africa was held in Abuja in 2010. A major output of the Conference was the endorsement of the African Agribusiness and Agro-Industries Development Initiative (3ADI) to help agriculture by linking small and medium-size agricultural producers to international markets. In line with the 3ADI, UNIDO is finalizing a programme to support agribusiness and agro-industries development in ten countries, to be implemented jointly with FAO and IFAD.

48. Another significant activity in the region is the support that UNIDO provides to the AU for the implementation strategy for the Accelerated Industrial Development of Africa (AIDA). The strategy was endorsed by the Conference of African Ministers of Industry in South Africa in 2008. The Action Plan for AIDA and its implementation strategy encompass 21 programmes and 49 projects covering various facets of industrial development. UNIDO is determined to play a key role in the launch of the strategy.

49. In accordance with its agreement with the AU, UNIDO continues to provide technical assistance for the organization of the Conference of African Ministers of Industry (CAMI). The nineteenth session of CAMI is scheduled for March 2011 in Algiers under the title "Enhancing Competitiveness of the African Industries through Increased and Improved Value Addition". The Conference is expected to endorse the resource mobilization strategy, the monitoring and evaluation framework and the steering committee architecture for the implementation of the AIDA Action Plan. In collaboration with the AU and the Economic Commission for Africa, UNIDO will support the preparation of the Conference. In addition, UNIDO will hold a private sector side event on the challenges, opportunities and feasible options to mobilize investment for Africa's agribusiness and agro-industries.

50. Under its trade capacity-building thematic priority, UNIDO continues to implement programmes on quality and conformity infrastructure development but also on enterprise upgrading and modernization. The UNIDO West Africa Quality Programme provides technical assistance in accreditation, standardization, metrology, product testing and quality promotion to trade-related institutions and local enterprises in all 15 member states of the Economic Community of West African States (ECOWAS). Significant achievements included the adoption of 20 draft regional standards, the adoption of quality management systems by 71 laboratories, 30 of which are moving towards accreditation. Training courses were offered for technical staff and consultants on quality management and food

safety and selected enterprises were assisted on a pilot basis to comply with management standards.

51. UNIDO also continues to implement a similar programme in East Africa with a focus on harmonization of regional food safety regulatory frameworks and cooperation on sanitary and phytosanitary measures. UNIDO supported the establishment of national infrastructure for trade development and consumer protection in Kenya, Uganda and United Republic of Tanzania. A regional protocol was developed, validated and subsequently submitted for approval of the relevant Governments. Gap analyses were completed for selected SMEs in the horticulture and fish sectors and several awareness events on food safety were carried out in the subregion.

52. With a view to enhancing the competitiveness of African countries in the global market, UNIDO has been implementing the first phase of the five-year Restructuring and Upgrading Programme in the West African Economic and Monetary Union (UEMOA) countries since 2007. Over 350 national experts and 150 representatives of national institutions were trained and subsequently certified in enterprise diagnostic and upgrading. Following the completion of value chain analyses in selected sectors, national programmes were formulated for six countries.

53. Finally, UNIDO intends to further support African countries in the negotiation process related to the Economic Partnership Agreements (EPAs) with the European Union. Specifically, UNIDO will work together with the AU and the Regional Economic Commissions to host the African regional conference on the implementation of EPAs in 2011. The target audience are African policymakers but also technology manufacturers and distributors, project developers and financiers, industry associations and civil society.

54. Under the energy and environment thematic priority, UNIDO is implementing projects on renewable energy, industrial energy efficiency, cleaner production and environmental degradation. A programme to scale up mini-grids based on renewable energy for rural electrification in West Africa was launched in 2009 with funding from GEF. Feasibility assessments were completed in Cape Verde, Chad, Côte d'Ivoire, Gambia, Liberia, Nigeria, Sierra Leone and Uganda. Based on such findings, UNIDO is developing full-fledged projects for further GEF funding.

55. Moreover, UNIDO is assisting ECOWAS in the establishment of the regional Centre for Renewable Energy and Energy Efficiency in Cape Verde. The centre was launched in 2010 to develop renewable energy and energy efficiency markets in West Africa, to provide policy and capacity development and to implement demonstration projects. A partnership between Brazil and ECOWAS has been brokered to explore opportunities for South-South cooperation in terms of technology and know-how transfer.

56. The project "Demonstrating and capturing best practices for reduction of land-sourced impacts on coastal tourism" was launched in 2008 in nine African countries, namely Cameroon, Gambia, Ghana, Kenya, Mozambique, Nigeria, Senegal, Seychelles and United Republic of Tanzania. An initial review of best available practices and technologies was undertaken and eleven demonstration sites were identified.

57. UNIDO also continues to implement the Guinea Current Large Marine Ecosystem Programme for the recovery and restoration of depleted fisheries and reduction of land- and ship-based pollution. Beneficiary countries include Angola, Benin, Cameroon, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, Sao Tome and Principe, Sierra Leone and Togo. A transboundary diagnostic analysis was completed to identify the root causes of environmental degradation in the ecosystem and an action plan was endorsed by all 16 countries. The Interim Guinea Current Commission was established. Moreover, six national and three regional demonstration projects are near completion. A second phase of the project to scale up as well as to strengthen institutional capacities is being planned.

58. In 2008, UNIDO convened the International Conference on Renewable Energy in Africa. Under the theme "Making Renewable Energy Markets Work for Africa — Policies, Industries and Financing for Scaling Up", the conference sought to mobilize political commitment to scale up renewable energy in Africa, and adopted the Dakar Declaration and a related action plan. Stakeholders can now implement the programmes at the local, national, subregional and regional levels within a cooperative and networking framework.

VII. Regional programme for the Arab countries

59. The programme covers a variety of countries with a total population of 332.9 million inhabitants. The region has varied development experiences with per capita GDP ranging from nearly \$100,000 in Qatar to little over \$1,000 in Yemen. Almost all Arab countries experienced solid wealth creation during the period 2003-2008 driven largely by the region's oil exporters. As highlighted in the first part of the present document, the region was particularly exposed to the recent global financial crisis and to the ensuing economic downturn in Europe and the United States of America. The latter was reflected in a decrease of export demand, tourism inflows, remittances and a deflation in property prices. However, average growth is forecast to recover to 6 per cent in 2010.

60. A worrying feature of the fast population growth rates in the region are high levels of youth unemployment, especially among young women. The potential for labour absorption, especially by SMEs, is high in view of their concentration in labour-intensive sectors, such as agro-processing, textile and clothing. However, value addition tends to be low and SMEs have been progressively exposed to global competition. Most SMEs are in need of upgrading in the fields of management, technology and quality. Finally, regional cooperation is called for to reduce post-harvest losses and thus to contribute to food self-sufficiency.

61. Environmental degradation in many parts of the region has already achieved a critical level and is rapidly emerging as a serious constraint to growth. The problem is particularly acute in terms of water scarcity, with a per capita availability of water at 1,100 m³ compared to the world average of 8,000 m³, and further expected to drop to 550 m³ by 2025. Addressing these issues requires substantial investments in clean and sustainable technologies and services. Oil and gas producers from the region, and especially the members of the Organization of the Petroleum Exporting Countries (OPEC), have made sizeable investments in such clean technologies.

62. Industrial diversification is an important challenge for the future of the region both to reduce its dependence on the export of fossil fuels and to provide job opportunities for the youth. In this context, the Arab Industrial Development and Mining Organization (AIDMO), requested UNIDO to prepare a regional programme for the development of SMEs. In response, UNIDO drafted the regional programme “Enhancing the role of SMEs in the economic and social development in Arab states”. This programme will help manufacturing SMEs to become internationally competitive and thus take advantage of the opportunities created by the liberalization of global markets. For its pilot phase, the programme will focus on agro-food value chains, information and communication technology and green industries.

63. For the same purpose, UNIDO has recently formulated a number of national programmes in the region such as strengthening of the agro-food business in Jordan, a programme of technical assistance for the development of agro-industries in Algeria, support to Djibouti in strengthening the productive and commercial capacities in the fisheries and salt sectors, support for enhanced competitiveness and market access for Lebanese products and Syrian Al-Ghab development programme (agro-industries pillar) to be implemented in cooperation with the United Nations Development Programme (UNDP), FAO and the International Trade Centre (ITC). In addition, UNIDO is formulating an industrial modernization programme in Sudan which will include technical cooperation activities related to leather and leather-products, artisan fisheries, and to the modernization of the existing oil industry.

64. Under the theme of poverty reduction through productive activities, UNIDO will focus on promoting competitiveness and diversification of the national manufacturing sector together with improving the regulatory framework and business environment. These initiatives are designed as components of a regional technical assistance platform to support SME development and to capitalize on the Organization’s previous experience and ongoing programmes in the Arab region in countries such as in Algeria, Egypt, Jordan, Lebanon, Morocco, Syrian Arab Republic and Tunisia.

65. During the meeting of Euro-Mediterranean partners held in Alexandria, Egypt, in April 2009, UNIDO was invited to develop a proposal for the Union for the Mediterranean (UfM) and its Mediterranean Business Development Initiative. A draft programme proposal on “Increasing growth in the Southern and Eastern Mediterranean Countries through promoting SMEs and job creation” has been developed by UNIDO. Its objective is to increase national capacities in areas such as export promotion, youth and women entrepreneurship development, innovation, technology promotion and the development of agro-food and green industries. The programme is aimed at nine UfM states and territories, notably Algeria, Egypt, Jordan, Lebanon, Mauritania, Morocco, Syrian Arab Republic, Tunisia and Palestinian Territories.

66. In cooperation with the French Development Agency (AFD), UNIDO is launching the project “Dissemination of the cluster development approach through five regional workshops”. This project aims to strengthen the capacities of private sector actors in the target countries to better organize themselves and thereby improve their competitiveness. In order to achieve this, UNIDO and AFD will assist participating countries to develop cluster initiatives and to anchor them into their private sector development strategies. For this purpose, a workshop will take place

in Tunisia in December 2010. The following countries and territories are invited to participate in this event: Algeria, Egypt, Jordan, Lebanon, Morocco, Syrian Arab Republic, Tunisia and Palestinian Territories. Participants will have the opportunity to benefit from presentations on cluster development as well as case studies.

67. Finally, UNIDO participated in the Arab International Industrial Forum held in Doha, Qatar, in May 2010, which was attended by participants from the Arab and other regions. In particular a number of Ministers of Industry and Trade, senior officials, international business and private sector leaders, regional organizations, authorities and associations, as well as Arab chambers of commerce and industry participated. The forum's sessions covered topics such as the attractiveness of the Arab region for investment in industry, the prospects for industrial development in Arab and neighbouring countries, the role of the private sector in industrial development, sources of financing and export credit guarantees, quality and competitiveness requirements in global markets, and future industries and nanotechnology applications.

68. Under the trade capacity-building theme, the work of UNIDO has grown from its experience under the Egyptian Traceability Centre for Agro-Industrial Exports (Etrace). Building upon the technical support provided by UNIDO since 2004, Etrace was formally established as the Agriculture and Agro-Industries Technology Centre in 2009, as a centre of excellence affiliated to the Ministry of Trade and Industry of Egypt. Etrace has the mandate to enhance the efficiency of the Egyptian agro-industrial value chain targeting all operators, from small-scale farmers and SMEs to big retailers and wholesalers. Under the framework of a cooperation agreement between UNIDO and the retail group METRO, Etrace supported the qualification of a group of Egyptian farmers and SMEs as suppliers of the METRO Group in Egypt, in compliance with the Protocol of the Global Food Safety Initiative (GFSI). Etrace is now assisting suppliers but also other retailers that are members of GFSI in other countries in the region, such as Morocco, and beyond, as for example in Ukraine.

69. Over time, Etrace has grown into a provider of South-South advisory and technical assistance services to its neighbouring countries. This included the following projects: "Traceability and food safety in Maghreb countries" in cooperation with the Union of Maghreb Farmers in Algeria, Morocco and Tunisia; "Geographical indication of origin for local development" in Lebanon, Tunisia and Palestinian Territories; "Applying monitoring and traceability system on vegetables" in Jordan; "Traceability system for the apple and olive oil sectors" in Lebanon. Other countries assisted by Etrace through training, field visits and advisory services are Ecuador, Ghana, Philippines, Republic of Moldova, South Africa, and United Republic of Tanzania.

70. Under the energy and environment theme, the regional project "Mediterranean transfer of environmentally sound technology in the South Mediterranean region" was designed to address industrial pollution hotspots under the Mediterranean Action Plan of the United Nations Environment Programme (UNEP). In particular, the project provides a mechanism to meet the targets set by the contracting parties to the Barcelona Convention and by the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities. The project capitalizes upon the National Cleaner Production Centres in the participating countries to build national capacities on environmentally sound technology.

71. Finally, UNIDO will participate in the World Future Energy Summit in Abu Dhabi in January 2011. This has evolved as the world's foremost gathering for the renewable energy and environment industry. It promotes innovation and investment opportunities in renewable energy and environment and represents an unrivalled business platform bringing together project owners and solution providers with investors and buyers.

VIII. Regional programme for Asia and the Pacific

72. Asia and the Pacific is the largest region in terms of area and population but also the one with the highest growth rates, as noted in the analysis at the beginning of the present report. It is highly diversified in terms of countries, including industrialized countries, emerging economies, but also LDCs, landlocked, and small island countries. Sustained growth and development in the past decades have brought about a dramatic decline in absolute poverty, a significant increase in income per capita and notable improvements in key social indicators. As noted above, MVA increased substantially in many countries in the region. These favourable developments notwithstanding, the region is still home to millions of people living in extreme poverty, with nearly half of the world's absolute poor population found in continental Asia.

73. Again, as noted earlier on in this document, the region was adversely affected by the global economic crisis in 2008 but emerged strongly and rapidly from it. Robust growth is expected for 2010 and it is thus critical to ensure that it is both more inclusive and environmentally sustainable. Rapid urbanization driven by steady migration of people from the countryside is emerging as a key challenge for policymakers. Most countries, especially the larger ones, display growing internal disparities among regions. For example, in the Philippines, the national poverty rate is about 15 per cent, but regional rates range from 8 per cent to 63 per cent. In Indonesia, they vary from 18 to 40 per cent. Unequal access to skills (basic and vocational training, effective on-the-job training) and to infrastructure (especially energy and logistics) lie at the core of such growing disparities.

74. A worrying consequence of the economic growth has been the rapid depletion of natural resources. While there is determination by Governments in the region to effectively regulate the use of natural resources, success is still eluding. The increase of waste, air and water pollution and the resulting chronic diseases are negatively affecting the quality of life, especially in the most dynamic economies and in big cities.

75. In the context of its thematic priority on poverty reduction through productive activities, UNIDO continues its work to increase income and to improve production efficiency among smallholders. For example, a subregional initiative is under way targeting the production and processing of kenaf² in Bangladesh, China and Malaysia. In partnership with the Association of Southeast Asian Nations (ASEAN), UNIDO is coordinating a survey of post-harvest losses in the main food commodities in selected countries in the region. The project "Value chain development tool for practitioners in Asia" is under implementation with IFAD to

² Kenaf is a valuable plant fibre similar to jute, used to make ropes and coarse-cloth.

maximize the impact of technical cooperation in the area of agribusiness and rural development. Case studies are being prepared on experiences from India, Indonesia and Thailand, with the results to be used in the ministries of agriculture, industry, trade, commerce and planning as well as by farmers' representatives and private sector consultants in the region.

76. UNIDO continues its engagement in the multi-agency Tumen River Area Development Programme in North-East Asia, which covers China, Democratic People's Republic of Korea, Mongolia, Republic of Korea and Russian Federation. Within this programme, UNIDO carried out activities such as investment promotion, preparation of investment guides and support to the Tumen River Investors' Service Networks. In this subregion, another important initiative is the information technology (IT) partnership project hosted by the Municipal Government of Shanghai, China, which will facilitate a further enhancement of international cooperation in the IT sector and the promotion of public-private partnerships across the region.

77. A Global Agro-Industries Forum (GAIF) was held in New Delhi in 2008 to promote agro-industries as drivers of economic development and poverty reduction. The conference was jointly organized by FAO, IFAD, UNIDO and the Government of India. As a follow-up, FAO, IFAD and UNIDO convened a Regional Agro-Industries Forum for Asia and the Pacific in China in 2009 with the support of the Shaanxi Provincial Government of China. The aim was to assist governments in the Asia-Pacific region to create an enabling environment for competitive agro-industries.

78. In terms of trade capacity-building, the subregional programme for the South Asian Association for Regional Cooperation (SAARC) was completed and UNIDO is presently assessing the impact of the ISO 9001 quality system in Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Viet Nam. The second phase of a project to strengthen national capacities for standards, metrology, testing and quality (SMTQ) is under implementation in the Mekong Delta countries of Cambodia, Lao People's Democratic Republic and Viet Nam to enhance industrial development, consumer protection and export capabilities. The project is expected to be completed in 2010 and a third-phase proposal is being negotiated with special emphasis on private sector engagement. A similar project is under implementation in cooperation with the Economic Cooperation Organization (ECO). It is aimed at the establishment of a Regional Institute for Standardization, Conformity Assessment, Accreditation and Metrology as a springboard for intraregional trade. A second phase of this UNIDO/ECO joint project is being negotiated.

79. Under the thematic priority area of energy and environment, the Regional Network on Pesticides in the Asia-Pacific region is being supported in China, India, Malaysia, Republic of Korea and Thailand. It aims to promote crop protection agents that are environmentally sound and user-friendly through the adoption of cleaner production techniques and environmentally sound management processes.

80. To assist developing countries in implementing the Stockholm Convention, UNIDO established the East and South-East Asia Regional Forum on best available techniques (BAT) and best environmental practices (BEP). Formally launched during an Inaugural Ministerial Meeting in Bangkok in 2007, the Forum agreed

upon action plans to address industry-related priority sectors along the guidelines of the Convention. As a result, the GEF-funded project on “Demonstration of BAT/BEP in fossil fuel-fired utilities and industrial boilers in response to the Stockholm Convention” is currently being implemented to reduce emission of persistent organic pollutants and of greenhouse gases, as well as to increase energy efficiency. In cooperation with the member countries of the Regional Forum, projects will continue to be developed to create an enabling, non-legally binding framework for regional cooperation. Under this framework, a project on the metallurgical industry has already been formulated to minimize emissions from the sector.

81. In collaboration with UNEP, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Government of the Philippines, UNIDO organized the International Conference on Green Industry in Asia, which took place in Manila in 2009. The conference served as a platform for a multi-stakeholder dialogue on the challenges and opportunities of resource-efficient and low-carbon production patterns in Asia. The Manila Declaration and Framework of Action were adopted by ministers and representatives of 22 Asian countries. UNIDO intends to organize a follow-up conference to review progress in implementation of the Green Industry Initiative in Asia. The proposed conference will also aim at scaling up and expanding the initiative both within Asia, as well as to other emerging countries in Latin America, Africa, Eastern Europe and Central Asia. The event, to be co-hosted by the Government of Japan, is scheduled for the second half of 2011.

82. UNIDO is planning to further capitalize on its role as convenor in the region to co-host a High-level Forum in 2011 together with the Institute of Developing Economies, the Economic Research Institute for ASEAN and East Asia and the ASEAN Secretariat. The event will facilitate an exchange of views on how developing countries can achieve growth that is both sustainable and inclusive. The expected outcome will be a formulation of a new agenda for the East Asia Summit, “Green Economy, Innovation and Industrial Upgrading”. Moreover, UNIDO intends to cooperate with the Government of India to organize a conference on energy efficiency, to be held in India towards the end of 2011. The purpose of the event is to assess trends in energy efficiency in industry and to identify policies to promote energy solutions, both for large industry and SMEs.

83. These advocacy initiatives provide a platform for developing the next generation of UNIDO technical cooperation projects in the region. To this end, a comprehensive stocktaking is under way of the National Cleaner Production Centres (NCPCs) in Cambodia, Indonesia, Lao People’s Democratic Republic and Viet Nam. The results of this assessment will be used to evaluate the potential benefit of establishing a NCPC in Malaysia, Philippines and Thailand.

84. In relation to renewable energy, UNIDO has implemented a pilot project to promote innovative technologies for the exploitation of marine currents in South-East Asia including China, Indonesia and Philippines. Moreover, a regional project on Kobold turbine technology³ is under negotiation with donors. A project is

³ Innovative technology for marine current exploitation.

also under way in Samoa and the Solomon Islands to promote renewable energy sources and thus to ensure access to modern energy services in small islands.

85. UNIDO, in cooperation with the Government of China, established an International Solar Energy Centre in Lanzhou, Gansu Province, in 2009 to promote globally the application of solar energy technology. For this purpose, an international training course and a workshop on solar energy technology was organized in 2010.

86. Finally, it may be noted that UNIDO closely works with key development partners in the region, namely the relevant United Nations system organizations, the Asian Development Bank (ADB), ECO and ASEAN. UNIDO intends to further formalize its partnership with ASEAN, especially in the area of agro-industry business, energy and climate change in the framework of green economic development. Moreover, UNIDO is determined to capitalize on the relationship agreement with ECO, both in terms of joint advisory services and technical cooperation projects. Finally, discussions have been completed with the Pacific Islands Forum on a series of energy and environment projects, such as BATs and BEPs for the disposal of persistent organic pollutants (POPs) in the Pacific Island countries.

IX. Regional programme for Europe and the Newly Independent States (NIS)

87. The Programme covers 29 countries that are highly diverse in terms of geographical size, population, endowment in natural resources and level and pace of economic and social development. The majority of these countries are still engaged in an unprecedented transformation process from central planning to market economy.

88. As highlighted in chapter I, the region was severely affected by the global financial and economic crisis in 2008. Most of its countries experienced negative growth rates that were exacerbated by pre-existing macroeconomic imbalances, over-reliance on foreign capital and fragile governance frameworks. Sharp declines in the productive sectors resulted in rising unemployment and cutbacks in social services, which increased poverty levels. While the majority of the countries are returning to preceding growth paths, it will take several years before these difficulties are fully overcome.

89. Within the region, however, the challenges faced by individual countries are distinct. In the twelve countries from Central and South-Eastern Europe that have joined the European Union, integration in multinational production networks is well advanced and further upgrading of supply capacities, especially in industry, is an essential component of growth strategies. On the other hand, dependence upon commodity exports is still very high in the rest of the region. Challenges are related to a gradual structural change and economic diversification. Across the region, significant improvements have been recorded in the efficient use of energy, as highlighted earlier, though much remains to be done to reach the performances of other developing countries.

90. The UNIDO mandate to promote sustainable industrial development is especially relevant in the region. Its expertise in the field of industrial diversification is in high demand in the Central Asian and Caucasian region, particularly in Azerbaijan and Kazakhstan whose economies depend on oil and gas exports. National governments are engaged in policies for diversification to non-oil sectors and could greatly benefit from exchange of information and access to international good practice. UNIDO plans to address these needs by convening meetings with international experts and providing expert advice to these countries.

91. Under the energy and environment thematic priority, the phasing out of ozone depleting substances (ODS) is the major activity of UNIDO in the region. Currently, UNIDO implements 59 projects in 12 countries. The implementation of these activities resulted in the phase out of 46,000 tons of ODS thus allowing the assisted countries to comply with their obligations to phase out chlorofluorocarbons and halons. The availability of further GEF funding is expected to lead to an expansion in geographical coverage and to an increase in the average size of the technical cooperation projects, with work progressively expanding to phase out hydrochlorofluorocarbons and methyl bromide.

92. A Regional Forum on BATs and BEPs for Central and Eastern Europe, the Caucasus and Central Asia was created in 2009 to promote legal, organizational and management measures to reduce POPs in line with the Stockholm Convention. UNIDO has been assisting in the formulation of national implementation plans to reduce or eliminate these pollutants in four countries and new projects are under preparation in three countries, in addition to a regional one to provide strategic guidance and coherence to the exchange of techniques and practices. UNIDO intends to take advantage of the large number of NCPCs in the region to foster private-public dialogue and to increase investments for the transfer of environmentally sound technologies.

93. Given the growing gap between energy demand and supply in the region, renewable energy and energy efficiency have acquired a critical role in meeting the rising demand for sustainable sources of energy. Nine technical cooperation projects are under implementation in five countries and another eight are under preparation for submission to GEF. Moreover, UNIDO is determined to convene a regional workshop on energy management standards in industry in cooperation with the Government of Turkey in 2011.

94. Furthermore, UNIDO is determined to further explore cooperation with ESCAP. For this purpose, it participated in the organization of the sixth Ministerial Conference on Environment and Development in Asia and the Pacific in Kazakhstan. Under this framework, UNIDO hosted a round table at the ministerial segment of the Conference on green industry: innovation and competitiveness through resource productivity and environment excellence. The round table was attended by senior government officials including ministers of economy, environment, planning, industry and finance.

95. Finally, UNIDO and the Nevsky Ecological Congress are working together to organize a conference to be held in the Russian Federation, to boost green industry in Eastern Europe and Central Asia. The conference will particularly target members of parliament and focus on best practices in green industry policy, technology and

finance. The conference will provide a platform to agree on policies and strategies for adaptation and adopt green industry initiatives in the region.

96. Under the thematic area of poverty reduction through productive activities, UNIDO intends to actively support the transition towards a private-sector-led diversification of the economy, especially in the resource-rich countries of the region. For this purpose, it intends to pilot a comprehensive programme to strengthen manufacturing SMEs in Kazakhstan to be subsequently extended to other countries in the Central Asian and South Caucasian subregion. The programme will focus on the delivery of services such as enterprise diagnostics and benchmarking, enterprise competitiveness promotion and upgrading, cluster development and export consortia, and training, information and consulting services.

97. Across the region, and especially in countries that have close trade relationships with the European Union, both the public and private sector are facing urgent calls to enhance their profile in terms of corporate social responsibility. For this reason, UNIDO intends to apply the lessons learned through its project on corporate social responsibility in Croatia. The goal is to promote sustained and continuous improvement of the environmental, social and economic performance of the SMEs in Europe and NIS. Attention will also be paid to SME networking in the automotive sector in five countries.

98. In view of the sharp decline in foreign direct investment, there has been a growing interest in the region to leverage on industrial and technological parks as means to attract investment, diversify the economy and promote access to international markets. In response, UNIDO will organize a regional workshop on industrial parks in Azerbaijan for countries from the region. Moreover, an Investment Promotion and Monitoring Platform for Central Asia and the Caucasus is under establishment. Finally, UNIDO is promoting a project to enhance investment and technology flows to the countries of the Eurasian Economic Community (EurAsEC), contributing to the development of the common market and their integration in the global economy. The project focuses on the establishment of an Investment and Technology Promotion network in EurAsEC as a gateway to the UNIDO worldwide network.

99. UNIDO will also continue to promote technology foresight exercises as tools for consensus-building and strategic decision-making. This effort will build on the success of the 2007 Technology Foresight Summit held in Hungary on water productivity and recycling. The Summit adopted a ministerial statement on sustainable water availability and quality in Central and Eastern Europe and NIS. In 2011, UNIDO plans to further capitalize on its partnership with the Government of Hungary and to organize a Technology Foresight summit on industrial waste and sustainable production in industry.

100. Under its trade capacity-building thematic priority, UNIDO continues to assist countries in the region, particularly to upgrade their value chains and to enhance the competitiveness of the agri-business sector. Under both of these themes, conformity assessment, standardization, certification, accessibility, traceability and quality control have become crucial for the countries in the region. UNIDO plans to expand its technical cooperation, especially in Central Asia and Caucasus, as a follow-up to its regional project on SMTQ in cooperation with ECO. UNIDO will continue to focus on need assessments and subsequent training in specific fields. Moreover,

technical cooperation is concentrated on the establishment of laboratories for quality testing in Azerbaijan and Kyrgyzstan.

101. In December 2010 UNIDO plans to cooperate with the United Nations Economic Commission for Europe (ECE), UNDP and ITC to organize a Ministerial Conference in Azerbaijan on Aid for Trade for Central Asia, including a side event on technical barriers for trade, sanitary and phyto-sanitary standards. The launch of a project on market surveillance is envisaged, first in Azerbaijan and later in neighbouring countries. The project aims at strengthening the market surveillance authority but also increasing the awareness of consumers and businesses towards their respective rights and responsibilities.

102. Finally, UNIDO will devote renewed attention to its partnership with certain countries in the region, such as the Russian Federation, Turkey and those countries that have joined the European Union since 2004. These countries continue to be recipients of UNIDO assistance but are at the same time significant donors as well as sources of relevant experience, all of which are of great relevance for less advanced countries in the region.

X. Regional programme for Latin America and the Caribbean

103. As noted in chapters 1 to 3 of this document, the economies of Latin America and the Caribbean suffered significantly from the global financial crisis, though their transition to recovery has been swift and their prospects for 2011 are promising. After five consecutive years of GDP growth over 4 per cent, Latin America and the Caribbean recorded a decrease of 2.1 per cent in 2009. LAC economies suffered from a fall in external demand and low commodity prices for their exports, worsened by a rapid contraction of private consumption and investment. The loss in domestic demand was further exacerbated by reductions in migrants' remittances to Mexico, Central America and the Caribbean.

104. In several countries, active counter-cyclical policies, including a significant increase in government consumption, prevented more severe contractions. By the end of 2009, economic activity had stopped falling in most countries, consumer confidence had improved, and signs of recovery had emerged. In South America, the recovery proved faster, given a broad-based recovery in domestic consumption, and by the buoyancy of external demand, in particular from Asia. In contrast, the recovery in Mexico and the Central American region still depends on a better economic performance in the United States of America.

105. In the first half of 2009, there were massive job losses, especially in manufacturing sectors, which pushed up formal sector unemployment and employment in the informal sector. About 2.5 million urban workers became unemployed in the region in 2009, pushing up total urban unemployment to 18.4 million. Rising unemployment poses serious risks to economic recovery, as further pressures could be exerted on governments to increase compensatory social transfers. The space for additional counter-cyclical measures is however limited in many countries, in particular where public spending largely depends on oil-export revenues.

106. As the scope for fiscal stimulus is progressively reduced, creating the conditions for an increase in public and private investment and in productivity will return to be the key challenge for the region in its pursuit of sustained growth and reduced inequality. At the same time, a number of LAC countries are experiencing a clear return to their traditional export structures, which are based on primary commodities. As brought out, for example, by the development experience of Asia, a more value-creating insertion in the global economy is possible for developing countries, though it calls for a diversification of productive capacities, an increase in competitiveness and stronger regional cooperation in the field of innovation.

107. In 2006, UNIDO engaged in the formulation of a strategic response to address the emerging challenges of the region, in cooperation with the LAC Member States. Since then, the Regional Programme for Latin America and the Caribbean has been addressing some of those challenges. The present document provides a further opportunity to present the outcomes and prospects of the programme, in line with General Conference resolution GC.13/Res.2. Furthermore, in accordance with paragraph (b) of the same resolution, an updated report on the status of the implementation of technical cooperation activities was provided to the Latin American and Caribbean Group (GRULAC) on 18 March 2010.

108. UNIDO received numerous requests for strategic advice and policy support from Members States that intend to commence a process of structural change and industrial diversification in their own economies, including Colombia, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua and Peru. Moreover, UNIDO is planning a conference in collaboration with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) in the second half of 2011 on the theme of structural change and industrial policies.

109. Under the theme of poverty reduction through productive activities, UNIDO has focused its technical assistance in the field of technology foresight to enhance cooperation among the private and public sectors in pursuing a common and long-term development agenda. Special attention has been paid to the development of priority productive chains, such as in the case of the project “The Future of Products of the Andean High Plateau and Central Valleys — Textiles from Camelid Fibres”. Concurrently, a number of seminars were organized in the region, addressing issues of SME competitiveness, clusters and local development.

110. At the regional level, UNIDO concentrated its efforts towards the promotion of intraregional cooperation but also towards partnerships with other regions. Two examples of this strategy are a mechanism for promoting South-South investment and a partnership with China. Furthermore, a series of study tours was organized to encourage exchange of knowledge and business development between LAC and Africa, most recently in the field of renewable energy.

111. Moreover, UNIDO strives to facilitate exchange of know-how and expertise within the region. The Industrial Knowledge Bank is an example of this strategy, conceived as a tripartite partnership scheme. The scheme allows UNIDO to address the immediate technical assistance needs from Member States and to facilitate the South-South exchange of knowledge and best practices. Knowledge donors can offer their expertise on a no-cost basis through a dedicated UNIDO website.

112. Finally, under the theme of local economic development, UNIDO is strengthening its partnership with the Inter-American Development Bank (IADB).

As a follow-up to the international meeting on “Competitiveness of Small Enterprises: Clusters and Local Development”, jointly organized by UNIDO and IADB in Washington in late 2007, the two organizations are in discussion to finalize a regional programme on local economic development for the LAC region. The programme will include sensitization of policymakers, training of trainers as well as in-the-field coaching of practitioners. On the issue of local economic development, UNIDO has collaborated with other United Nations system organizations for technical cooperation projects in several Central American countries (El Salvador, Nicaragua and Panama) with funding from the Millennium Development Goals (MDGs) Achievement Fund.

113. Under the theme energy and environment, UNIDO has focused on two Global Renewable Energy Forums (GREFs), which took place in Brazil in 2008 and in Mexico in 2009. GREF 2008 was jointly organized by UNIDO, the Government of Brazil and the Brazilian private sector. It brought together over 1,500 participants from a wide range of backgrounds from over 40 countries and high-level governmental representatives in the field of energy and industry from Latin America and Africa. GREF 2009 was held in León, and co-organized by the Government of Mexico with about 3,000 delegates participating. The two forums provided a valuable platform for the promotion of renewable energy, thereby increasing political commitments for the development of alternative energy systems.

114. UNIDO continues its engagement in the Observatory of Renewable Energy for Latin America and the Caribbean, established in response to the Declaration of Ministers and Representatives of the Ibero-American Governments signed in Montevideo in 2006. As a follow-up to the two GREFs, the 2011 action plan of the Observatory includes a strong focus on issues related to industrial energy efficiency. Moreover, UNIDO recently entered into a cooperation agreement with the Latin American Energy Organization (OLADE) to use the Observatory as a platform to promote access to renewable energies across the region. A range of technical activities are under way in eight countries, namely Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Paraguay and Uruguay. A technical meeting was held in Colombia with governmental counterparts and experts from these countries.

115. Under the framework of its global programme to improve industrial energy efficiency, UNIDO is in advanced negotiations in several countries for technical cooperation projects aimed at the transformation of markets for energy-efficient products and services. To this end, project proposals are under finalization in Argentina, Brazil, Mexico and Peru to promote the implementation of energy management system standards and the increased deployment of energy-efficient industrial technologies for subsequent submission to GEF. A formal request from Colombia has also been received on this theme.

116. Under the framework of the Global Mercury Project, a regional subprogramme was formulated to address the environmental impact of mercury contamination from artisanal and small-scale gold mining. Requests for inclusion in this regional subprogramme were received from Brazil, Chile, Colombia, Ecuador, Peru, Suriname and Venezuela (Bolivarian Republic of). Moreover, a technical cooperation project is under way in Colombia aimed at the mining communities in the Antioquia Department.

117. UNIDO, in collaboration with its International Centre for Science and High Technology, the Government of Mexico and selected African countries, is cooperating in the area of geothermal energy for productive development. A study tour is expected to take place in 2011, which will provide technical and institutional support in the area of geothermal sources to African public institutions and representatives from the private sector. Building upon expertise and technology developed in Mexico, special emphasis will be placed on the scope for productive activities in rural areas.

118. Under the thematic priority of trade capacity-building, UNIDO formulated a subregional programme to strengthen quality systems in Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) upon request from the Central American Economic Integration Secretariat (SIECA). The programme will address both technical issues of SMQT and health-related issues such as health measures and registers, inspections, water analysis, monitoring and traceability. A proposal for a technical cooperation project in the field of food security was also prepared for Cuba.

119. Moreover, UNIDO intends to devote the third LAC Regional Expert Group Meeting in 2011 to the theme of agro-industrial value-chains, and specifically on how to strengthen them at the local and regional level and on how to support the national stakeholders in this effort. The meeting will be preceded by a preparatory phase, during which UNIDO will organize a series of video conferences with the key counterparts of relevant UNIDO technical cooperation projects in the region. The meeting itself will provide a forum for the countries to present their profiles and jointly evaluate the need for technical assistance.

120. Finally, UNIDO is devoting particular attention to renew its partnership with certain countries in the region. UNIDO and the Government of Brazil have successfully negotiated a roadmap to tackle the country's arrears as a way to strengthen the partnership under the framework of South-South cooperation, particularly in the field of renewable resources and with a focus on Africa. A UNIDO office was established in the country and several proposals in the field of technical cooperation are currently under discussion.

XI. Action required of the Board

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

Abbreviations used in this document

3ADI	African Agribusiness and Agro-Industries Development Initiative
ADB	Asian Development Bank
AFD	French Development Agency
AIDA	Accelerated Industrial Development of Africa
AIDMO	Arab Industrial Development and Mining Organization
AIDS	acquired immune deficiency syndrome
ASEAN	Association of Southeast Asian Nations
AU	African Union
BAT	best available technique
BEP	best environmental practice
CAMI	Conference of African Ministers of Industry
ECE	United Nations Economic Commission for Europe
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
ECO	Economic Cooperation Organization
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
Etrace	Egyptian Traceability Centre for Agro-Industrial Exports
EurAsEC	Eurasian Economic Community
FAO	Food and Agriculture Organization of the United Nations
GAIF	Global Agro-Industries Forum
GC	General Conference
GDP	gross domestic product
GEF	Global Environment Facility
GFSI	Global Food Safety Initiative
REF	Global Renewable Energy Forum
GRULAC	Latin American and Caribbean Group
HIV	human immunodeficiency virus
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IT	information technology

ITC	International Trade Centre
ISO	International Organization for Standardization
LAC	Latin America and the Caribbean
LDC	least developed country
LT	low technology
MDG	Millennium Development Goal
MHT	medium-high technology
MVA	manufacturing value added
NCPC	National Cleaner Production Centre
NIS	Newly Independent State
ODS	ozone depleting substance
OECD	Organisation for Economic Co-operation and Development
OLADE	Latin American Energy Organization
OPEC	Organization of the Petroleum Exporting Countries
POP	persistent organic pollutant
RB	resource based
SAARC	South Asian Association for Regional Cooperation
SADC	Southern African Development Community
SIECA	Central American Economic Integration Secretariat
SME	small and medium enterprise
SMTQ	standards, metrology, testing and quality
UfM	Union for the Mediterranean
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNIDO	United Nations Industrial Development Organization
UN-OHRLLS	United Nations Office of the High Representative for the least developed countries, landlocked developing countries and small island developing states
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization
