



United Nations Industrial Development Organization

Distr.: General
21 March 2011

Original: English

Industrial Development Board

Thirty-ninth session

Vienna, 22-24 June 2011

Item 4 (f) of the provisional agenda

Trust funds on food security and renewable energy

Programme and Budget Committee

Twenty-seventh session

Vienna, 11-13 May 2011

Item 10 of the provisional agenda

Trust funds on food security and renewable energy

Trust fund on food security

Report by the Director-General

In compliance with General Conference decision GC.13/Dec.15 and Board decision IDB.38/Dec.5, the present report provides information on the special trust fund on food security, thereby updating the information presented in a report to the thirty-eighth session of the Board (document IDB.38/10).

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I. Background and financial resources

1. At its thirteenth session in December 2009, the General Conference decided that from the amount of unutilized balances of appropriations due to Member States in 2010 remaining on 31 December 2009, up to €3 million should be utilized for special accounts for technical cooperation activities during the biennium 2010-2011, aimed at (i) increased food security through agribusiness and agro-industry promotion, and (ii) renewable energy for productive activities (decision GC.13/Dec.15). Accordingly, funding was set aside from the unutilized balances to establish two dedicated trust funds. A first progress report on the trust fund on food security was presented to the thirty-eighth session of the Board (document IDB.38/10), followed by more detailed information provided in a briefing to Permanent Missions to UNIDO on 19 November 2010. The present report seeks to update this information and also provide a detailed account of the activities undertaken in 12 countries, which have been targeted in a first stage.

2. Following General Conference decision GC.13/Dec.15 an amount of €500,758 was made available for the trust fund on food security. In addition, the Government of Finland announced a €400,000 contribution towards agribusiness development. The Finnish authorities agreed that their contribution be pooled together with the trust fund of food security¹ to support the project “Support to agribusiness and agro-industry development initiatives: implementing the three frameworks”. As indicated in the project title, UNIDO decided to invest these resources into concrete implementation of three major political mandates calling for the support of UNIDO in agribusiness development for food security and poverty reduction:

(a) Strategy for the implementation of the African Union Plan of Action for the Accelerated Industrial Development of Africa (AIDA), as adopted at the 18th session of the Conference of African Ministers of Industry (CAMI) in October 2008;²

(b) 2009 Least Developed Countries Ministerial Plan of Action;³

(c) Abuja Declaration on Development of Agribusiness and Agro-industries in Africa, as adopted by the High-level Conference on Agribusiness and Agro-industries, on 10 March 2010.

3. All three frameworks highlight the critical role of agribusinesses and agro-industries in the process of economic development, especially for the world’s poorest countries. They define the priority areas where support is needed to foster sustained poverty reduction through human capital development, highly productive and profitable agro-value chains and greater agribusiness participation in domestic and international markets.

4. A project document “Support to agribusiness and agro-industry development initiatives: implementing the three frameworks” was approved in July 2010, at a

¹ It is worth noting that a subsequent contribution from the Government of Finland announced in December 2010 was explicitly designated to the trust fund on food security. That decision helped to reduce administrative costs and increase the flexibility to implement a long-term strategy for food security through agribusiness development.

² AU/MIN/CAMI/3(XVIII).

³ Resolution GC.13/Res. 5.

total cost of €653,982 (net of programme support costs). Implementation started in August 2010; as at February 2011, the financial position of the project stood as follows:

Table
Financial position of project (in euros)

<i>Source of funding</i>	<i>Allotments</i>	<i>Expenditures</i>	<i>Funds available</i>
Trust fund on food security	300,000	119,140	180,860
Contribution by the Government of Finland	353,982	117,337	236,645
Total	653,982	236,477	417,505

II. The project “implementing the three frameworks”

5. The overall objective is to contribute to sustainable reduction of poverty and food security through the promotion of agribusinesses and agro-industries in Africa and least developed countries (LDCs). Interventions are aimed at the following:

(a) Assessing key constraints faced by agro-industries that limit their ability to add value to agricultural production through agro-processing, post-harvest handling, supply chain management and trade promotion;

(b) Developing and validating concrete interventions that promote agro-industry development in close collaboration with stakeholders and external resources;

(c) Assisting Members States in resource mobilization from international finance institutions and a range of private partners, research institutions and non-governmental organizations.

6. UNIDO, the Food and Agricultural Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD) are working closely together in this initiative, targeting in a first stage, 12 countries: Afghanistan, Comoros, Democratic Republic of the Congo, Ghana, Haiti, Sierra Leone, Liberia, Madagascar, Nigeria, Rwanda, Sudan and United Republic of Tanzania. Ten of the twelve target countries belong to the LDC category, and ten are in Africa. Given the strong concentration on the Africa region, the programme is known and promoted as “3ADI: Africa Agribusiness and Agro-Industries Development Initiative”.

7. Value chain analysis provides the analytical and operational framework. However, 3ADI is also an action-oriented programme building on the core competencies of UNIDO, FAO and IFAD in agribusiness development to articulate a comprehensive response to the range of observed constraints and, most importantly, to leverage finance (public and private), investment, technology, expertise and scientific knowledge for agribusiness development.

8. The emphasis is not on UNIDO technical assistance services as an end in itself, but rather as a means to catalyse larger flows of multi-stakeholder resources for the expansion of agricultural value chains, more resilient food security through

enhanced access to food, and the creation of wealth in rural communities. The 3ADI programme delivers innovative features, or requirements:

(a) A communication strategy must raise the visibility of the programme so as to attract larger flows of resources towards the selected value chains;

(b) The monitoring and evaluation mechanism must be able to capture, in a cost-effective yet credible way, the multiplier effects of the UNIDO initiative and determine its outcomes and ultimate impact;

(c) Member States may appreciate that the return on their investment in the trust fund on food security extends beyond the second-generation technical assistance delivered as a result of this programme. There will be a more significant impact on rural wealth creation in low-income countries as a result of larger flows of resources catalysed by the programme and channelled in parallel, but not necessarily through UNIDO, towards the same targets.

III. Progress of the 3ADI programme, country by country

Afghanistan

9. 3ADI was presented to the Ministry of Industry and Ministry of Agriculture during the December 2010 mission and was welcomed by the Government. The Ministry of Foreign Affairs emphasized the need to review available reports and the studies carried out recently and agreed to provide full cooperation in the process. The FAO representative in Afghanistan was also briefed on the 3ADI and both parties agreed to cooperate in the follow-up activities. A national consultant has been identified to coordinate activities in Afghanistan and identify the priority commodities for value chain development.

Comoros

10. The assessments conducted by UNIDO and its partners, IFAD and the United Nations Development Programme (UNDP), in October 2010, resulted in the mobilization of \$470,000 for UNIDO to implement a project to promote socio-economic conditions of young women through agribusiness support. An inception mission was due to take place in March 2011. The project will facilitate the processing of horticultural products by producer organizations mainly composed of women and the establishment of linkages with local traders servicing the domestic market.

Democratic Republic of the Congo

11. A formulation mission was conducted in September 2010. The three value chains selected for the 3ADI are: cassava and palm oil in the western provinces of Kinshasa, with a view to improving food supply to the capital, and timber transformation in the same region.

12. The UNIDO country programme document articulates sector-specific interventions under the 3ADI programme while broader cross-cutting assistance (industrial governance, youth employment and quality infrastructure) was approved in January 2011. Meanwhile, a \$1.3 million contribution from the Government of

Japan received in late 2010 will support the 3ADI by establishing a pilot food-processing facility.

13. The impact of 3ADI will be measured by the improvement of the food supply in Kinshasa and to its 10 million inhabitants, as well as by the organization and expansion of the supply chain of cassava and palm oil in the three provinces surrounding the capital. A joint formulation mission with IFAD is planned for mid-2011.

Ghana

14. During the first 3ADI mission in August 2010, the Ministry of Trade and Industry indicated a clear priority on the cotton sector. A few weeks later, the Government launched the national cotton revival strategy and embarked on a decisive re-organization of the industry. In January 2011, the Ministry of Trade and Industry further called on the World Bank, the International Finance Corporation (IFC) and UNIDO to support the national efforts. UNIDO was invited to look into biosafety and governance aspects of the introduction of a biological alternative to pesticides. The Organization also offered assistance in agricultural mechanization and the upgrading of the cotton classing and sorting facilities in the country.

15. In late February 2011 the Government launched a campaign to increase the surface under cotton cultivation from the current 5,000 hectares (ha) to 50,000. However, daunting challenges remain, in terms of an overall organization of the value chain, aiming at a more equitable distribution of the value created along the chain. At stake is the income of an estimated 100,000 smallholder farmers whose livelihood hinges on the fortunes of a plot of land of 0.7 ha, on average. The profit margin must expand at both ends, through higher yields, as well as lower input costs.

Haiti

16. A first briefing of the Ministry of Industry and partners was undertaken in October 2010 and various preliminary contacts were made with FAO, potential stakeholders, development actors interested to invest in Haiti. However, the cholera outbreak and the upcoming elections have slightly delayed the process since. Currently, discussions are resuming with the European Union for phase 2 of a standardization project related to trade capacity-building (due 2011/beginning 2012). The next mission was planned for April 2011. Potential value chains include mango, coffee, cocoa and essential oils.

Liberia

17. An identification mission was conducted and an agreement signed with the Government. Two projects are under formulation:

(a) Adding value and reducing post-harvest losses to the fruit and vegetable value chain:

The project aims to increase the shelf-life of fruit and vegetables by providing main markets in Liberia with cold-storage facilities to be managed by the Liberia Marketing Association on a cost recovery basis.

Up to 50 self-contained cold stores will be installed, backed up by necessary training. The indicative budget amounts to \$4 million;

(b) Commercial rice production, processing and marketing:

The pilot project will demonstrate how to grow, process and market good quality rice on a commercial basis. The indicative budget amounts to \$4 million.

Madagascar

18. The identification mission was conducted in October 2010 and an agreement signed with the Government. The project will focus on promoting the Malagasy biodiversity value chain and will aim at supporting biodiversity conservation and sustainable management while developing a niche market with high potentials both for job creation and income generation. Two value chains were identified: biosilk and biohoney. The indicative budget is \$5 million.

Nigeria

19. The formulation mission to identify the selected value chains in cooperation with the Government and stakeholders was scheduled to take place in March 2011. However, some related activities are already taking shape on the ground:

(a) Cooperation between IFAD, FAO, UNIDO and UNDP on IFAD's Agricultural Assessment and Implementation project including primary production (FAO), industry and marketing (UNIDO), and infrastructure (IFAD) in seven regions in Nigeria. The project is due to commence in February 2012;

(b) UNIDO assessment project to identify priority value chains in three regions. In Oyo and Ogun (south) cassava was identified; in Kaduna (north) cereals and in a fourth region, Benue, rice. The task of developing the first stage (production) has been given to FAO;

(c) Initiative by the Central Bank of Nigeria and Agra Alliance, together with the Bank of Industry, to work on a project with several value chains. UNIDO is to contribute on the cassava and livestock value chains. The draft proposal for the project is currently with the Central Bank.

Rwanda

20. Rwanda saw the first instance of a fully-synchronized mission by IFAD and UNIDO teams, in January 2011. Since July 2004, IFAD has encouraged the implementation of a project aimed at supporting off-farm micro and small enterprises in rural areas as a vehicle of poverty reduction. Initially established for a duration of seven years, the January 2011 mission felt that an extension was warranted so that the capacities built under the IFAD rural small and microenterprise promotion project-phase II be effectively deployed in the implementation of the small and medium enterprise (SME) policy and strategy promulgated in July 2010 and ensure adequate support to the lower end of the SME spectrum. The UNIDO contribution focuses on the particular aspect of business development services for rural SMEs. The extension project is estimated at \$9 million of resources and covers the period July 2011 to July 2013.

21. At the same time, FAO, IFAD and UNIDO submitted to the One United Nations Fund a joint proposal on livestock value chain development, building on capacities established by IFAD in livestock-related projects, by FAO on cattle and dairy sectors, and by UNIDO on the leather and meat processing sectors. The project involves a total cost of \$3 million over a period from 2011 to 2012, with UNIDO as lead agency. It aims to enhance food security and nutrition through increased availability of livestock products; increase incomes as well as stimulate and promote agro-industrial and agri-business linkages in the livestock value chain; and illustrate the tangible benefits of professional business services for rural SME development. Advanced discussions are also under way with a private multinational with technology resources in the milk processing and packaging sector.

Sierra Leone

22. A scoping mission in late 2010 met with Ministers of Trade and Industry, and Agriculture, Forestry and Food Security. Strong commitment was shown by both to the initiative. It was agreed to build on plans for the restructuring of the development finance system, in order to have a finance window for agribusiness. The value chains emerging were coffee/cocoa, palm oil and livestock. In addition, a project to rehabilitate training-cum-production centres in Koindu, Kpandebu and Pujehun was agreed upon, with Japan providing \$2 million in funding. This project will seek to build resilience to economic shocks by expanding existing Growth Centres, which will provide services for agri-entrepreneurship development for rural youth, men and women. Commercial operations will focus on value addition to agricultural produce. Project activities are due to commence in March 2011. Partnerships continue to be explored with the African Development Bank (AfDB) and the German Company for International Cooperation (GIZ),⁴ as well as 3ADI partners FAO and IFAD. A second, more detailed formulation mission, comprising experts from UNIDO and partner organizations, was due to take place in March/April 2011.

Sudan (North)

23. Within the new UNIDO country programme for (North) Sudan, hides and skins, leather and leather products development value chains were selected. The objective is to increase the contribution of these sectors to the overall economy of Sudan by enhancing the competitiveness of the manufacturers and assisting them in penetrating international markets. The first draft received good support from the Government of Sudan and the Ministry of Industry. The next step is to seek cooperation with FAO and IFAD in relation to the programme.

Sudan (South)

24. Assessments conducted by UNIDO and FAO have resulted in a project document “Sustainable food security through community-based livelihood development and water harvesting”, A total of Can\$15 million has been requested from the Canadian International Development Agency (CIDA) to implement both FAO (Can\$12 million) and UNIDO (Can\$3 million) project components. The main objective is to strengthen the income-generating capacities of rural communities

⁴ The GIZ was formerly known as Gesellschaft für Technische Zusammenarbeit (GTZ).

through the promotion of skills needed to develop rural enterprises, which may contribute to resilience creation and better food security.

United Republic of Tanzania

25. A first mission in November 2010 focused on reviewing existing policies and agro-industry development initiatives as well as on contacting stakeholders and potential partners. A stakeholder workshop was conducted in which two value chains, red meat and cashew nuts, were identified as priorities for the 3ADI. This selection was officially endorsed by the Government. The second formulation mission, planned for March 2011 was scheduled to add information on priorities and development opportunities to develop a strategy for the implementation of 3ADI and a draft strategy was to be presented to stakeholders and a donor group. The mission included UNIDO staff from the Industrial Subcontracting and Partnership Exchange (SPX) initiative in the Investment and Technology Branch. Funding from the One UN fund has already been earmarked in the order of \$2.4 million and additional funds may come from IFAD and the AfDB, as well as from bilateral donors with which a dialogue has been initiated.

IV. Cross-cutting issues

Finance and investment

26. A review of the funding landscape for agribusiness reveals a clear scope for increasing finance and investment flows to the sector, with large-scale mobilization of resources and a focus on specific points of value chains. This involves capacity development of SMEs to access finance through entrepreneurship training, financial literacy and business planning. The next level involves brokering relationships between buyers and suppliers, developing mechanisms to facilitate flows of credit and other inputs, e.g. through clustering of businesses, infrastructure (warehouses, storage) and alternatives to collateral. Another action is to broker relationships with finance providers and investors in order to build sector assessment capabilities. Larger scale measures entail working with international financial institutions and multinational corporations to address issues requiring investment and technical assistance in the form of technology transfer and capacity-building. A concrete example of this is the Equity and Guarantee Fund for Agribusiness in Africa (EGFAA), which addresses on a large scale the financial modalities of 3ADI. The preliminary design — a Fund of Funds to provide agribusiness companies and investment funds with a range of financial instruments, and a technical assistance facility — was driven by UNIDO and has since been adopted by the African Development Bank.

The monitoring and evaluation mechanism

27. The 3ADI requires a special approach to monitoring and evaluation (M&E) due to its scope and variety of actors to be engaged (among them FAO, IFAD and AfDB). Two phases must be distinguished:

(a) Phase I: Development of the strategies for the 12 selected countries, to demonstrate that resources have been used effectively to mobilize funds and technical assistance. Performance indicators include: mobilization of public

development funds, private investment and technical assistance (the latter by UNIDO) as well as the initiation of reforms in the policy/incentive framework;

(b) Phase II: The actual implementation of developed strategies for the 12 countries. The M&E system for phase II would include a minimum of compulsory indicators to be used across all 3ADI implementation countries. These indicators must capture the outcome and impact of the 3ADI programme, while at the same time allowing flexibility to each country project to further define context specific indicators. Performance indicators should relate to the socio-economic and environmental impact and the impact on the level of industry development across all segments of the value chain as well as to outcomes in terms of chain coordination and stakeholder participation.

28. At the time of preparing this report, a total of €236,477 has been spent or committed for project activities including missions, public relations and national and international experts. As a result, over €5 million has been secured or identified for technical cooperation (TC) projects in agribusiness development to be implemented by UNIDO. The 3ADI programme will also play an instrumental role in the execution by other parties of a further €6 million worth of related technical and financial assistance in the selected agribusiness value chains.

29. At the twenty-sixth session of the Programme and Budget Committee, Member States underlined the importance of the “investment” nature of the trust fund on food security which, like any investment, is expected to generate a return. Looking at a proxy return on investment⁵ now hardly eight months since its inception, the 3ADI programme has yielded a return of 20 times in relation to funds mobilized for UNIDO TC projects, and 45 times in relation to all funds mobilized (€10 million).

Communication strategy

30. Key elements of the 3ADI communication strategy are a dedicated website and a knowledge management platform. The 3ADI website,⁶ launched in March 2011, aims at enhancing the visibility of the 3ADI activities, promoting private sector involvement and providing lessons learned to interested public sector and academia. The website is also instrumental in fostering cooperation among FAO, IFAD and UNIDO and partnerships with external resource institutions. At a second layer of the website lies the knowledge management platform for 3ADI partners. The platform allows FAO, IFAD and UNIDO as well as selected external partners to exchange information, work together on joint publications and coordinate field missions and other events.

V. In conclusion

31. Eight months into its implementation, the trust fund on food security is setting new standards for the delivery of technical services by UNIDO. It builds on synergies with other United Nations agencies consistent with core competencies and comparative advantages of each participating agency. It leverages considerable

⁵ This is calculated on the basis of funds mobilized to date less expenditures/commitments to date, divided by the expenditures/commitments to date.

⁶ www.3ADI.org.

resources from external partners — public and private finance providers, domestic and foreign investors, technology providers, scientific institutions, processors, traders and buyers. It acts, in short, as a catalyst to drive a convergence of multi-stakeholder resources towards the expansion of particular agro-commodity value chains.

32. Member States may wish to note that the impact of UNIDO assistance extends beyond the services directly delivered by the Organization thanks to the leverage effect of the programme, as substantiated by a comprehensive monitoring and evaluation system. It may furthermore be noted that the trust fund allows the Secretariat to effectively design and execute a clear strategy to foster a convergence of resources for the benefit of agro-commodity value chains in developing countries. Further contributions to deepen and expand initiatives of this kind, in Africa and beyond, are encouraged.

VI. Action required of the Committee

33. The Committee may wish to take note of the information provided in the present document.
