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UNIDO activities related to agribusiness, trade and job creation

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Report by the Director-General

In accordance with rules 14 and 16 of the rules of procedure, the Director-General proposed the inclusion of this supplementary item in order to provide information on a number of significant activities and initiatives undertaken by the Organization, which relate to agribusiness, trade and job creation. This document notes that UNIDO has been providing specialized services in these fields and that they have been central to sustainable industrial development.

I. Introduction

1. UNIDO services in agribusiness, trade and job creation spearhead the Organization's contribution to the reduction of poverty through the creation of employment and associated incomes in productive activities.
2. Low-income countries are critically dependent on two assets: human capital (a young population gradually leaving their rural roots for sprawling urban centres), and commodities, both agricultural and mineral, often exported in unprocessed form.
3. Socio-economic progress results from a fuller realization of these assets, and the creation of value from existing resources and factors. The following figure

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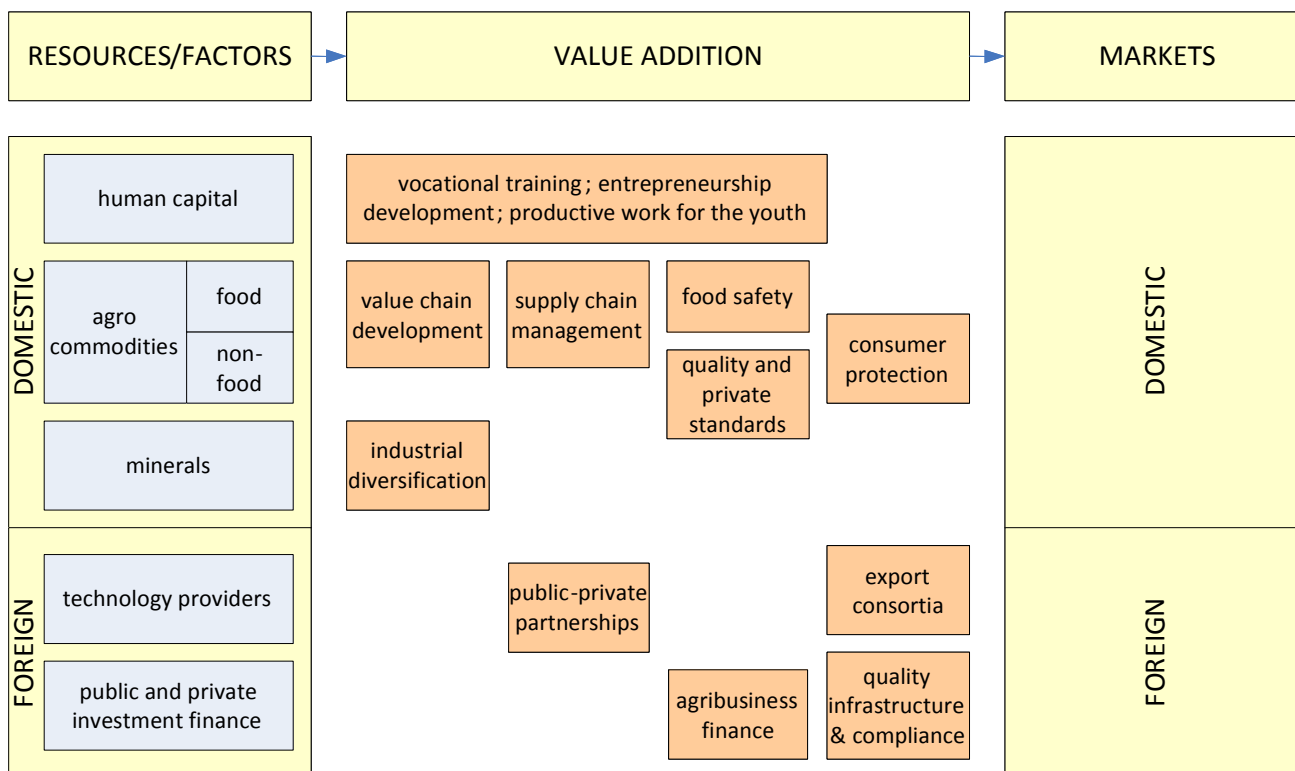
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highlights some of the specialized services of UNIDO that support small and medium enterprises (SMEs) along local, regional and global value chains; more importantly, it emphasizes the integrated nature of the services, and how they combine to offer comprehensive solutions in developing countries.

Figure
UNIDO specialized services



II. Typical services and concrete examples of implementation in 2010-2011

A. Vocational training and entrepreneurship development

4. Dynamic entrepreneurship is a strategic element to empower individuals to move out of poverty and create income and employment for themselves and others. UNIDO has expanded activities for building up technical and entrepreneurial skills, in particular for youth, with a view to promoting productive human resources as a foundation for growth and poverty reduction. It has also helped to create more conducive environments for entrepreneurial initiatives.

5. An action-oriented entrepreneurship curriculum programme (ECP) in secondary and technical schools as well as universities prepares youth to enter their economic career. UNIDO currently supports programmes in Angola, Cape Verde, Mozambique, Namibia, Rwanda and United Republic of Tanzania. The ECP assists large numbers of young people and enables them to apply concepts such as “save,

innovate, invest and grow” and to identify and implement business opportunities in their communities. The programme has initiated development of components to improve technology-absorbing capacities by building on the practical application of basic industrial engineering concepts.

6. Equipping vocational training centres with state-of-the-art methodologies, trained staff and facilities to provide youth with skills that are in line with private sector needs has been the thrust of projects in Côte d’Ivoire, Pakistan and Sudan. In Sudan, five vocational and technical education centres (VTECs) were established with European Union (EU) funding and replication is envisaged. Projects to enhance practical and useful life skills of vulnerable groups in poverty or crisis-affected areas, have been implemented in Armenia, Ghana, Guinea, Kenya, Liberia, Malawi, Sierra Leone and Sudan.

7. In order to promote entrepreneurial initiatives in a more conducive business environment, UNIDO has extended support to establish district one-stop-shops in Mozambique to assist rural entrepreneurs in dealing with public services. An action plan to improve the national, local, sector and gender dimensions of the business environment is under preparation in Cape Verde. In Viet Nam, an analysis of gender-related constraints in entrepreneurship development has provided inputs for national policymaking.

B. Productive work for youth

8. Youth unemployment remains a major challenge to governments and economies the world over: 81 million young people were unemployed in 2009. UNIDO programmes help harness the capacities of youth as a potential social and economic resource for peace, stability and socio-economic development.

9. The overarching goal is to create decent and durable employment through productive activities. Given the often limited absorptive capacity of formal labour markets, youth entrepreneurship is a feasible option to create employment. Entrepreneurship and self-sustainable businesses contribute to poverty reduction as they are the main source for economic activity that supports bottom-up economic growth, job creation, structural change and innovation.

10. One of the major obstacles for successful business creation and expansion is the missing link between financial and non-financial services. UNIDO applies two approaches that combine non-financial and financial services for youth-led business creation and expansion:

(a) The enterprise development and investment promotion (EDIP) approach is based on the conceptual underpinning that the development of a strong domestic investor base is a precondition for attracting foreign direct investment, which together contribute to employment creation, poverty reduction and growth. The EDIP approach goes beyond entrepreneurship training through counselling during the business start-up and growth phase, and facilitates access to adequate financial schemes through partnerships with financial institutions. It is implemented with a

specific youth focus in Mozambique, Tunisia, and the countries of the Mano River Union (MRU);¹

(b) The second approach designed for post-crisis countries is a competitive grant scheme for youth-led development, enabling youth organizations to initiate innovative youth employment projects that target young people. Successfully tested in the MRU countries, it has three objectives: build the capacity of youth-led organizations and enable youth to move from passive recipients to active participants in the promotion and creation of youth employment; facilitate the testing of new innovative ideas and approaches that enable young people to gain experience and productive and decent employment as start-up entrepreneurs; and learn from lessons and significantly expand on approaches and innovative business ideas that work.

11. In various projects and programmes it was proven that youth-led businesses, when provided with various forms of non-financial assistance and financial services, can effectively lead to the creation of successful businesses. A project in Senegal provides jobs for youth by creating linkages between local businesses and technical and vocational educational institutions, promoting entrepreneurship and improving the quality of products and services in the fishery, agriculture and service sectors.

C. Value chain development

12. At the High-Level Conference on Development of Agribusiness and Agro-industries in Africa (Abuja, Nigeria, March 2010), the African Union Commission on behalf of the 43 participating countries called on the Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development (IFAD) and UNIDO to join forces with local authorities to “enhance capacity, profitability and competitiveness of agribusiness and agro-industries and ensure that the development of agribusiness and agro-industries contributes to smallholder livelihoods, food security and nutrition, job creation and poverty alleviation.”

13. The resulting programme, known as the African Agribusiness and Agro-industries Development Initiative (3ADI — see www.3adi.org) was launched in August 2010 in a first batch of 12 target countries: Afghanistan, Comoros, Democratic Republic of the Congo, Ghana, Haiti, Liberia, Madagascar, Nigeria, Rwanda, Sierra Leone, Sudan and United Republic of Tanzania. Experts visited each of these countries and noted the priorities expressed by the local authorities in terms of specific agro-commodities to be promoted in a value chain context.

14. Original features of this approach include the close cooperation with FAO, IFAD and the African Development Bank, the pragmatic emphasis on concrete realizations over analytical studies, and an integrated approach that documents the need for a convergence of resources between public, private and technical assistance partners.

15. In Mali, a project to develop the shea butter value chain has resulted in thousands of women being trained in processing techniques for the fruits of the

¹ Mano River Union countries comprise Côte d’Ivoire, Guinea, Liberia and Sierra Leone.

karite tree, the formation of producers associations, and new products developed and exhibited in regional and international trade fairs. Sales representatives were recruited in Europe and North America while a European-based cosmetics company was contracted to distribute shea butter-based soap. The value addition to the raw commodity, the diversification into a wider array of products, and “bio-organic” certification will ensure that women’s groups involved in this business generate maximum revenue from their labour. The project also provides training in entrepreneurship, marketing and quality management. Emphasis on quality is particularly important as the commonly available shea butter products sell for less than a dollar per kilo, while a refined product could fetch up to \$400 per kilo when sold on the Internet. UNIDO agribusiness and value chain development projects aim to ensure that these high margins are kept in the hands of African women and men who want to make agricultural commodities their engines for economic development.

16. Within the framework of a multi-agency United Nations programme in Ethiopia financed under the Millennium Development Goals Achievement Fund (MDG-F), UNIDO provides for an integrated approach to value chain development in the edible oil sector through skills and technology upgrading. The project aims to demonstrate efficient processing and market access for locally processed oil that is the outcome of an upgraded supplier base governed by the UNIDO industrial cluster approach. This joint initiative is meant to serve as a model on how to transform small-scale edible oil processors from marginalization to independent clusters and recognized players in the market.

17. In Bolivia (Plurinational State of) and Peru, UNIDO supports other MDG-F funded projects through its networking and cluster approach to strengthen the capacities of small agri-food and artisan producers to gain a better foothold in national and regional markets. UNIDO has offered technical assistance in supplier development and in micro, small and medium enterprise (MSME) networking to small producers, allowing them to increase competitiveness while protecting cultural and environmental heritage. UNIDO interventions target remote areas where job opportunities are scarce, and alternative economic opportunities limited.

D. Supply chain management

18. To build competitive, inclusive and sustainable supply capacities requires enabling developing countries to add value to human and natural resources and access local and export markets. To that end, UNIDO applies the concept of supplier development and enterprise upgrading which encompasses cluster/business networking development and the establishment of export consortia (see paragraph 37).

19. Small-scale producers are trained and encouraged with various incentives to assess and realize market opportunities through individual and collective actions, and the strategic deployment of skills and resources. The approach is especially suited to the promotion of agribusiness industries, which typically offer higher potential for domestic suppliers to enter new markets and integrate local, regional and international value chains but also strengthen the local employment base.

20. In a related line of work, UNIDO promotes partnerships and the implementation of trade agreements, which facilitate linkages with markets and thus help farmers and producers in developing countries reap the benefits of globalization. The programme started applying the Global Markets Protocol of the Global Food Safety Initiative (see www.mygfsi.com), a model based on continuous improvements to the food safety system for “less developed businesses” aimed at qualifying local suppliers, improving their compliance with market requirements (including local legislation, international and buyers’ standards and practices) and connecting them with local and international markets.

21. Since 2010, the programme has been successfully implemented in Egypt with over 80 SMEs enlisted as suppliers for the METRO Group and a cluster of 800 farms still under training and qualification. During 2011, pilot projects were implemented in India and the Russian Federation. UNIDO is planning new joint programmes with the METRO Group to cover China, Kazakhstan, Indonesia, Morocco, Pakistan, Viet Nam and to extend the scope to non-food products and in line with social, ethical and environmental sustainability principles. UNIDO plans to expand its activities by implementing supplier development and related programmes with other leading retailers and food manufacturers.

22. A project with the South African Agri-Academy has been training trainers for agro-processing clusters. It paves the way for a larger initiative on agribusiness and agro-processing cluster development where technical expertise from UNIDO on cluster promotion, market access and agroprocessing will be provided. It will also result in a supply chain management programme joining forces with Ferrero International S.A. in hazelnut production and rural community development.

E. Food safety

23. Food safety is an increasingly important aspect of quality infrastructure development, both in relation to imported and locally-produced products in local markets, and for products to be exported to international markets. Numerous countries have received technical assistance for the development of national food safety laws, sanitary and phytosanitary (SPS) legal and regulatory frameworks, and support for the strengthening of a local, modern, risk-based management system of food safety, for instance in Gambia. In Pakistan, a full review of the federal and regional food safety institutional framework, institutional set-up and services is under way. A traceability scheme for seafood products has been established in Bangladesh, and a scheme for food hygiene is now operating in Sri Lanka.

F. Quality and private standards

24. The private sector and consumers must be sensitized to the benefits of quality management. To this effect, national and regional quality awards schemes have been developed and supported in various countries, in particular in the countries of the West African Economic and Monetary Union (UEMOA). In addition, local capacity has also been built to establish and certify compliance with various private standards such as GLOBALG.A.P traceability requirements. In the Maldives, 70 per cent of the tuna fish exporting companies and the Malé Fish Handling Facility have

now been certified for the relevant international standard allowing for the expansion of exports to existing and new markets. Similarly, 10 food processing plants in the Fujian Province of China also have been certified for the relevant international standard with a resulting surge in their export performance.

G. Quality infrastructure and compliance services development

25. In West Africa, UNIDO has supported the establishment of a regional quality policy in the countries of the Economic Community of West African States (ECOWAS) and UEMOA while Gambia, Ghana, Sierra Leone and Zambia received assistance for a national quality policy. In total, 16 countries have been supported in the development of various quality infrastructure services: laboratories for microbiological, chemical and pesticide-residue testing are upgraded towards international accreditation, for instance in priority export products such as cocoa and coffee. Two laboratories of the Ghana Standards Board have gained such international recognition. A recent milestone was the establishment of microbiological and chemical testing and metrology laboratories in Liberia and Sierra Leone, where laboratories in line with acceptable international practices were constructed and are now in the process of gaining international accreditation. UNIDO works with the East African Community (EAC) to build up and harmonize legal and regulatory frameworks (standards and technical regulations), and related infrastructure and services. Other testing laboratories in Cambodia, Nepal and Viet Nam have been upgraded and similar laboratory capacity is being rebuilt in Iraq.

H. Consumer protection

26. Support is provided for the development of consumer protection laws, association-building and training of journalists on consumer rights. Market surveillance services are strengthened to prevent unsafe products on local markets. The strengthening of legal metrology services, for instance in Mozambique, improved the purchasing power of low-income groups, in particular through the verification of weights and measures used in local markets, at fuel pumps, etc. In Asia, consumers in Bangladesh, Bhutan, and Maldives benefit from such improved legal metrology for mass, length and volume verifications. Consumer protection activities were also a focus in western and southern Africa, in particular in Zambia.

I. Industrial diversification

27. The UNIDO industrial upgrading programmes in developing countries focus on building the competitiveness of enterprises that operate mostly in rural areas and contribute to the diversification of the economy, beyond minerals processing so that there is a creation of stable manufacturing jobs. In the 2010-2011 period, upgrading programmes conducted in UEMOA countries, Cameroon and Syrian Arab Republic built capacity in about 200 enterprises and related services. These interventions helped maintain about 10,000 direct, high-quality manufacturing jobs in these countries in the difficult aftermath of the global economic crisis. They also involved transfer of new management and technological skills into the relevant countries and

had a positive, but indirect impact on the industrial and service sectors that provide products and services for the upgraded enterprises.

J. Public-private partnerships

28. Building on the successful cooperation in Africa and the Middle East, the UNIDO-Hewlett Packard (HP) partnership programme reached global coverage in 2010, including Asia and Latin America through HP's Learning Initiative for Entrepreneurs (HP LIFE). The programme teaches aspiring and established entrepreneurs hands-on business and information technology solutions relevant for business management. The UNIDO-HP partnership programme has set up 93 LIFE centres in 13 countries (Algeria, Brazil, China, Egypt, India, Kenya, Morocco, Nigeria, Saudi Arabia, South Africa, Tunisia, Uganda and United Arab Emirates), certified 270 trainers, trained more than 42,000 students and created over 17,000 jobs.

29. Similarly, 2011 marked the expansion of the UNIDO-Microsoft partnership with the launch of the first Microsoft Innovation Centre in Uganda, in cooperation with the Government of Uganda and Makerere University. The soft partnership delivers assistance to urban and rural SMEs through the use of information and communication technology, fostering the development of a local software economy and promoting e-business initiatives to create new jobs.

30. The UNIDO responsible entrepreneurs achievement programme (REAP — see www.unido.org/reap) is a management and reporting tool that is based on corporate social responsibility (CSR) principles and supports SMEs in implementing CSR concepts, thereby aligning economic, social and environmental aspects of business. It provides a structured framework in combination with analytical software, which can be used to gather, process, evaluate and report data to track progress in implementing CSR in SMEs.

31. Projects under way in Bosnia and Herzegovina, China, Serbia, Turkey, Ukraine and Viet Nam are based on this concept, with future projects planned for Egypt, India and Jordan.

K. Official development aid to leverage corporate resources

32. Partnerships with experienced global actors help SMEs acquire know-how and resources that enhance their competitiveness. The purpose of the UNIDO partnership programme is to draw on the expertise, know-how and resources of major business players and bring their competitive experience to the project's recipient SMEs who then become attractive business partners for the large firms. The programme seeks to exploit compatibilities between the objectives and activities of the partnered businesses and the UNIDO mandate for promoting sustainable industrial development in developing countries and economies in transition. UNIDO engages business partners in multi-sector collaborations including governments, industry associations, research institutions and civil society organizations on the basis of guiding principles, which inter alia include acceptance of United Nations values of fairness, transparency and openness.

33. By way of example, UNIDO has partnered with the Swedish company Scania and the Iraq Ministry of Labour and Social Affairs to establish an updated Operations and Industrial Maintenance Training Academy in Erbil, Iraq. Scania is a global leader in the manufacture of industrial and commercial vehicles and related services. With over 100 years of experience in the manufacturing and maintenance services, Scania's expert advice is contributing to UNIDO goals of developing much-needed skills for the Iraqi industry. The focus is on demand-driven skills in the sectors of logistics, manufacturing, and industrial maintenance of heavy machinery, including trucks, engines and agricultural equipment. This will be achieved by strengthening the institutional capacity of Iraq's training apparatus to deliver up-to-date training courses relevant to the requirements of modern enterprises expanding and operating in Iraq. This joint partnership has a clear focus on results, specifically employment generation, and the implementation arrangements are designed to ensure that institutional capacity is strengthened, modern training courses are delivered, and the overall efforts are sustainable.

L. Agribusiness finance

34. In its decision GC.13/Dec. 15 of 2009, the General Conference of UNIDO established a trust fund aimed at "increased food security through agribusiness and agro-industry promotion". Following input from Member States, it has been agreed that this fund would benefit from a leveraging effect so as to trigger additional funds from other entities.

35. In mid-2011, UNIDO responded positively to a request by development finance institutions to extend advisory services to a technical assistance facility established to support

(a) the \$300 million African Agriculture Fund (upon invitation of the Agence Française de Développement); and

(b) the \$500 million Equity and Guarantee Fund for Agribusiness in Africa (the financing arm of the 3ADI programme, placed by the African Union Commission under the leadership of the African Development Bank).

36. Both initiatives represent a novel approach to integrate technical assistance, public investment, and private equity. In doing so, the technical assistance interventions of UNIDO are geared to, and effectively support, much larger flows of resources to agribusiness in Africa, thereby triggering a stronger impact on the ground.

M. Export consortia

37. UNIDO facilitates market access for SMEs in the agribusiness sector through the development of export consortia in India, Jordan, Morocco, Peru, Senegal, Tunisia and Uruguay. Export consortia are voluntary alliances of firms with the objective of promoting the export of goods and services of its members through joint actions. These alliances have proven to be an effective tool for export promotion and also for the collective upgrading of member SMEs. According to recent surveys conducted by UNIDO among beneficiary export consortia, the firms

have generally benefited from an increase in sales, exports and employment with growth rates often higher than the average of their respective sectors. In 2010 and 2011, the assistance in the field of export consortia has been increasingly integrated with other UNIDO areas of expertise such as agro-industrial development in Morocco, compliance with foreign standards and strengthening of quality infrastructure in Côte d'Ivoire and recently in Ecuador.

III. Action required of the Conference

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