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Structural Economic Transformation through Economic Diversification and Industrialization in Africa

Public Symposium

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UNIDO's Strategy for Industrialization based on SDGs and Partnerships

Opportunities and comparative advantages for the Japanese Private Sector



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How do we achieve Structural Economic Change through Industrialization in practice?

- **SDG 9: New opportunity to put Industrialization at the Centre of the developmental agenda**
- **SDG 9: “ Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”**
- **Inclusive and Sustainable Industrial Development (ISID)**
- **Inclusiveness: Rural areas, SMEs, Women, Youth, balanced development, etc.**
- **Sustainability: Energy, Environment**
- **PARTNERSHIP**

Development and expansion of UNIDO's partnership Approach

“To achieve inclusive and sustainable industrial development for our member states (...) we need to develop **stronger partnerships** to make our development impact even bigger. This means further expanding strategic partnerships”



WHY PARTNERSHIP?

Context

- Lima Declaration: ISID
- SDGs: The proposed goal 9
- DFIs' positive stance on supporting industrial development
- NGOs and Private sector's growing interest in joining forces for development
- Emergence of South-South development cooperation as complementary to the traditional North-South
- SDG 17: Revitalize global partnerships for sustainable development





WHY PARTNERSHIP? (2)

- **Improving both internal and external coordination on partnerships with DFIs , NGOs and the private sector to maximize development impact**
- **Increasing the impact and visibility of traditional Technical Assistance**
- **Scaling-up success stories on development partnerships**
- **Mobilizing Public and Private Investment for Africa's Industrialization**
- **Through the Programme for Country Partnership framework, UNIDO is proactively identifying new partners and supporting the coordination of multi- stakeholder partnerships that can contribute to ISID**



The PCP as a framework to implement ISID and accelerate Africa's Industrialization

UNIDO PCP features:

1. Strong country ownership;
2. Operationalize National Industrial Strategies;
3. Closely embedded in national resource mobilization strategies and amenable to partnerships to upscale TC services;
4. Offering an opportunity to deploy a multi-disciplinary array of UNIDO services in a coordinated and synchronized way;
5. Fitted with a rigorous monitoring and reporting mechanism so that our Member States and Partners can measure the concrete benefits of this new approach.



Piloting the PCPs in Africa: Ethiopia and Senegal

- **The rich diversity of experiences amongst pilot PCPs helps develop a robust understanding of the PCP approach in different contexts:**
 - **Ethiopia and Senegal, both LDCs, share a strong reliance on the agro-processing sector and the wish to develop agro-processing facilities;**
 - **Ethiopia sees a stronger role of the public sector in the economic space, while Senegal shows a vibrant private sector.**

Implementing the PCPs in Africa: Ethiopia and Senegal

- **UNIDO PCP implementation: addressing industrialization in a global manner**
 - Improvement of Business Environment
 - Industrial Strategy
 - Investment Promotion
 - Capacity Building of Human resources
 - Infrastructure
 - Private Sector Development
 - Trade Capacity Building
 - Innovation
 - Energy
 - Environment
- **Development of an impact-based M&E framework**

Coordination and partnerships

- **UNIDO as the main advisor on ISID to the Governments of Ethiopia and Senegal**
- **Government ownership and PCP visibility at the highest level**
 - National Steering Committees composed of high-level officials from the President's Office, the Prime Minister's Office, Ministry of Industry and the private sector
 - Government annual funding secured
 - A change of mindset towards industrialization now at the centre of the Government's development agenda
- **Strong participation of national private sector**
 - UNIDO organized PCP awareness workshops for the national private sector, which led to a change of mindset
 - Growing interest for private investment and private funding
- **Growing interest of the international private sector and foreign investors**

Partnerships and Innovative financing mechanisms

- **Rationalization of financial resource allocation and innovative financial mechanisms for Industrialization: Partner and Donor Working Group & mechanisms**
 - Coordinate business and development partners interventions and investments for industrial component of the PSE and promote membership of new partners
 - Propose financing tools and mechanisms to mobilize additional funding and investment
 - Mobilize public and private investment
- **Funds Mobilization Strategy, Pledging meetings and Partner and Donor Roundtable**
 - Objective: Financing of PCPs through pledging – Result of partner engagement process
 - Mapping of partner interventions and financial gap analysis
 - Presentation of PCP technical assistance and investment project portfolio
 - Reinforce synergies between PCP components and partner interventions
 - **PDWG operational and alignment with partner programmes**



Partnerships and Innovative financing mechanisms (2)

- **Bilateral and Multilateral Technical and Financial partners mobilized through constant engagement**
- **All new UNIDO agreements with AfDB, World Bank, EIB and IsDB include the PCP**
- **Technical and financial partners recognize UNIDO as a key actor for industrialization in Ethiopia and Senegal**

Key achievements and leveraging effect (1)

- **Pre-investment services and recommendations provided for integrated industrial parks (IIPs):**
 - **Master plan for the development of IIPs including:**
 - Incentive regime for firms and investors
 - Benchmarking analysis vis-à-vis its competitors
 - Cost-benefit model & economic and financial analyses transferred to National authorities
 - Review of legal, regulatory and institutional frameworks related to IIPs
 - **Development and design of PPP management structure and capacity-building of relevant national counterparts**
- **UNIDO interventions triggered:**
 - Mobilization of USD 90 million in Senegal and USD 400 of public financing for industrial Parks
 - Definition of the IIP concept and its positioning in comparison with other countries
 - Growing interest from partners such as AfDB, EIB and IDB
 - Private sector FDI

Key achievements and leveraging effect (2)

- **Industrial policy**

- Objective: Provide government and the Private sector with **implementation and monitoring tools**
- Identification of competitive labour-intensive sectors based on country's comparative advantage to achieve quick wins, using targeted investment promotion, incentives, and developing sustainable industrial infrastructure (GIFIUD)
- Staff of relevant ministries and institutions trained on industrial strategy design and implementation

- **Agro-poles:**

A comprehensive value chain analysis of the agro-industrial sector, followed by opportunity studies (collection of baseline data related to the development of agro-poles, including a business plan)

- Concept of agro-poles defined (including composition, service provision and stakeholder involvement)
- Close collaboration between UNIDO and all donors & non-traditional partners expected to participate in the governance of the agro-poles
- Master plan for agro-poles developed and implementation to start as early as 2016
- Partner interest triggered (e.g. IDB)

How does the PCP-SEN generate *inclusiveness*?

- **Agro-poles and rural development**
 - Local governance structures for agro-poles management
 - Linkages between large-scale companies and rural SMEs
 - Enhanced capacities of women and youth through skills training and rural entrepreneurship
- **SME regional industrial hub**
 - Creation of industrial activities in remote areas/decentralization
 - Local SMEs linked with international supply chains of mining companies
 - Attracting international private sector and foreign investors
- **Focus on small and medium-sized industries**
 - Local SME development, taking into account existing enterprises and access to finance
- **Local cluster development programme & youth and women entrepreneurship and employment**
 - Clustering of local private sector in agro-poles, industrial parks and industrial mining hub
- **Supplier development with FDI/UNIDO's SPX and investment monitoring programmes**

Results: How is the issue of *sustainability* addressed?

- **All PCP vertical interventions are supported by environment and energy cross-cutting components**
 - Resource efficiency and cleaner production assessment
 - Energy efficiency and resource efficiency technologies and services
 - Greening of targeted value chains
- **Sustainable Cities Programme in Senegal**
 - Partnership with GEF, WB and GoS
 - Objective: Senegal as a green cities model for West Africa
- **Integrated approach: pilot on sustainability and resilience for food security in Senegal**
 - Partnerships with IFAD and GoS
 - Objective: Increased sustainability and resilience of agricultural value chains for enhanced food security
- **GEF integrated project on e-waste management**
- **Engagement with Climate Technology Centre and Network (CTCN) and Partnership for Action on Green Economy (PAGE)**

Challenge: How to disseminate the PCP model in Africa?

- **Build strong partnership with the Africa Union, NEPAD and the RECs (ECOWAS, EAC, COMESA, SADC, ECCAS, etc.)**
- **Mainstream PCP approach in Accelerated Industrial Development of Africa (AIDA) plan of action**
- **Build strong multi-stakeholder partnerships at continental and Regional level**

PCPs: Mobilizing the Japanese Private Sector (1)

Rationale:

- **UNIDO Africa Investor Survey showed empirical evidence that Japanese companies operating in Africa are amongst the most efficient, impact-oriented and profitable FDIs but not enough Japanese companies compared to other FDIs**
- **Japanese companies can bring to Africa: technology, know-how (Energy, Environment, Agriculture, etc.), experience in industrialization, industrial culture**
- **Africa: New economic frontier and looking for investment and technology**
- **Scope for Win-Win partnership**

PCPs: Mobilizing the Japanese Private Sector (2)

- **Mechanisms:**

- Availability of information on business and investment opportunities (ISID Platform, Investment Monitoring Programme)
- Partner, including Foreign Investors, coordination mechanisms and information
- Pre-investment services and recommendations available
- Hand-holding of Japanese companies through Capacity Building and Advisory Services to institutions in charge of promoting investment: Japan window
- Major Investment Promotion Events:
 - ETH: 1st International Agro-Industry Investment Promotion Forum, 2-3 October 2016, Addis Ababa, Ethiopia
 - SEN: 5th UNIDO ISID Forum and Industrial Investment Promotion Event, 14-15 November 2016, Dakar, Senegal
- TICAD VI (August 2016): Side Event on PPPs that will propose measures for a greater involvement of Japanese companies in the industrialization process in Africa – Japanese companies to participate
- Role of ITPO Tokyo as entry point

Mobilizing the Japanese Private Sector: The way forward

- Time to act:
- Build strategic partnership between Japanese institutions and African institutions with UNIDO as facilitator
- TICAD VI: SIDE EVENT SHOULD PAVE THE WAY TOWARDS AN EFFECTIVE FORMALIZATION TO PROMOTE PARTNERSHIP BETWEEN JAPANESE COMPANIES AND AFRICAN INSTITUTIONS FOR AFRICA'S INDUSTRIALIZATION – UNIDO would like to propose to AUC, NEPAD and Japan
 - Definition of activities;
 - Definition of involved Partners;
 - Definition of responsibilities;
 - Definition of Monitoring and Evaluation mechanisms.
- Pilot implementation of this strategic partnership in PCP counties or in EAC, ECOWAS or SADC



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Thank you!

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