UNIDO on Session 5: Structural Economic Transformation

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UNESCAP/UN-OHRLLS/UNECE Euro-Asian Regional Mid-term review of the Vienna Programme of Action (VPoA) for the Landlocked Developing Countries (LLDCs) for the Decade 2014-2024
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- Industrialization plays a significant role as a driver for development specifically for economies in transition.

- In carrying out the organization’s mandate, UNIDO continues to focus on inclusive and sustainable industrial development of countries with special needs, including the Landlocked developing countries.

- In the 2016 SG Report on the Implementation of the VPoA for LLDCs during 2014-2024, it is stipulated that the 2030 Agenda contains specific references to landlocked developing countries in various paragraphs, including in three Goals: Goal 7 on energy, Goal 9 on infrastructure and sustainable industrialization and Goal 10 on reducing inequality. Thus, the inclusion of SDG 9 by the international community was a clear reaffirmation of the centrality of industrialization for achieving an economic transformation in landlocked countries.

- The targets of SDG 9 include (i) to significantly raise industry’s share of employment and gross domestic product, and double its share in LDCs (in which 36% are also LLDCs) by 2030; (ii) increase the access of small-scale industrial and other enterprises to financial services, affordable credit, and their integration into value chains and markets; and (iii) upgrade...
infrastructure and retrofit industries to make them sustainable, with increased resource efficiency and clean and environmentally sound technologies and industrial processes. All these are particularly relevant for LLDCs.

- UNIDO is the primary organization within the UN system to support Member States in achieving SDG 9 and strongly committed to eradicating poverty and addressing **structural transformation** through building productive capacities in LLDCs.

- UNIDO’s support to LLDCs, similar to LDCs, is indeed centered on structural transformation and economic diversification with the goal of generating the emergence of an inclusive and sustainable industrial sector, as appropriate for individual national circumstances.

- UNIDO’s interventions in LLDCs include improving their competitiveness and hence increasing their integration in the international market, through regional and global value chains development, trade capacity building (in particular the strengthening of national quality infrastructure – an area in which we are the largest multilateral player), investment promotion, renewable energy, energy efficiency and eco-industrial parks.

- LLDCs in the Region, from the industrial development perspective, have made progress in implementing priority areas of the VPoA, specifically improvements in energy and ICT infrastructure as well as increasing accession to key trade and transport facilitation agreements, deepening regional integration through innovative undertakings such as the “Belt and Road Initiative” that serves as a platform for urban and industrial development in which UNIDO supports the implementation which benefits the Region including some LLDCs.

- While Asian LLDCs have made progress, the need to increase the share of manufacturing production in GDP, low trade integration, lack of economic
diversification and limited penetration of global value chains remain as key challenges.

- Industrialization becomes more important for LLDCs as it enables them to alleviate the impediments towards overall economic development. Thus, the development of manufacturing sector is critical for the ability of LLDCs to address these challenges in particular to be able to compete in global markets.

- UNIDO continues to support LLDCs including in Asia Region through our technical assistance programmes, initiatives with the view to improve the overall the manufacturing capacity of LLDCs which is explicitly included as an objective in the VPoA.

- UNIDO provides technical assistance and capacity building programmes in LLDCs, comprising all 14 Euro-Asian LLDCs (including Central Asia which is covered under Europe and Central Asia Region in UNIDO) though stand-alone projects, Country Programmes (CP), and Programme for Country Partnership (PCP).

- PCPs are UNIDO’s innovative model of leveraging partnerships to accelerate ISID, designed to effectively support larger flows of resources, thereby triggering a stronger impact and fostering innovation in alignment with beneficiary country’s priorities and development plans.

- Since the adoption of VPoA, UNIDO’s stand-alone projects in LLDCs amounted to over 150 covering 31 LDCs, whereas more than 50 projects implemented in all LLDCs within the Euro-Asian region.

I would like to mention UNIDO’s recent contributions in selected LLDCs in the Region:

- We currently have comprehensive CPs in Asian LLDCs such as the CP Afghanistan (2017-2020). The only PCP in the region is PCP Kyrgyzstan, which is still at the formulation stage, but is expected to be finalized in 2019. It is
also relevant to note that these programmes are all directly linked to or embedded in the United Nations Development Assistance Frameworks (UNDAFs).

- As stressed in the VPoA, energy-related developments in LLDCs are a priority for action and critically important for modernizing information and communications technology and transit systems, reducing delays and enhancing productive capacity to achieve sustained economic growth and sustainable development.\(^1\) UNIDO contributes to mobilize necessary funds through energy-related and projects aimed at environment safeguarding sustained economic growth and sustainable development including Euro-Asian LLDCs.

- UNIDO implements projects in the field of **renewable energy** that contribute to introducing innovative, sustainable technologies to LLDCs: For example, UNIDO is assisting in the development of the renewable energy roadmap in **Bhutan** that helps to build up a more sustainable Renewable Energy Mix in a country that has achieved an almost universal energy access but depends largely on hydropower.

- Furthermore, in **Nepal**, UNIDO is establishing regional centres of excellence in the Hindu Kush Himalaya region that will promote the use of renewable energy as well as energy efficiency and respond to the urgent need for enhanced south-south cooperation and enhancement of regional capacities.

- Significant contribution towards meeting the major challenges of LLDCs are also projects in trade capacity building and value chain strengthening. The $1.7m project in **Kyrgyzstan** is aiming for the creation of new jobs and attracting advanced technologies and investments in the construction materials sector. Similarly, the $1.8m project in the Issyk-Kul region of Kyrgyzstan promotes linkages between the tourism sector and related productive industries.

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\(^1\) VPoA, Chapter V. Priority 2 (b), p. 7
• UNIDO also contributes to integrating LLDCs into global value chains. For example, a joint $4.5m project with FAO in Mongolia, entitled “Sustainable Employment Creation in Mongolia” focuses on job creation in the agriculture sector and rural and SME development.

• Some of UNIDO’s regional projects have a special value, particularly for LLDCs, as they promote regional integration and trade relations towards building multilateral trading systems. In October 2017 UNIDO finalized the third phase of the $1.5m project on Trade Capacity building in the Mekong Delta countries, Cambodia, Lao PDR and Viet Nam through strengthening institutional and national capacities related to standards, metrology, testing and quality (SMTQ). Similarly, Nepal and Bhutan benefitted from the regional UNIDO project worth $3.7m that focused on facilitating market access and trade in South Asian LDCs (also including Bangladesh and Maldives) through strengthening of national SMTQ capacities. The third phase of the project was finalized in December 2016.

• Through Global Forums related activities, UNIDO was recently involved in several LLDCs related forums: The first Global Sustainable Transport Conference convened by the former UN Secretary-General Ban Ki-Moon in Ashgabat, Turkmenistan, from 26-27 November 2016 where UNIDO organized a high-level thematic session on “Energy and Transport” which highlighted the issues underlying energy and transport, and present sectoral recommendations on innovative solutions for countries to consider as part of their development plans, especially in LLDCs.

• The LDCs Ministerial Conference is a biennial event organized by UNIDO and UN-OHRLLLS, since 2007. The conference is also of relevance for Asian LLDCs that are also LDCs. Past seven editions of UNIDO’s LDCs Ministerial Conferences led to fruitful outcomes, inter alia, the adoption of seven Ministerial Declarations in the period 2007-2017 which are as the main political tools through which Member Sates expose their needs and

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2 Afghanistan, Bhutan, Lao PDR and Nepal.
commitments and allows for UNIDO’s positioning in LDCs/17 LLDCs and the United Nations Development System (UNDS).

- The Government of Austria, OHRLLS, UNIDO and SE4All jointly organized a High-Level Seminar on “Accelerating Sustainable Energy for All in Landlocked Developing Countries through Innovative Partnerships” on 24 and 25 October 2016. The Meeting was organized as part of the follow-up and implementation of the Vienna Programme of Action. It was held in the context of the 2030 Agenda for Sustainable Development and the Paris Climate Agreement. In precedence of this event, it was also organized a side event to the High-Level Political Forum (HLPF) “Accelerating the energy transition in LLDCs” in July 2018. The side event considered how to effectively utilize the multi-stakeholder environment to accelerate the energy transition in LLDCs to meet SDG7.

In concluding my intervention, on behalf of UNIDO I would like to underscore the following brief recommendations to accelerate implementation of VPOA based on UNIDO’s experiences, knowledge working in LLDCs, in particular in the Asian Region:

- **Strengthening partnership specifically with the private sector** for continued and enhanced investment and technical assistance in the areas of infrastructure and development, trade facilitation, regional integration and structural transformation are prerequisites for achieving the priorities of the VPOA. The economic and development challenges faced by LLDCs can be met only with the participation of business; the role of the private sector will have to be proportionally greater. Foreign direct investment (FDI) is particularly important for LLDCs. It is also an important channel for knowledge and technology transfer.

- **Enhancing role of policy makers and other stakeholders at national, regional and international levels**
While the main responsibility for designing and implementing the productive capacity building strategy rests with governments of LLDCs, the success of the strategy will require effective cooperation at regional level and effective financial and technical support from the international community. They have limited manufacturing and industrial capacity and remain challenged by the large financial gap needed.

- **Strong political will and mutual accountability** are required to accelerate implementation of VPoA for LLDCs and to attain the objectives of the SDGs.

**In closing**, UNIDO wishes to highlight the importance of collaboration, thus our organization re-affirms our commitment in inter-agency coordination within the framework of VPoA and to effectively deliver for the benefit of LLDCs.