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OCCASION

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UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Inclusive and Sustainable Industrial Development in Europe and Central Asia



LIST OF ACRONYMS

BRICS	Brazil, Russia, India, China and South Africa	MP	Montreal Protocol
CDIE	Centre for Development of Industrial Enterprises	MSMEs	Micro, Small and Medium-sized Enterprises
CIIC	Centre for International Industrial Cooperation	MTPF	Medium-Term Programme Framework
CIS	Commonwealth of Independent States	NCP	National Cleaner Production Centre
CPF	Country Partnership Framework	NGO	Non-Governmental Organization
DAC	Development Assistance Committee	NRA	Non-Resident Agency
DaO	Delivering as One	ODS	Ozone Depleting Substances
DFI	Development Finance Institution	OECD	Organization for Economic Co-operation and Development
DG	Director General	PCP	Partnership Country Programme
ECA	Europe and Central Asia	POP	Persistent Organic Pollutants
ECO	Economic Cooperation Organization	RECP	Resource Efficient and Cleaner Production
EECCA	Eastern Europe, Caucasus and Central Asia	RF	Russian Federation
EEC	Eurasian Economic Commission	SC	Stockholm Convention
EEU	Eurasian Economic Union	SDG	Sustainable Development Goal
EU	European Union	SEE	South East Europe
EurAsEC	Eurasian Economic Community	SMEs	Small and Medium-sized Enterprises
FAO	Food and Agriculture Organization	SQAM	Standard, Quality Assurance, Accreditation and Metrology
FDI	Foreign Direct Investment	TC	Technical Cooperation
GDP PPP	Gross Domestic Product at Purchase Power Parity	UN	United Nations
GEF	Global Environment Facility	UNCT	United Nations Country Team
HUO	Head of UNIDO operations	UNDAF	United Nations Development Assistance Framework
ICIE	International Congress of Industrialists and Entrepreneurs	UNECE	United Nations Economic Commission for Europe
IDF	International Development Fund	UNEP	United Nations Environment Programme
ISID	Inclusive and Sustainable Industrial Development	UNESCO	United Nations Educational, Scientific and Cultural Organization
IT	Information Technology	UNIDO	United Nations Industrial Development Organization
ITPO	Investment and Technology Promotion Office	USD	United States Dollar
LDCs	Least Developed Countries	VEF	Vienna Energy Forum
MDGs	Millennium Development Goals		
MIC	Middle-Income Country		
MIT	Middle income trap		

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INTRODUCING ISID

UNIDO's long-term strategy of inclusive and sustainable industrial development (ISID) was adopted by UNIDO Member States at the General Conference in December 2013. Through this strategy, UNIDO aims to harness the full potential of industry's contribution to the achievement of sustainable development in the post-2015 era, and lasting prosperity for all.

Industry is the most dynamic driver of prosperity and collective wellbeing. No country has ever reached a high level of economic and social development without having developed an advanced industrial sector. However, too often in the past these transformative structural changes have also been accompanied by environmental degradation and increased social inequalities.

In order to ensure equitable distribution of the economic benefits of industrialization, a robust environmental and social framework must therefore be established. ISID aims to address the multidimensional causes of poverty, through creating shared prosperity, advancing economic competitiveness, and safeguarding the environment.

ISID ensures that:

- » Every country achieves a higher level of industrialization in their economies, and benefits from the globalization of markets for industrial goods and services;
- » No-one is left behind in benefiting from industrial growth, and prosperity is shared among women and men, urban and rural communities and large and small enterprises in all countries;
- » Broader economic and social growth is supported within an environmentally sustainable framework, so that industrial expansion does not jeopardize the well-being of future generations;
- » The unique knowledge and resources of all relevant development actors are combined, including those of the private sector and international financing institutions, to maximize the development impact of ISID.

The importance of industrial development for sustainable development was explicitly recognized by the United Nations General Assembly in their proposition concerning the Sustainable Development Goals (SDGs), which includes inclusive and sustainable industrialization as SDG-9, along with fostering innovation and building resilient infrastructure.

Goal 9 acknowledges that industry and industrialization are the main drivers of sustained economic growth, environmental sustainability and shared prosperity.



THE REGIONAL CONTEXT

Regional Country Groupings

The mandate of UNIDO's Europe and Central Asia Bureau embraces 28 countries in Central and Eastern Europe, South East Europe, the Caucasus and Central Asia. The countries are highly diverse in terms of geography, history, population, social and economic levels of development and geopolitical issues. The group includes low, middle and high income countries, which face common and specific development challenges.

Table 1: Europe and Central Asia

Low, middle and high income countries (2015 World Bank classifications)

High income countries (GNI per capita \$12,746 or more)	Croatia, Cyprus, Czech Republic, Malta, Poland, Russian Federation, Slovakia and Slovenia
Upper middle income countries (GNI per capita \$4,125 to \$12,746)	Albania, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Hungary, Kazakhstan, FYR Macedonia, Montenegro, Romania, Serbia, Turkey and Turkmenistan
Lower middle income countries (GNI per capita \$1,045 to \$4,125)	Armenia, Georgia, Kyrgyzstan, Moldova, Ukraine and Uzbekistan
Low income countries (GNI per capita \$1,045 or less)	Tajikistan

Note: Source: World Bank, <http://data.worldbank.org/region/ECA> [accessed on 15 June 2015]

Major country groups

Europe:

Bulgaria, Cyprus, Czech Republic, Hungary, Malta, Poland, Romania, Slovakia, Croatia, Slovenia, Russian Federation, Belarus, Moldova, Ukraine, Armenia, Azerbaijan, Georgia, Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, Serbia and Turkey

Central Asia:

Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

By geographical subgroups

Eastern Europe, Caucasus and Central Asia (EECCA):

Eastern Europe: Russian Federation (83 oblasts and republics), Belarus, Moldova and Ukraine

South Caucasus: Armenia, Azerbaijan and Georgia

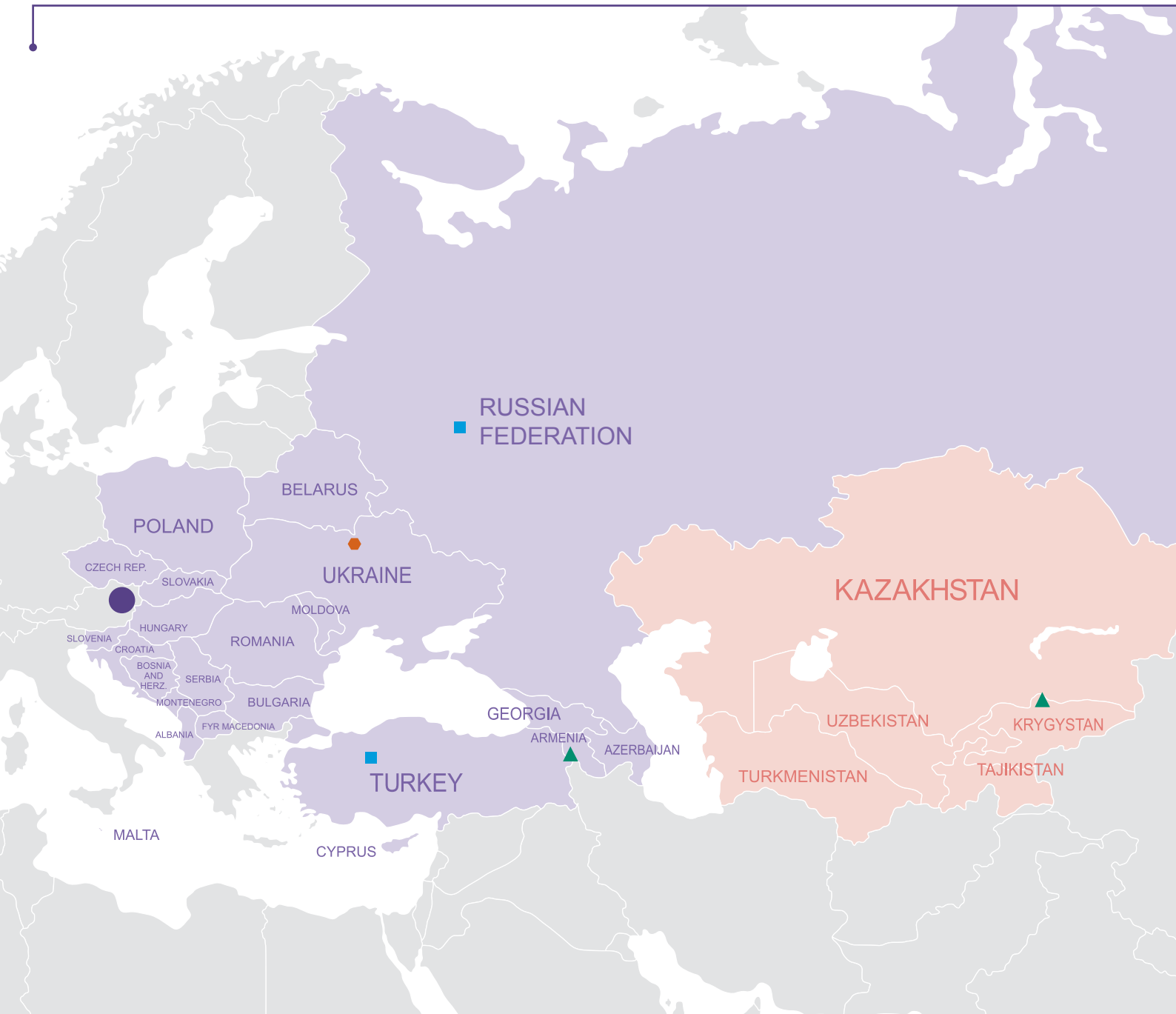
South-East Europe (SEE): Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, Serbia and Turkey

Regional integration groupings

EU Member States: Bulgaria, Cyprus, Czech Republic, Hungary, Malta, Poland, Romania, Slovakia, Croatia, and Slovenia

EU Accession and pre-accession countries: Albania, FYR Macedonia, Montenegro, Serbia and Turkey

Eurasian Economic Union countries: Armenia, Belarus, Kazakhstan and the Russian Federation



UNIDO regional map of Europe and Central Asia showing countries of coverage and field representation

- UNIDO Regional Bureau for Europe and Central Asia in Vienna, Austria
- UNIDO Centre for Regional Cooperation in Ankara, Turkey
- ▲ UNIDO Desk in Yerevan, Armenia
- ▲ UNIDO Desk in Bishkek, Kyrgyzstan
- UNIDO Centre for International Industrial Cooperation in Moscow/UNIDO National Focal Point in the Russian Federation
- ◆ UNIDO National Focal Point in Kyiv, Ukraine

Of the high-income ECA countries, the Russian Federation is by far the largest, with a gross domestic product purchasing power parity (GDP PPP) of US\$ 3.6 trillion and a population of 143 million. At the other end of the scale, Malta and Montenegro both have populations below one million and GDP PPP of US\$ 12.3 billion and US\$ 8 billion respectively (2013 figures).

Among the countries, there is uneven progress along various dimensions of socio-economic development. While average incomes have increased since 1990, gaps between the wealthiest and the poorest have widened in many countries. Persistent inequalities are also experienced by marginalized groups, such as migrants, refugees and other forcibly displaced persons, ethnic minorities, people with disabilities and residents of rural areas. Women are discriminated against in terms of employment opportunities for higher paid jobs, political representation and decision making. One-third of the population face social exclusion and many are excluded from the formal economy. The situation of young people in the labour markets is particularly difficult.

Manufacturing's contribution to GDP has declined in most ECA countries, affecting technological learning, innovation and the creation of new value-added activities, where a dynamic comparative advantage could be developed and new jobs created. There is, however, huge potential for the greening of industry industries that could be realized with investment in business infrastructure, industrial modernization, institutional reforms and regional cooperation.

All ECA countries have gone through a unique and unprecedented transformation process that started in the early 1990s. The processes of transition to market economies and institutions, and the transformation from low- and middle- to higher-income levels, coupled with the desire to realize sustainable development objectives in the era of globalization of industry and intensified competition, have created new structural transformation challenges, such as how to overcome the so-called "Middle Income Trap" (MIT).¹

Some ECA countries have been more successful in overcoming the MIT and structural gaps than others, most notably Croatia, Czech Republic, Poland, Slovakia and Slovenia that became EU Member States, as well as the Russian Federation, and graduated to a high income level. These countries can share their experience and know-how on how to overcome the MIT using ISID strategies.

The overall objective for many ECA countries is to develop strategies, policies and new innovative business models that address their structural transformation priorities while pursuing ISID, as well as to strengthen their capacities in innovation and new technologies.

Regional Development Priorities

The transition to a well-functioning market economy and inclusive and sustainable industrialization is the overarching development goal in ECA. Countries seek to address skills shortages; inadequate business climate conditions; poverty alleviation, vulnerability to climate change; rapidly ageing populations; relatively high levels of unemployment; uneven sub-national regional development patterns; unstable and inefficient financial intermediation, constrained energy and transport infrastructure; inefficiency of public spending; and insufficient revenue mobilization. All countries are also confronted with the dilemma of how to deal with structural changes stemming from globalization and regionalization of industries and increased international interdependences, not to mention environmental degradation and climate change.

¹ Becoming locked into a slow growth mode, where the MIC cannot compete with low income countries (LICs) in low-tech goods or with advanced countries in high-tech goods. Most MICs exhibit stagnant growth, low levels of economic diversification, income inequality, youth unemployment and low absorptive capacity, as well as numerous market, institutional and governance failures that inhibit the adoption of the newest technologies and processes.

ECA regional development priorities

South-East Europe	Albania, Bosnia and Herzegovina FYR Macedonia, Montenegro, Serbia, Turkey	<ul style="list-style-type: none"> • Poverty reduction • Sustainable economic development (competitiveness, employment, SME development) • Environmental protection • Renewable energy
Central Asia	Kazakhstan Kyrgyzstan Tajikistan Turkmenistan Uzbekistan	<ul style="list-style-type: none"> • Good governance and legal reforms • Poverty alleviation • Energy efficiency and renewable energy • Economic growth (business creation; modernization and diversification of production and management; trade and export promotion; clean energy) • Environmental protection and sustainability • Industrial parks • Investment and technology promotion
Eastern Europe	Belarus Moldova Ukraine	<ul style="list-style-type: none"> • Economic development • Resource efficiency, energy saving and energy security • Investment and technology promotion • Environmental protection and climate change • Water and waste management
South Caucasus	Armenia Azerbaijan Georgia	<ul style="list-style-type: none"> • Economic development • Investment and technology promotion • Capacity building • Trade and export promotion • Environment and natural resource protection • Energy safety and management • Waste and water management • Industrial parks and clusters

UNIDO's Regional Partner Associations

UNIDO signed a cooperation agreement with the **European Commission** in 1993. This agreement recognizes the key role of UNIDO in international industrial cooperation and development. In 2006, UNIDO opened a liaison office in Brussels. Since then cooperation has increased substantially with almost 80 developing countries benefitting from EU-UNIDO partnerships. In ECA, the EU and UNIDO cooperate effectively in the fields of productive capacity building, energy, environment and climate change. UNIDO is currently implementing a Resource Efficient and Cleaner Production (RECP) Demonstration Programme for the EU's Eastern Neighbourhood region in the context of the EU Eastern Partnership and under the EU-funded umbrella project "Greening Economies in the Eastern Neighborhood," as well as the EU funded project on "Enhancing the competitiveness of local SMEs in Montenegro through cluster development."

In 2014, UNIDO and the **Eurasian Economic Commission (EEC)**² signed a joint declaration on cooperation. Work is currently ongoing to identify specific projects and produce a programme of cooperation in the priority areas such as business entrepreneurship, innovation, technology transfer, high tech industrial parks, trade capacity building, environmental management and energy efficiency.

UNIDO and the **Economic Cooperation Organization (ECO)** have a long-lasting cooperative relationship based on the 1994 Agreement. Its ten members are: Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan. UNIDO implemented regional projects on trade capacity building for the member states of ECO in the areas of standardization, metrology, testing and quality (SMTQ) infrastructure. In 2014, UNIDO and ECO launched a new project on good governance and sustainability through quality policy formulation in the ECO region. The project objective is the development of the Regional Quality Policy.

² The Eurasian Economic Commission (EEC) is the permanent regulatory body of the Eurasian Economic Union.

Within the context of **UN Special Programme for the Economies of Central Asia (SPECA)**, including Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, UNIDO is supporting the strengthening of trade relations, open trade and free market entry.

UNIDO Field offices in the region

The ECA Bureau is the de facto field office for most ECA countries and is responsible for determining regional strategies and programmatic priorities for UNIDO's services, and ensuring that UNIDO responds to the specific needs and requirements of Member States. It serves as a principal conduit for communication with the network of UNIDO field offices. The Bureau coordinates the work of the Heads of UNIDO Operations (HUOs) in Armenia and Kyrgyzstan, whose role is to identify and develop programmes and projects and mobilize resources for UNIDO activities in the countries. The Bureau supports the operations of the UNIDO Centre for Regional Cooperation in Turkey tasked to develop and coordinate the overall cooperation between UNIDO and the Government of Turkey, academia, private sector and civil society.

In the Russian Federation, the UNIDO Centre for International Industrial Cooperation has the dual role as a UNIDO Investment and Technology Promotion Office (ITPO) and the UNIDO National Focal Point. In addition, the Bureau works with the UNIDO National Focal Point hosted by the Ministry of Economic Development and Trade of Ukraine aimed at facilitating smooth implementation of UNIDO technical assistance in the country and operates an effective channel of communication between UNIDO and the national partners.

The Bureau also cooperates with **18 National Cleaner Production Centres and Programmes** in the ECA region (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Lithuania, FYR Macedonia, Moldova, Montenegro, Romania, Russian Federation, Serbia, Slovakia, Turkey, Ukraine and Uzbekistan).



UNIDO and its donors

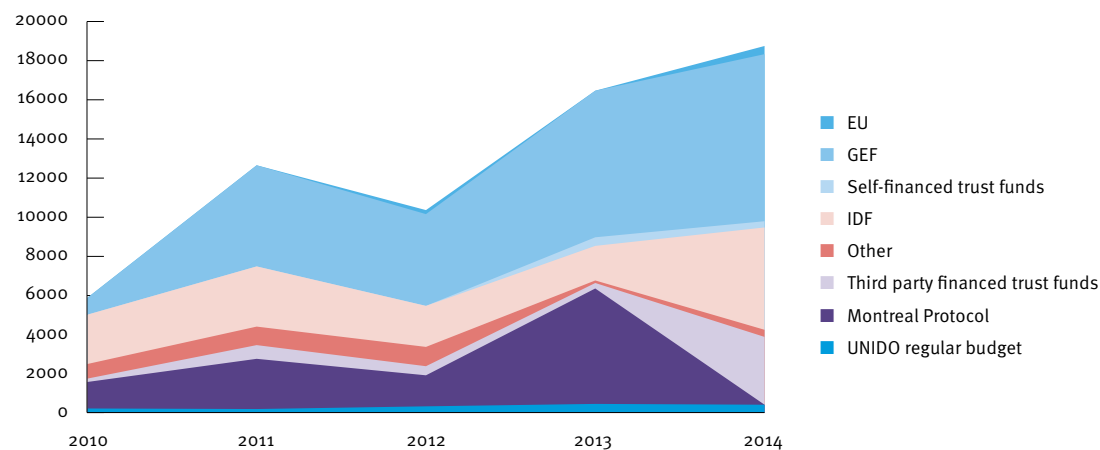
In the ECA Region, there are countries such as those in the Western Balkans and Central Asia that are recipients of technical assistance, those like the Russian Federation and Turkey that are recipients but simultaneously emerging as new donors, and countries such as the new EU Member States, i.e. Poland and Slovenia, that are no longer recipients of technical assistance but are *themselves* now new donors. These emerging new donors are formulating their own development cooperation frameworks, promoting East-East and East-South economic cooperation, providing public goods, and introducing multi-stakeholder partnership approaches to ensure effective and efficient development assistance cooperation. As the graph below illustrates, the largest source of funds in 2013-2014 was from the Global Environment Facility (GEF) with US\$ 7.5 m and US\$ 8.5 m in 2013 and 2014 respectively.

Donor countries' thematic and geographic priorities

Country	Priorities											Geographical areas		
	Water, energy and climate	Agriculture	Economic development	Social development	Infrastructure	Environment	Regional development	Health	Poverty and employment	Governance	Education and technology	Southeast Europe	Caucasus	Central Asia
Austria	✓	✓	✓	✓								✓	✓	
Bulgaria	✓		✓		✓	✓						✓		
Cyprus				✓	✓	✓		✓			✓	✓	✓	✓
Czech Rep.	✓	✓	✓			✓						✓	✓	
Denmark	✓	✓	✓			✓				✓				
Germany				✓					✓			✓	✓	
Hungary	✓	✓			✓	✓						✓		✓
Israel				✓				✓	✓		✓	✓		✓
Malta	✓		✓							✓	✓			
Norway	✓					✓		✓	✓		✓			
Poland		✓	✓	✓			✓		✓			✓	✓	✓
Romania			✓							✓		✓	✓	
Russian Federation	✓	✓	✓			✓		✓	✓	✓	✓	✓	✓	✓
Slovakia	✓	✓	✓								✓	✓	✓	
Slovenia	✓					✓						✓		
Switzerland	✓			✓		✓			✓	✓	✓	✓	✓	

As most traditional donors are downsizing their development assistance for MICs, actions to leverage technical cooperation resources from new donors have therefore been strengthened. As a result, ECA's voluntary contributions to UNIDO's Industrial Development Fund (IDF) have increased since 2013 (see graph).

ECA project funding sources, 2010-2014 (in thousands of US\$)



Source: UNIDO Annual Report 2014

In November 2014, **Azerbaijan** financed and co-organized with UNIDO the Baku International Industry Conference on “Main trends, modern approaches and experiences in industrial policy in the 21st century” Sharing its extensive expertise in industrial reform with other ECA countries, Azerbaijan spearheads UNIDO’s ISID vision in the region, formulating new strategies, sharing industrial reform and building new partnerships.

Hungary is supporting an initiative to establish a regional knowledge-sourcing platform on the social inclusion of disadvantaged communities—marginalized population groups, youth, women, ethnic minorities and migrants—in Central, South, South East and Eastern Europe.

A self-funded country programme for **Kazakhstan** with a total budget of € 15.6 million was approved by the Government of Kazakhstan in 2014. Over the period 2015-2017, the programme will focus on eight areas: industrial modernization and competitiveness; sub-contracting and partnership exchange; trade capacity building; strengthening the Centre for Development of Industrial Enterprises of the Damu Entrepreneurship Development Fund; industrial energy efficiency; a Montreal Protocol project; establishment of a UNIDO Centre for International Industrial Cooperation; and the upgrading of industrial statistics to European and international standards.

Poland has supported the development of trade capacity-building training programmes in Central Asia and in the Caucasus. It has also provided know-how and technical expertise for a project in Tajikistan on strengthening fruit and vegetable sub sectors for creating new jobs and improving food security. Poland also supports a project in Moldova on enhancing local manufacturing capacity for solar thermal energy.

The **Russian Federation** is the largest donor for UNIDO projects in Central Asia, supporting national, regional and inter-regional projects, such as partnering with Brazil in technology and innovation for SME development, building regional capacity to mitigate global environmental problems, improving industrial statistics and developing industrial performance indicators for policy-relevant analysis in CIS³ countries. *In Kyrgyzstan*, a USD two million UNIDO project funded by the **Russian Federation** aims at creating new jobs, attracting advanced technologies and investment in cost effective and eco-friendly building materials, that can be easily absorbed by the national construction industry for housing and irrigation purposes. *In Tajikistan*, with support from the Russian Federation, UNIDO is working to improve productivity and competitiveness of Tajik enterprises operating in the carpet weaving/embroidery sector by identifying regional and international markets, enterprise upgrading and technological modernization, introduction of innovative marketing tools. The project is also building capacity of national experts and business support institutions.

Slovenia is one of the biggest per capita donors, supporting *inter alia* a portfolio of UNIDO projects in Europe and Central Asia in the fields of water management, renewable energy, cluster development, sustainable tourism and cleaner production. Slovenian expertise, technology and know-how have been effectively utilized to make these initiatives a success.

Slovenia and **Azerbaijan** took the lead in organizing the first and second regional conferences on high-tech industrial parks for ECA countries. The conferences were held in Baku, Azerbaijan in 2012, and Ljubljana, Slovenia, in April 2014. The initiative expanded East-East and Triangular Cooperation in terms of policies and partnership mobilization for high-tech industrial parks and has helped establish a strong, highly-qualified network of experts and policy makers in the field of science, industry and technology parks.

³ The Commonwealth of Independent States (CIS) refers to 12 of the 15 former republics of the Soviet Union, including Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.



Award Ceremony of GCIPTurkey 2014

Turkey has become an important donor for UNIDO. In partnership with the Turkish Government, academia and the private sector, several multilateral programmes have been implemented in such areas as productive activities, trade and capacity building and environment and energy. These projects aim at fostering ISID in a multitude of developing countries within the ECA region and beyond. In Turkey, every year since 1992, UNIDO organizes an international training on food processing, and since 2010 provides training programmes on nanotechnology, as well as textile and leather laboratories for experts, academicians and professionals from Central Asia, the Middle East and Africa. With UNIDO assistance, these training modules share Turkey's knowledge, technology and know-how with other countries. In addition, as a part of the Global Cleantech Innovation Programme (GCIPT), UNIDO successfully launched the Turkey country programme GCIPT-T 2014, which is focused on enhancing both emerging clean-tech start-ups in the country and the local entrepreneurial ecosystem, as well as the required policy framework.



Participants at the Regional Conference on Industrial Parks as a tool to foster local industrial development, held on 17-18 April 2012, in Baku, Azerbaijan

TECHNICAL COOPERATION IN EUROPE AND CENTRAL ASIA

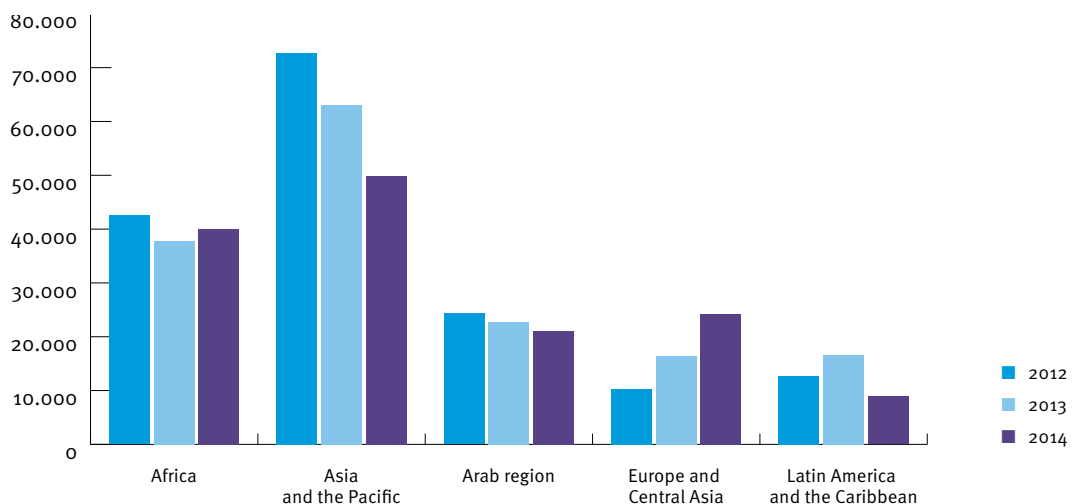
Overview

UNIDO's portfolio of services in ECA countries includes a combination of technical cooperation, analytical and policy advisory services, standard-setting and compliance, and regional forums. These are fully aligned with UNIDO's new ISID mandate and the three dimensions of sustainable development—economic growth, social equity and environmental sustainability—that imbue the long-term development agenda of the United Nations System beyond 2015. Accordingly, the Organization's services focus on three specific areas: **creating shared prosperity, advancing economic competitiveness and safeguarding the environment**. UNIDO's technical cooperation activities are tailored to the national, regional and sub-regional contexts and development goals, priorities and requirements.

Within the overarching objective of promoting ISID, UNIDO technical cooperation activities target compliance with international environmental agreements, leveraging static and dynamic advantages of business support infrastructure (hard and soft), such as science, industry and technology parks to foster ISID; SME development and linkages; green entrepreneurship and green industry; innovation and technology promotion; industrial upgrading and modernization; trade capacity building; environment, water and waste management; industrial energy and resource efficiency, as well as inclusion in productive activities of marginalized social groups, such as women, youth, migrants and ethnic minorities.

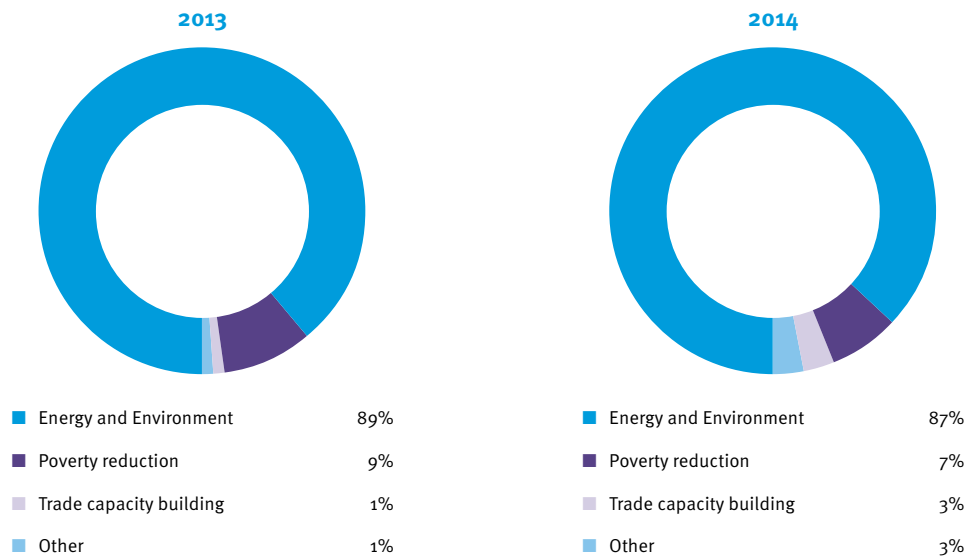
Technical cooperation implementation has more than doubled between 2012 and 2014 in the ECA Region. In 2014, the ECA net project approvals (excluding programme support costs), is now ranked third after the African and Arab Regions.

ECA Technical cooperation project implementation 2012-2014
(in thousands of US Dollars)

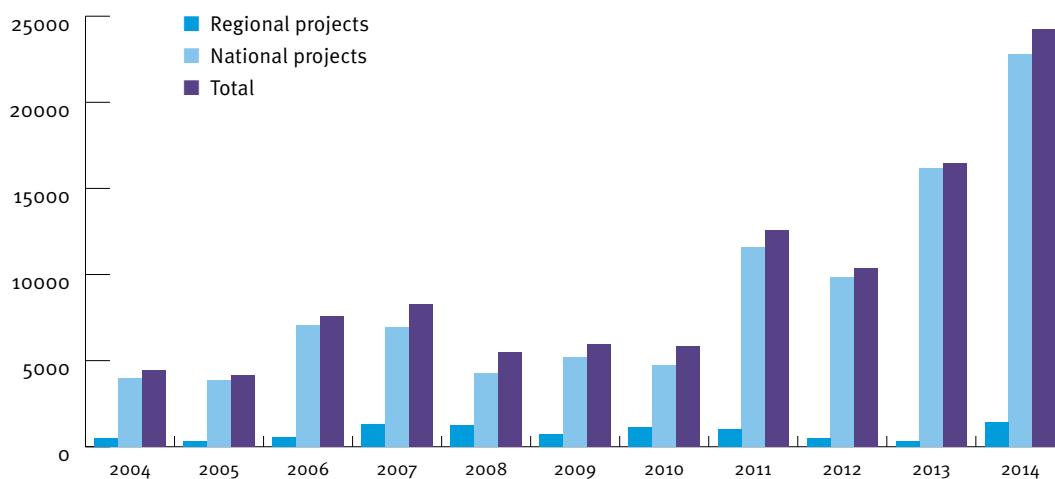


By programmatic areas, the lion’s share of technical cooperation in ECA is in the thematic area of Environment and Energy. The objective is to diversify ECA’s portfolio in the areas of “creating shared prosperity” and “economic competitiveness”. Most of the projects are implemented at the national level but a further objective is to increase the portfolio of large-scale ISID-related regional projects.

Expenditure on technical cooperation activities by thematic areas in ECA 2013-2014



Technical cooperation activities by geographical focus in ECA, 2004-2014, in thousands US\$



Advocacy initiatives

In support of UNIDO’s global advocacy initiatives, the Bureau promotes the vision of ISID in ECA, supports the post-2015 development agenda, generates and disseminates ISID related knowledge and expertise, and highlights the activities of the Director General. The Bureau organizes global forum events, produces press releases and feature stories, as well as factsheets and videos that testify to the human face of technical cooperation, its impact on the ground, its equal opportunity approach and the

doors that manufacturing and entrepreneurship open for young people. It provides regular briefings and holds consultations with Member States, intergovernmental organizations and other partners, prepares publications on topical issues for the ECA region, and contributes to UNIDO and UN Inter-agency advocacy papers.

The Bureau contributed to the inter-agency publication “Building more inclusive, sustainable and prosperous societies in Europe and Central Asia: A common United Nations Vision for the Post -2015 Development Agenda” - a joint advocacy paper published by UNECE in 2013, and prepared in cooperation with 12 UN agencies. UNIDO’s contributed Issue Brief 9 on ‘Changing production patterns’, providing an overview of the situation in the region in terms of economic structural change, resource and material efficiency, and recommendations for the main policy steps for sustainable and low carbon economic growth.

Country evaluations

The Russian Federation in 2013

This independent country evaluation focused on UNIDO’s Technical Cooperation and Global Forum activities from 2006 until 2013. The UNIDO Technical Cooperation (TC) portfolio in the Russian Federation has grown considerably over the past few years and is set to increase. The evaluation found that UNIDO’s project assistance to the Russian Federation has been relevant to the Russian Government’s policies, priorities and challenges particularly with regard to environmental management and industrial pollution. It recommended that UNIDO strengthen its activities in the areas of competitiveness and diversification and continue to work closely with the private sector to take advantage of national expertise. In terms of the Russian Federation’s special contribution to the Industrial Development Fund, the evaluation recommended to use funds to strategically strengthen UNIDO technical cooperation activities.

Regional and global forums and outreach activities

Inclusive and Sustainable Industrial Development is also fostered in the region through knowledge and experience sharing platforms to address issues of how to deal with common challenges and opportunities in the use of science, industry and technology parks as a tool to overcome market failures and institutional imperfections, facilitate economic learning and catch-up, and accelerate economic development.

Four conferences were organized on this subject in 2014-2015:



Mr. Iztok Lesjak presents Technology Park Ljubljana to the participants

- **8-9 April 2014, Ljubljana, Slovenia. “The role of the new generation of science, industrial and technological parks.”**

This ECA regional conference focused on fostering inclusive and sustainable local industrial development in Europe and Central Asia. Co-organized with the Government of Slovenia, it attracted around 50 participants, including representatives from 15 countries in the region. Experts presented on the state of industrial park development in their countries; best practices for setting up and managing sustainable parks; policies and strategies to support national innovation programmes, and ways that UNIDO could use to provide its technical assistance in these areas. As a result of the conference, UNIDO received concrete requests for a follow-up regional conference.

- **16-17 June 2014, Bratislava, Slovakia. “Doing Good to Do Better: Successful corporate strategies that benefit society”.** The event brought together over 90 participants from governments, international organizations, the private sector and academia. This “Strategic Consultation” was part of a series of dialogues on the implementation of the post-2015 development agenda. It was organized jointly by UNIDO, the UN Global Compact and the Government of Slovakia. It explored how European industry can best contribute to the emerging global sustainable development agenda and generated recommendations for a UN system-wide report on engaging with the private sector in the post-2015 era.
- **2 September 2014: Urumqi, Xinjiang Autonomous Region, China.** UNIDO organized, in cooperation with the Asian Development Bank, a **Round Table on Development of Silk Road Economic Belt–Urbanization, Industrial Civilization & A Better Life for All** and delivered presentation on the new project document: Fostering inclusive and sustainable industrial development (ISID) in the New Silk Road economic belt (NSREB): Leveraging potential of science, industrial parks, zones and cities in Kazakhstan and Kyrgyzstan.

UNIDO pays special attention to operationalizing ISID in ECA through a multi-stakeholder partnership approach actively involving the private companies. Consultations were held in 2013 and 2014 between UNIDO and private sector delegations from Croatia, Poland and Slovakia. The meetings contributed to strengthened cooperation and to conceptualizing new perspectives for UNIDO’s relations with these donor countries with a view to taking advantage of private sector expertise for the benefit of UNIDO’s technical cooperation activities. As a result, a joint project on establishing a meat-processing cluster is under preparation with the engagement of the Slovak private sector, and Croatia agreed to work closely with UNIDO to discuss modalities of involvement of the private sector in project implementation. The Croatian, Czech Polish and Slovak private business demonstrated an interest to cooperate with UNIDO in different regions including Africa.

Engagement with private sector, development finance institutions, governments and academia has been promoted through global and regional conferences and expert group meetings. Highlights of events in ECA in 2014 and 2015 include:

- **26–27 November 2014, Azerbaijan. “Trends, Modern Approaches and Experiences in Industrial Policy in the 21st Century”.** As part of Azerbaijan’s Year of Industry, this international conference brought together more than 300 participants, including high-level government officials and policy makers, private sector stakeholders and representatives of international organizations and financial institutions. The participants reviewed and discussed industrialization trends in the 21st century and considered modern approaches and policy instruments to foster ISID in the ECA Region. They agreed that the way forward to successful industry policy would be an inclusive approach to policy development, exchanging best practices and knowledge, and building partnerships between various stakeholders to realize their strategic objectives. UNIDO is currently working with governments in the region on project concept proposals.
- **23-24 April 2015, Belarus. “Fostering inclusive and sustainable industrial development in middle income countries in Europe and Central Asia through innovation and technological learning”.** Participants presented successful strategies adopted by countries that have progressed from middle- to high-income status and called for similar expert meetings to be organised to sustain the crucial discourse on innovation and entrepreneurship in MICs, and to exchange information and best practices. A recurrent theme during the discussions was the importance of cooperation between relevant stakeholders and partnerships for sustainable development. Participants called on UNIDO and development financial institutions to work with MICs to overcome the “Middle-Income Trap” (MIT) and realize ISID development strategies.

Cross-cutting issues

Cross-cutting issue #1 East-South Triangular Cooperation in ECA

In support of 2011 Summit Declaration of BRICS countries—Brazil, the Russian Federation, India, China and South Africa— on cooperation in science, technology and innovation, UNIDO acts as a broker of East-South cooperation through a dedicated three-year project, entitled “Partnership between Russia and Brazil in technology and innovation for development of SMEs.” Initiated in 2012, the project aims to enhance business partnerships between the Russian Federation and Brazil by exploiting potential synergies



between the countries in selected areas of innovation and new technologies through institutional alliances. A major output of the project is the development of a Technology Exchange Platform to facilitate and increase the technology universe of SMEs of all five BRICS countries. Through the platform, SMEs seek and find technological solutions outside their own countries. In addition to supporting technology transfer, the platform supports the creation of innovation alliances among BRICS countries. Considering the numerous requests coming from non-BRICS countries, even including OECD countries, to join the Technology Exchange Platform, UNIDO is preparing a second phase of the project.

Cross-cutting issue #2: Gender and women’s empowerment. Projects on industrial energy efficiency, renewable energy, resource efficient and cleaner production and multilateral environmental agreements also include a gender component. For example, in **Ukraine**, the UNIDO Centre of Resource Efficient and Cleaner Production, in cooperation with the International Finance Corporation (IFC), organized a conference on “Women in Industrial and Financial Sectors of Economy: Agenda for Ukraine”, held in Kyiv on 21 May 2015. The conference recommended that facilitating women’s access to finance and higher political positions is needed to move the Ukrainian economy forward and help the country meet EU gender policy requirements.

Achievements and Impact

Creating shared prosperity

UNIDO's technical cooperation activities in ECA aim at alleviating poverty and enabling inclusiveness by enhancing local and regional productive capacities to provide more job opportunities for all, including marginalized social groups, such as women, youth, migrants and ethnic minorities, through partnerships with all relevant stakeholders involved in the industrialization process.

In **Armenia**, UNIDO supports youth-led enterprise creation and expansion, thus promoting development of the local private sector and creating productive, decent and sustainable jobs for youth, especially young women. More specifically, UNIDO addresses young entrepreneurs' access to financing, and new knowledge by providing training on technical skills and instills an entrepreneurial culture with a special focus on underprivileged young people.

In **Belarus**, technical support and training are provided for food processing enterprises to contribute to the creation of integrated agro-food processing value chains with a focus on private sector development.

In **Kyrgyzstan**, UNIDO projects to strengthen agro-industries, address food security and alleviate poverty through better agricultural production and processing practices, focus on developing capacities in remote low-growth areas. To increase affordable housing is another UNIDO project that promotes innovative, low-cost sustainable manufacturing technologies and the dissemination of knowledge on cost effective and environmentally friendly building materials, which can easily be absorbed by the local construction industry for housing and irrigation purposes.



In **Tajikistan**, UNIDO's interventions focus on increasing the household incomes of marginalized population groups and strengthening agri-food enterprises and value chains through the establishment of a Center of Excellence for fruit drying.

In **Turkey**, UNIDO helps improve the livelihoods and security of young Syrian refugees through the provision of vocational training for skills development and self-employment. UNIDO also contributes to upgrading the skills of Turkish youths through training in traditional industries, such as food, textile and leather processing, as well as knowledge intensive sectors, such as nano-technology.

Success story: Armenia. Productive work for youth: Supporting young entrepreneurs



With the financial support of the Government of Austria, and together with Armenian counterpart institutions, the UNIDO project started in March 2013 and supports youth-led enterprise creation and expansion, thus promoting a conducive business environment for youth-led businesses and sound private sector development in Armenia. The project aims to demonstrate that youth are credit worthy and capable of turning loans into profitable businesses thus contributing to the much needed systemic change, where both public and private sector support youth-led enterprise creation and expansion. Young entrepreneurs receive direct assistance in creating/developing their own businesses through non-financial and financial services. They receive entrepreneurship training, counseling and coaching, and technical assistance. In

addition, they have the possibility to access funding through the youth business revolving fund, which is established through the project. By supporting young entrepreneurs to turn their business ideas into profitable enterprises, the project is expected to show that funding schemes targeted towards youth create win-win situations for all involved.

Results by June 2015:

- Trainees: 216 trainees, 36% female.
- Approved loans: 111 loans preliminarily approved, 30% of which are for females, for the total amount € 675,500
- Repayment: Out of 43 funded projects, only two cases of delinquency.
- Jobs created: 34 direct jobs already observable at start-up stage of funded projects, more new jobs by the same businesses expected during the growth stage.
- In addition to coaching and counseling on business development issues in the start-up phase, beneficiaries are also provided with specific technical assistance.



Success story: Montenegro. SMEs development through “Cluster” strategies.

Small- and medium-sized enterprises (SMEs) are the region’s primary employment generators. To help them compete more effectively in increasingly globalized labour markets, UNIDO offers its extensive expertise and experience in the development of clusters, export consortia and business linkages.

For example, in **Montenegro**, within the “One UN” project context, UNIDO introduced in 2013 the concept of “cluster development”, to build local capacities, including mapping existing domestic SMEs and developing a national cluster strategy. Based on the designed strategy, the Government of Montenegro requested UNIDO to facilitate the development of four local clusters in such areas as olive oil, fresh water fish, wine and metal works. The cluster strategy is now being implemented with EU funding support. The total value of UNIDO projects in Montenegro in 2014 alone represented the largest contribution of all UN agencies’ activities in the country.

In the **Russian Federation**, UNIDO is setting up a network of automotive component suppliers in the Samara region to strengthen competitiveness of the local supply chain. The aim is to provide the region with an industry-specific and institution-strengthening approach, create access to international markets and work directly with local SME automotive component manufacturers to explore the problems faced “on the ground” and to help them upgrade their performance through direct counseling and shop-floor training.

Success story: Russian Federation. Strengthened supply chains for automotive components

As Phase II of a project on “Facilitating international market access for manufacturing suppliers in the automotive component industry in Samara region of Russia: Strengthening supply chain linkages”, the current project aims at further strengthening the Samara Automotive Cluster, as well as at broadening and deepening the scope and outreach of the original programme. It aims to strengthen the already established development mechanism to further support networking between institutions, firms and most importantly, between suppliers and Original Equipment Manufacturers (OEMs).

Results as of 2015:

- In June 2014, the Automotive Cluster of the Samara Region was registered as a non-profit partnership, following UNIDO’s efforts in Phase I to set up a network of automotive component suppliers in the region.
- Trainings were conducted for 16 SME managers and owners, 10 staff and associated experts of the Samara Automotive Cluster and 12 local experts of relevant support institutions on continuous improvement processes and their importance for the automotive industry, as well as other key thematic areas of the cluster’s business plan (e.g. marketing, monitoring and evaluation, green technologies, client needs assessment, collaborative project development, technology transfer and linkages between industry and science). This has been achieved based on a cluster twinning approach through which know-how and expertise from the Slovenian automotive cluster is transferred to the Samara Automotive Cluster.

In **FYR Macedonia**, in the Lake Ohrid and Tikves regions, UNIDO fosters the competitiveness of selected clusters and networks in the tourism industry. It advances more equitable integration of micro- and small and medium-sized enterprises into local, domestic and regional supply chains to effectively participate in dynamic production networks and enhance competitive advantages based on economies of scale, innovation and learning, as well as strategic relationships with other stakeholders.

Advancing export competitiveness

UNIDO assists ECA countries in accessing markets and exploiting wider trade opportunities. It has introduced a trade capacity building training programme in Central Asia, the Caucasus and Western CIS on issues, such as the removal of trade barriers; harmonization and simplification of procedures and regulations; strategies to improve trade rules, policies and procedures within respective countries; and formulation of standardization strategies, reflecting best practices and models for modern quality infrastructure.

In cooperation with the Economic Cooperation Organization (ECO) and national standardization-related institutes, UNIDO is assisting to develop regional quality policy and guidelines for ECO Member States. The activities are coordinated with the ECO Regional Institute for Standardization, Conformity Assessment, Accreditation and Metrology RISCAM.

In the **Russian Federation**, UNIDO’s Center for International Industrial Cooperation (CIIC) was established in 1989 in Moscow to foster mutually beneficial business opportunities between enterprises from developed and developing countries and economies in transition. The initial aim of bridging the investment gap and

technology divide has been gradually broadened to include promotion of international cooperation in the economic, technological, industrial and scientific spheres between Russian entities and counterparts from other countries, especially among other BRICS countries (i.e. Brazil, India, China and South Africa). The CIIC forges cooperation and alliances between the Russian Federation and Brazil in new technologies with a focus on energy efficiency, renewables, agri-business and IT. In cooperation with GEF, the Center contributes to the promotion of energy efficient technologies in various republics and regions of the Russian Federation.

In **Moldova**, the aim of UNIDO assistance is to attract investments in industrial parks through capacity building of the Moldovan Investment and Export Promotion Organization and the establishment of investment promotion and finance networks.

UNIDO promotes the **upgrading and modernization** of industrial enterprises and technical support institutions throughout the region in order to stimulate technological learning, increase competitiveness, enhance the private sector's development impact and create more skilled jobs. For instance, in **Armenia**, local technical capacities are being built to support SME development and modernization to better position Armenian textile products as high-end design goods in regional and international markets. In **Kyrgyzstan**, UNIDO helps improve productivity and competitiveness in the national textile and clothing industry through industrial modernization and building skills in management and marketing, thus augmenting the country's international position in the production of value added exports of light industry goods.

Safeguarding the environment

UNIDO activities aim at advancing environmentally sustainable growth, building institutional capacities for greening industries through cleaner production approaches and more energy and resource efficient technologies, and creating green industries, including waste management and recycling.

- To address climate change, energy security and industrial competitiveness UNIDO promotes industrial energy efficiency and energy management standards, promoting the use of a new generation of **energy-saving technologies**. In **Moldova**, UNIDO developed a Practical Guide for the Implementation of Energy Management Systems in Compliance with EN ISO 50001, and the Moldovan National Institute of Standardization and Metrology adopted ISO 50001 as a national standard SM ISO 50001. In cooperation with the Russian Energy Agency, UNIDO is working to improve energy efficiency of the **Russian Federation's** GHG-intensive industries and catalyze accelerated transformation of national markets for industrial energy efficiency. At present, 25 production facilities from various sectors (e.g. brewery, bakery, agro-processing, steel, non-ferrous metal, automotive, machinery and mining) participate in the project.
- UNIDO assists in expanding the use of **renewable energy sources**, such as wind, solar, biomass, small hydropower and biofuels, for productive uses. In **Ukraine**, a project is supporting the creation of a market for energy efficiency and enhanced use of renewable energy technologies in energy intensive manufacturing SMEs, leading to improved competitiveness. UNIDO supports the government in developing the policy and regulatory framework and building institutional capacity to promote energy efficiency and renewable energy in industry. In **Albania**, modern biomass technologies in the olive waste-to-energy industry have been promoted. The project successfully reduced greenhouse gas emissions, increased energy independence and improved competitiveness of the national economy in the agro-industry sector.
- Resource efficient and cleaner production (RECP) methodologies for both economic value and environmental sustainability are promoted in the six Eastern Partnership countries **Armenia, Azerbaijan, Belarus, Georgia, Moldova** and **Ukraine**. UNIDO also cooperates with the OECD, UNECE and UNEP to improve resource efficiency and environmental performance in each country,

in particular in the agro-food, chemical and construction material sectors, through the widespread adaptation and adoption of RECP methods, practices and techniques. Specific outputs pertain to building capacity for RECP service delivery, implementation at enterprise level and fostering of technology innovation.

- UNIDO has created a regional network to strengthen cooperation and foster transfer and adaptation of RECP technologies in the countries of South East Europe (**i.e. Albania, Croatia, FYR Macedonia, Moldova, Montenegro and Serbia**). The objective is to contribute to the National Cleaner Production Centres' ability to enhance the competitiveness and productive capacity of industry, primarily of SMEs.
- UNIDO assists countries to incorporate the best available environmentally sound technologies and environmental practices to improve water use efficiency in industry and prevent the discharge of industrial effluents (e.g. into rivers, lakes, wetlands and coastal areas), thereby protecting water resources for future generations. In **Bosnia and Herzegovina**, UNIDO is enhancing the water quality in Lake Modrac and increasing the lake's self-cleaning capacity through eco-remediation measures. Similar techniques are being applied in Ulcinj, **Montenegro**, as well as at a municipal wastewater plant in Mojkovac.

Success Story in the Making: Bosnia and Herzegovina. "Enhancing water quality through eco-remediation"

Lake Modrac is the largest artificial lake in **Bosnia and Herzegovina** (BiH) and the main source of drinking water for surrounding settlements. The lake was created in 1964 primarily for industrial purposes and is now popular for fishing. However, sources of pollution heavily contaminate the lake and threaten this important source of water, endangering human health and damaging the water ecosystem. In order to address pollution by the application of cost-efficient eco-remediation solutions involving green infrastructure and technology that is financially viable for the country in terms of investment, operation and maintenance, UNIDO launched a three year project financed by the Government of Slovenia in 2013.



After the identification of pollution hot spots and eco-remediation measures, the orphanage Selo Mira was selected as the site for the pilot project to demonstrate environmentally sound technologies. With this, the annual chemical oxygen demand load reaching Lake Modrac, the source of drinking water for the nearby Tuzla municipality, will be **reduced by 5.7 tons** in 2016 by establishing a constructed wetland to treat the wastewater of Selo Mira orphanage.

- In **Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, FYR Macedonia, Kazakhstan, Russian Federation, Serbia, Turkey and Turkmenistan** UNIDO helps countries to comply with multilateral environmental agreements, such as the **Montreal Protocol** on Substances that Deplete the Ozone Layer and the **Stockholm Convention** on Persistent Organic Pollutants (POPs). Technical assistance supports compliance with the requirements to phase out the production and consumption of ozone depleting substances (ODS), as per the Montreal Protocol, which lead to continuing degradation of human health and the environment. UNIDO also assists countries to implement legal, organizational and environmental management measures, including substantive technological changes to comply with the requirements of the Stockholm Convention.

Success Story: FYR Macedonia: Phasing-out toxic Persistent Organic Pollutants



As part of a UNIDO/Global Environment Facility project, a facility for the treatment of transformers and lubricants containing environmentally toxic polychlorinated biphenyls (PCBs) and PCB-containing equipment was established in **FYR Macedonia**. The project was implemented by UNIDO in cooperation with the FYR Macedonian Government, local industrial companies, the Swiss government, Envio (Germany), as well as Rade Koncar Ltd, the Macedonian host company. The project aimed at assisting FYR Macedonia to comply with PCB-related obligations under the Stockholm Convention through

the establishment of an Environmentally Sound Management (ESM) system for the disposal of PCBs and PCB-containing equipment, and legislative, institutional and technical capacity building and awareness-raising.

Results: The installation of the non-combustion PCB de-contamination facility at Rade Koncar was completed at the end of 2012 and 155 tons of PCBs and PCB-containing equipment were subsequently disposed. The project has made a significant contribution to reducing and eliminating environmental and health threats to posed by PCBs in FYR Macedonia.

- Within the UNIDO project **Regional CIS Capacity building for developing programmes for mitigation of global environmental problems**, UNIDO builds technical capacities in Armenia, Belarus, Kazakhstan, Kyrgyzstan, the Russian Federation and Ukraine to develop and implement programmes for climate change mitigation and other environmental issues (e.g. a CIS regional capacity-building programme around the mitigation of global environmental problems).

Success Story: EU Eastern Partnership. “Demonstrating RECPs”



This success story concerns the Regional Resource Efficient and Cleaner Production (RECP) demonstration programme for the European Union’s Eastern Partnership (EaP) region.

UNIDO’s demonstration component of the EaP GREEN Programme is aimed at improving the productive use of natural resources and reducing the pollution intensity of industries, particularly in the areas of food processing and chemical and construction material production. The RECP demonstration programme provides training, implementation support and monitoring to SMEs and government professionals and institutions in **Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine**. In these countries the initiative succeeded in strengthening the national capacity of RECP service delivery.

Results achieved as of June 2015:

- A total of 85 national experts were enrolled in the training programme on RECP methodology in 2014 and of these, 47 national experts continued with enterprise level technical work on RECP activities in these countries.
- About 40 SMEs from food, chemicals and construction materials sectors were trained to assess resource inefficiency and pollution intensity, taking forward recommendations from RECP experts on how to improve these indicators. They will continue with the implementation of advanced RECP solutions with UNIDO support in 2015-16.
- Awareness raising campaign: Results of the first trainings and assessments were presented to a wider public in a series of regional awareness raising seminars (2014) and national conferences (March-May 2015), attracting more than 500 participants in the region.

UNIDO AND ITS ENGAGEMENT IN THE UN SYSTEM AT THE FIELD LEVEL

In the context of ensuring UN system coherence, the ECA Bureau actively participates in the UN country teams, regional coordination mechanisms (RCM) and UN Regional Director Teams (UNRDT) and working mechanisms, such as common country assessment (CCA), UNDAF/DaO related activities, and support for UNDAF roll-out and review processes, as well as in producing joint publications.

In 2014-2015, the Bureau contributed to 'Delivering as One' and UN Development Assistance Framework (UNDAF) processes in the following countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, FYR Macedonia, Georgia, Kazakhstan, Kosovo (UN Security Council Resolution 1244), Montenegro, Serbia, Tajikistan, Turkey, Turkmenistan and Uzbekistan. Through this participatory process, UNIDO assists governments to achieve national objectives in the field of ISID and delivers TC services together with other UN agencies and partners.

UNIDO HIGH-LEVEL MISSIONS 2013-2015

In 2013-2015, the Director General has been actively promoting the UNIDO ISID mandate during his official visits to Azerbaijan, Belarus, the Czech Republic, Kazakhstan, Kyrgyzstan, Poland, the Russian Federation, Slovakia, Slovenia and Turkmenistan, meeting with Heads of State, ministers, heads of international organizations, international finance institutions and representatives of the private sector and academia. The Director General used these meetings to promote ISID and discuss opportunities for cooperation and partnerships in the context of the post-2015 development agenda and the SDGs.

Russian Federation: In Moscow, in **October 2013**, the Director General discussed strategic aspects of technical cooperation activities to foster ISID and signed a Joint Declaration for the advancement of environmentally sustainable solutions in the Russian Federation with the Russian Railways Company paving the way for intensive collaboration through joint projects.

Slovakia: In Bratislava, during missions in 2013 and 2014, the Director General presented his vision for cooperation with Slovakia, involving the private sector as an active partner. The DG welcomed the initiative on fostering new opportunities for strengthening cooperation with the Slovak private sector and its involvement in UNIDO's technical cooperation.

Slovenia: In Ljubljana, in **April 2014**, the DG opened the Second Regional Conference on "The role of new generation of industrial parks for fostering inclusive and sustainable local industrial development" in Europe and Central Asia and held meetings with Government representatives. As a result, the Government of Slovenia continues active cooperation and funds the UNIDO projects in the ECA region and beyond.



UNIDO DG LI Yong in Ljubljana, Slovenia at the Second Regional Conference on Industrial parks, 8 April 2014

Kyrgyzstan: In **April-May 2014**, in Bishkek, the Director General and officials from the Kyrgyz Government committed to pursue ISID in the region and the country and explored ways of supporting Kyrgyzstan on its path towards inclusive and sustainable growth, in line with the objectives of the National Strategy on Sustainable Development for 2013-2017. The mission facilitated initiation of the new technical cooperation projects in the construction materials industry and other sectors.



UNIDO DG LI Yong in Urumqi, Xinjiang Autonomous Region, China on 31 August - 2 September 2014, Meeting with H.E. Mr. Karim Massimov, Prime Minister of Kazakhstan and H.E. Mr. Djoomart Otorbaev, Prime Minister of Kyrgyzstan

Kazakhstan: In **May 2014**, in Astana, the Director General and the Prime Minister of Kazakhstan signed the Joint Declaration of cooperation between UNIDO and the Government of Kazakhstan. This is an important milestone for ensuring the commitment of both partners towards operationalizing the UNIDO Country Programme Framework for the Republic of Kazakhstan 2015-2017, and promoting ISID. UNIDO was requested to assist the Government in establishing a high-tech industrial park on the site of the international exhibition in Astana EXPO 2017 on Future Energy. The Director General also held meetings with H.E. Mr. Karim Massimov, Prime Minister of Kazakhstan and H.E. Mr. Djoomart Otorbaev, Prime Minister of Kyrgyzstan during his visit to Urumqi, China, on 31 August – 2 September 2014.



UNIDO's DG attends exhibition at the State Committee of Science and Technology of Belarus, Minsk April 2015

Czech Republic: During the Director General's mission to Prague in **October 2014**, UNIDO and the Czech Government agreed to hold an international seminar or business workshop in the Czech Republic to define modalities of collaboration for partnering between UNIDO, the Government and the private sector in order to scale up UNIDO ISID services and increase the impact of ISID in member countries.

Belarus: During the mission to Minsk in **April 2015**, the Director General agreed to strengthen bilateral cooperation in promoting ISID. UNIDO was requested to assist with investment and technology promotion, establishing of high tech parks and linking Belarusian new technologies with global production and innovation networks in the context of South-South and East-South cooperation and partnership schemes. The Director General participated in international conference on "Fostering inclusive and sustainable industrial development in middle-income countries (MICs) in Europe and Central Asia through innovation and technological learning: needs, potentials and best practices" organized by UNIDO and the Ministry of Foreign Affairs of Belarus.



UNIDO's DG with Azerbaijan's Minister of Ecology (left) in May 2015.

Azerbaijan: The Director General's mission to Baku in **May 2015** resulted in an agreement to identify concrete joint initiatives, such as the organization of national and regional conferences and workshops, and the development of technical cooperation projects along the lines of the Framework Programme of Cooperation up to 2018 to address economic diversification, regional development and SME support, advancement of high tech industrial parks, environment sustainability and promotion of renewable energy sources.



UNIDO DG LI Yong at the International University for the Humanities and Development in Ashgabat, Turkmenistan, 4 May 2015

Turkmenistan: In Ashgabat, in **May 2015**, the Director General discussed strengthening bilateral cooperation in the areas of industrial and economic diversification, through knowledge and information sharing on science, industry and technology parks

and using new innovative technologies and practices to address climate change and environmental issues. The Joint Declaration of Cooperation between UNIDO and the Government of Turkmenistan was signed during this visit.

Poland: The Director General's mission to Warsaw in **May 2015** resulted in an agreement to identify concrete joint initiatives including those involving the Polish private sector in UNIDO technical cooperation activities. The discussions addressed the ways of sharing the ample Polish industrial development experience, technical competence and knowledge with other countries in the region and worldwide, as well as increasing the visibility of Poland's expertise and networking of domestic firms with foreign companies through UNIDO's global forums and platforms.



UNIDO DG LI Yong and the President of the Polish Chamber of Commerce, 6 May 2015, Warsaw)

THE WAY FORWARD

Future outlook. UNIDO will accelerate its activities to foster ISID in the Europe and Central Asia region, working in multi-stakeholder partnerships in the context of the Post-2015 development agenda. Priority status will be accorded to strengthening technical cooperation activities and partnerships to operationalize the ISID vision in the ECA region.

The Bureau aims at ensuring harmonious alignment of UNIDO's regional and country operations with the Sustainable Development Goals (SDGs), especially SDG 9 with its focus on industrialization, infrastructure and innovation. UNIDO's activities will also contribute to SDGs 1 (Ending poverty), SDG 5 (Gender equality and empowerment of women), SDG 6 (Water management), SDG 7 (Access to energy), SDG 8 (Sustained economic growth, and employment), SDG 10 (Inclusive and resilient cities) and SDG 12 (Sustainable consumption and production).

All three UNIDO thematic priorities—creating shared prosperity, advancing economic competitiveness, and safeguarding the environment—will be equally promoted in the region. Efforts will be made to develop and increase UNIDO's technical cooperation portfolio in such programme components as investment, technology and small and medium enterprises (SMEs) development; competitive trade capacities and industrial export promotion, entrepreneurship development; agro-business and rural development; women and youth in productive activities and business support infrastructure.

Projects related to resource efficient and low-carbon industrial production, clean and renewable energy for productive use, energy efficiency and implementation of multi-lateral environmental agreements will likely remain dominant in UNIDO's overall portfolio in terms of delivery due to the ongoing demand in recipient countries, as well as prevailing donor preferences and available funding resources, primarily from the Global Environment Facility (GEF) and the Montreal Protocol (MP) Fund. The goal is to support recipient countries to absorb cleaner technology and capacity building for ensuring sustainability of cleaner production centres.

There is great demand for assistance in capacity building of emerging donors in order to adapt to the changing development cooperation environment, how to deliver assistance in a more effective way and how to engage in effective economic diplomacy. Experiences and lessons learned from industrialization

and economic transition process in the countries of Central and Eastern Europe that are now EU Member States will be shared with developing countries and countries with economies in transition through promoting partnerships and east-east cooperation. EU Member States will be encouraged to contribute to peer-to-peer learning and policy dialogue on new emerging issues in development assistance and how to address them.

Strengthening partnerships

The ECA Bureau will facilitate engagement of all stakeholders in the countries, including government, the private sector, development finance institutions, civil society and academia, through public-private partnerships, investment and trade promotion, capacity building of business support institutions, technology transfer and knowledge exchange, procurement of goods and services, and others. In particular, an initiative on developing a country programme partnership in one country in ECA will be developed, and fostering new opportunities for strengthening cooperation with the private sector and its involvement in UNIDO's technical cooperation activities through various mechanisms and instruments will be further continued.

The Bureau will facilitate formulation of pilot Country Programme Frameworks responding to countries' needs and demands and providing complex solutions to existing challenges, as well as establishing country partnership programmes to leverage multi-stakeholder resources and enhance TC "on-the-ground" impact. At the forefront are plans to expand partnerships with DFIs the private sector UN System and other potential development partners.

A key element of the ECA Bureau's strategy in the region will be to intensify and deepen dialogue with donors for development of realistic scenarios for funds mobilization. The ability to mobilize funds will determine the success of the implementation of the overall strategy. The Bureau will target diversification of sources of funds and donors. Special attention will be given to exploring possibilities of expanding TC funding by the European Union, the largest donor in the region for projects in Eastern Partnership countries, EU candidate and prospective candidate countries in the Western Balkans and development cooperation in Central Asia. Cooperation with emerging donors such as Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Russian Federation, Slovakia, Slovenia, and Turkey, as well as self-funding modalities, will be further promoted.

Post-2015 positioning

In the context of Post-2015 development era and realization of sustainable development goals (SDGs), in future, due regard will be given to the promotion of global forum events for enhancing UNIDO's convening role, awareness raising on the ISID mandate and partnerships building at national, sub-regional and regional levels.

Launched in 2015, the two initiatives below will bear fruit in years to come. Their aim is to promote knowledge platforms for the exchange of best practice and lessons learned in the areas of fostering ISID through the development of industrial corridors and social inclusion of marginalized communities. The initiatives are:

- ***Fostering inclusive and sustainable industrial development in the New Silk Road Economic Belt***
Due to commence in 2015 along the New Silk Road (NSR) in the following target countries: Azerbaijan, Tajikistan, Turkmenistan and Uzbekistan where UNIDO will facilitate the establishment of a knowledge platform for regional dialogue and cooperation for government officials, private sector representatives, academia, international organizations and financial institutions. These

partners will exchange experiences on best practices to leverage the static and dynamic advantages of industrial parks and cities and pursue ISID in industrial corridors. The Asian Development Bank will implement a parallel project focusing on Kazakhstan and Kyrgyzstan.

- ***Social inclusion of disadvantaged communities in Europe and Central Asia.***

Also launching in 2015 in cooperation with the Government of Hungary, the ECA Bureau will organize a regional conference for national and international experts and stakeholders from the region to showcase social inclusion methodologies, lessons learned and best practices, with a focus on the experiences of Hungary.

The objective of this regional initiative is to improve the social and economic inclusion of disadvantaged and marginalized population groups, including ethnic minorities. The project will establish a regional knowledge sourcing platform drawing on the expertise and experiences of a diverse group of stakeholders, including representatives from government, the private sector, academia, civil society, social enterprises and international organizations.

The platform will facilitate the exchange of good practices and experiences, policy guidance and tools to support policy makers, practitioners and other relevant actors, and will identify and support promising innovative business concepts and models to address these problems on the ground. UNIDO will also seek the involvement of social enterprise organizations to assist in identifying experts and entrepreneurs involved in social inclusion initiatives in the region and beyond.

Cooperation with partners in Government, the private sector, civil society, academia and others to realize the full potential of ISID will be a major priority for UNIDO in its future endeavors. As Director General LI Yong put it in introducing UNIDO's concept of ISID in 2013, "our challenge now, and our historic opportunity, is to recognize the potential of ISID and contribute our efforts for the common good in a new long-term development agenda beyond 2015."

We invite you to join us in making shared prosperity and sustainable development a reality for all the people on our planet, men and women, young and old, rural or urban-dwellers alike.



Turkey: Research and Development ODTU Teknokent

EUROPE AND CENTRAL ASIA BUREAU

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