



**TOGETHER**  
*for a sustainable future*

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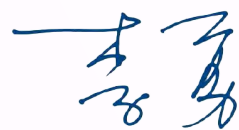


# TRADE INVESTMENT INNOVATION



## **DRIVING ECONOMIC TRANSFORMATION**

*“In the context of globalization, trade, investment and innovation drive economic transformation and job creation. Together, these three elements contribute to inclusive and sustainable industrial development and play a critical role in achieving the Sustainable Development Goals.”*

A handwritten signature in black ink, consisting of stylized Chinese characters, likely representing the name Li Yong.

LI Yong, UNIDO Director General



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# INTRODUCTION

## **Effective efforts in trade, investment and innovation can provide the conditions to end poverty within a generation**

Over the last few decades, hundreds of millions of people have been lifted out of poverty. Developing countries have become engines of growth - the world's economy became truly global, interdependent and interconnected, with trade playing an increasingly important role. Economic transformation took place at an unprecedented speed, traversing national boundaries like never before.

The economic transformation we have experienced has unfortunately not yielded the necessary job creation and poverty reduction to make our world a more equal place. Lack of decent work, particularly in rural areas, drives the degradation of urban areas. Not only that, but informality and uncertainty have become the norm. In Africa, 61% of urban employment is precarious. Inherent economic fragility has pervaded the globe since the financial crisis, and continues to place pressure on livelihoods. More than ever, countries feel the pressure of migration and complex security issues that present humanitarian challenges. In parallel, the globe faces environmental challenges that create uncertainties regarding a sustainable future.

## **The benefits of global growth need to be better distributed**

In 2015 United Nations Member States adopted the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs). Over the next 15 years, countries will mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.

The United Nations Industrial Development Organization (UNIDO) is determined to carve its niche in contributing to Agenda 2030 and the SDGs by promoting and accelerating Inclusive and Sustainable Industrial Development (ISID) to achieve shared prosperity and environmental sustainability around the world. UNIDO is a key player in the fight to end poverty - while its activities contribute to numerous goals relating to people, prosperity, planet, peace and partnerships, its mandate is embedded in **Sustainable Development Goal 9: build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.**

## **Trade, investment and innovation, as well as entrepreneurship, will remain key drivers of economic transformation for inclusive and sustainable growth**

UNIDO's Department of Trade, Investment and Innovation (TII) strategically combines its own range of services in order to help countries to develop competitive manufacturing capabilities, improve conformity with market requirements and connect to international markets. TII offers specialized support to successfully achieve the Sustainable Development Goals, particularly industrial development targets.

Special emphasis is put on enhancing capacities of small and medium-sized enterprises (SMEs) as they make up more than 90% of all businesses worldwide and are essential to the 'path out of poverty' for many developing countries.



In full consultation with public and private partners, TII designs and implements holistic interventions that are tailored for specified country needs. The Department offers integrated services to enhance industrial competitiveness and innovation for market access, economic growth and job creation. TII interventions actively identify and combine complementary services from across the following six strategic thematic areas:

- » Improving the business environment
- » Industrial modernization and SME clustering
- » Mobilizing responsible investment and sustainable technology
- » Boosting innovation
- » Promoting quality and standards
- » Facilitating trade

Our programmes and projects incorporate essential policy-, institutional- and enterprise-level activities to benefit:

- » Policy makers: capacity building and advisory services for improved regulatory frameworks
- » Institutions: strengthened cooperation for collective actions
- » Enterprises: more efficient operations and new business opportunities

The Department provides policy advisory services and promotes analytical research. In addition, TII facilitates the sharing of information and the exchange of knowledge among its public and private stakeholders through different global forum mechanisms, such as expert group meetings, seminars and conferences. These scalable events offer a platform for the exchange of expertise among like-minded partners and build on UNIDO's strong convening function. Special emphasis is being put on UNIDO's normative function by promoting standards and quality-related activities to create shared value by developing inclusive and sustainable industries.

TII's global network of experts, strategic partners and in-country offices offers valuable insights to local conditions and access to key stakeholders, including through its Investment and Technology Promotion Offices (ITPOs) and the Subcontracting and Partnership Exchanges (SPXs) located in several countries. Furthermore, TII has extensive and long-standing experience in a wide range of industrial sectors and works closely with strategic partners, including the following key actors:

- » Donors (selected): European Union, Finland, Italy, Norway, Sweden and Switzerland
- » Development partners (selected): the African Development Bank, African Union, Asian Development Bank, European Union, Inter-American Development Bank and World Bank Group
- » ITPO host countries: Kingdom of Bahrain, China, Italy, Germany, Japan, Republic of Korea, Nigeria and the Russian Federation

At the same time, TII develops synergies with other UNIDO programmes, such as agri-business development, energy, environment and partnerships, to ensure the most optimum for its interventions at national, regional and global levels. Selected sectors of intervention include agri-business and fisheries, textiles and apparel, leather and footwear, wood processing and forest products, automotive industry, pharmaceuticals, cosmetics and creative industries.

UNIDO Member States rely on TII to provide sound advice and support for their developmental endeavours. The Department ensures the delivery of a holistic package of technical and non-technical services that take into account additional requirements essential for responsible service delivery, accountability and transparency, including on gender mainstreaming, financial reporting, monitoring and evaluation, communication and advocacy.

Through its wide range of specialized services, TII contributes to UNIDO's flagship Programme for Country Partnership (PCP): a custom-built partnership formula, aiming to enhance inclusive and sustainable industrial development, with each beneficiary country maintaining ownership of the complete process by defining its needs and required support. TII is a key player in each of the PCPs, responsible for fostering capacities related to trade, investment and innovation within the framework of the programmes.

**By fostering trade, investment and innovation, inclusive and sustainable industrial development is amplified for continued economic growth and economic transformation.**





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## IMPROVING THE BUSINESS ENVIRONMENT

The Business Environment (BE) is determined by a combination of policy, legal, institutional and regulatory conditions that govern business activities and by the way BE-related action is designed and implemented. A conducive business environment is a prerequisite for economic growth and poverty reduction; creating and maintaining an operating climate that stimulates private sector-led industrial development must be at the core of any effort to spur the growth of vibrant and competitive industrial sectors. UNIDO seeks to strengthen the capacities of public and private actors to enable business environment reforms geared to reduce business costs and risks and to increase investments. UNIDO's assistance is based on a thorough diagnosis of constraints holding back business and seeks to:

- » Improve the overall business environment and associated investment climate
- » Address functional reforms relating to business registration, access to market information, regulatory governance and access to finance
- » Develop sector-specific improvements based on in-depth diagnostics and assistance for sector-specific interventions
- » Enable public-private dialogue and multi-stakeholder consultative mechanisms
- » Strengthen business membership organizations (BMOs) to effectively communicate business concerns to policy makers

UNIDO's flagship programmes and tools include:

- » **Business registration** and **single point of registration**
- » Formulation of **sectoral and/or thematic policies** (e.g. investment policy, quality policy, etc.)
- » Advisory services to **establish and operate industrial parks and zones**
- » **Feasibility studies** for industrial parks and **technical support** in their implementation

As an active member of the Business Environment Working Group of the Donor Committee for Enterprise Development (DCED), UNIDO seeks to keep abreast of international best practices when lending support to business environment-related improvements. Furthermore, the Organization effectively builds mutual trust and constructive dialogue between parties to develop realistic BE strategies and approaches, while seeking to incorporate international best practices into its support activities and contribute to the international debate on the business environment.



# INDUSTRIAL MODERNIZATION AND SME CLUSTERING

To keep up with the rapidly evolving global manufacturing landscape, SMEs in developing countries and economies in transition need to embrace a focused approach to improving and sustaining competitive manufacturing capabilities, prove conformity with market requirements and connect to markets. Industrial modernization and cluster development contribute to economic growth; important factors include keeping production costs low, enhancing productivity and developing linkages to sustainable supplier networks. Additionally, social and environmental dimensions of the production process are increasingly being scrutinized by consumers and the increasing attention on Corporate Social Responsibility (CSR) is impacting global value chains and business models across all sectors. With its services, TII aims to improve the competitiveness of enterprises through cost reduction and increased productivity while linkages to sustainable supplier networks and new markets are sought out. UNIDO services focus on the need to:

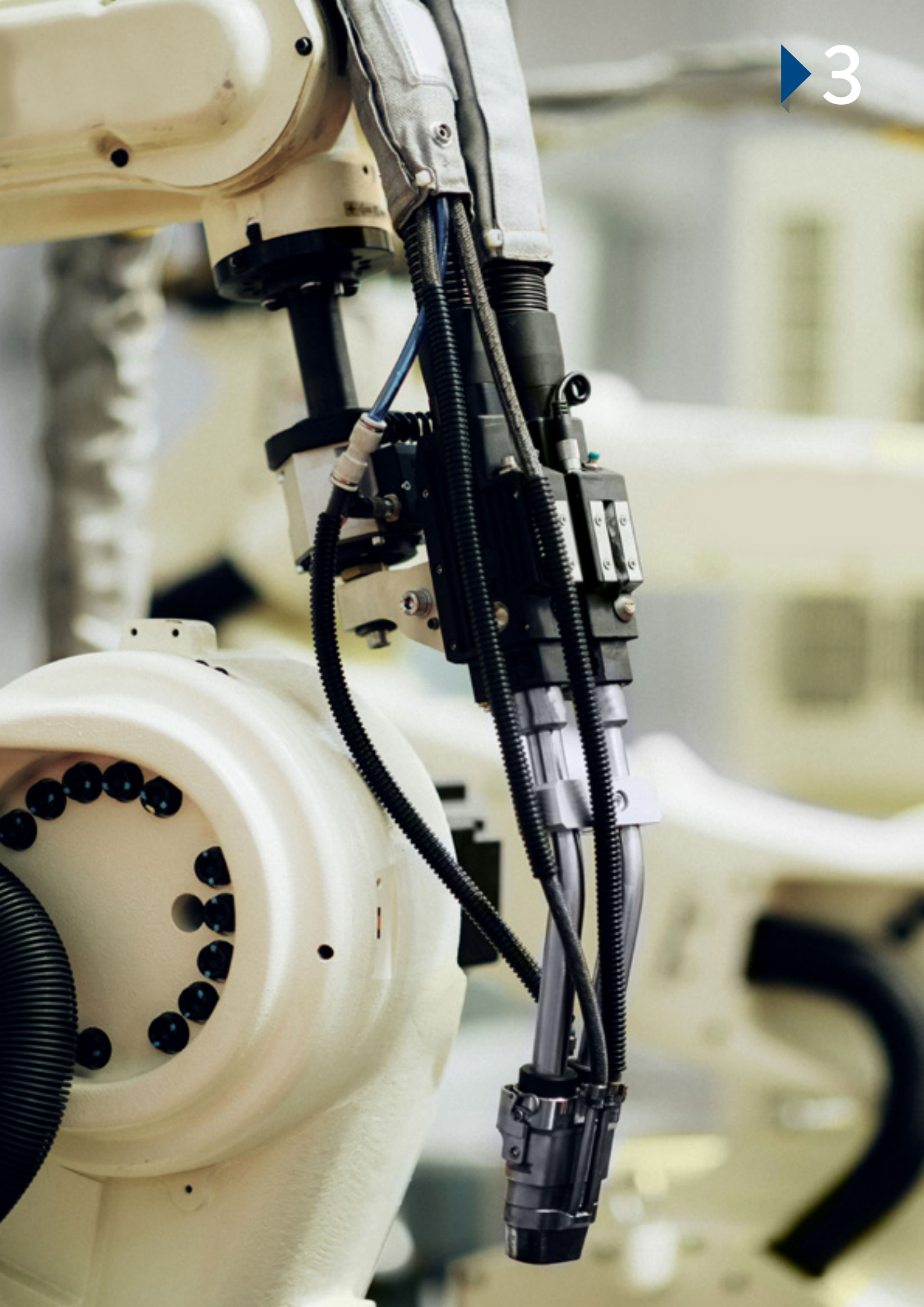
- » Define sustainable industrial modernization strategies, including digitalization opportunities (such as e-commerce)
- » Analyze and establish the most effective industry cluster opportunities and policies
- » Facilitate business linkages through cluster development including consortia, networks and supply chains
- » Build institutional- and enterprise-level capacity around stakeholder management, production technologies, marketing practices, human resources and financial management
- » Modernize SME business operations to reduce operating and marketing costs and access new markets through collective actions with cluster members

Flagship activities and tools include:

- » **Industrial Upgrading and Modernization Programme (IUMP)**
- » **Sustainable Supplier Development (SSD) Programme**
- » **Cluster Development (CD) Programme**
- » **Export and Origin Consortia Programme**
- » **Subcontracting and Partnership Exchange (SPX) Programme**

By modernizing operations to enhance quality and make use of sustainable technologies across a range of sectors, from agri-business to automotive, UNIDO works to increase SME productivity with public and private business institutions (such as the global practitioners network for competitiveness, clusters and innovation, TCI), financial and research institutions (such as the University of Florence and the University of Bari), chambers of commerce and industry, and other development partners (such as FAO, the UN Global Compact, the Global Competitiveness Council, and the Global Social Compliance Partnership). UNIDO and its partners contribute to comprehensive research, methodologies and toolkits on cluster development, export consortia and industrial upgrading as well as newer trends, such as e-commerce.







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# MOBILIZING RESPONSIBLE INVESTMENT AND SUSTAINABLE TECHNOLOGIES

Responsible investment and sustainable technology contribute substantially to economic prosperity; a rapidly-changing global investment landscape and revolutionary technical advancements bring many new opportunities, and present new challenges. Investment and technology are essential for economic transformation since they create jobs and generate income, help diversify the economy by expanding the production base while improving market access and spur infrastructure development. UNIDO's interventions are based on Monitoring (analysis and assessment of challenges and opportunities); Learning (information sharing and knowledge dissemination for project identification, formulation and promotion); and Networking (linkages to potential partners throughout the business partnership process). UNIDO services can:

- » Offer matchmaking services between buyers and suppliers as well as business partnership support
- » Mobilize investment through targeted institutional cooperation
- » Promote technology transfer, with a focus on green technologies
- » Strengthen the institutional capacity of public and private partners, in particular, investment promotion agencies
- » Encourage public-private partnerships
- » Foster entrepreneurship to attract more domestic and foreign direct investment
- » Mitigate investment risk through strengthened business environment and capacity building

UNIDO's flagship programmes and tools include:

- » The global network of **Investment and Technology Promotion Offices** (ITPOs)
- » The worldwide network of **Subcontracting and Partnership Exchange Centres** (SPXs)
- » The **UNIDO Investment Learning Centre** (ILC), including modules on project identification and validation as well as on the financial appraisal of feasibility studies through the **Computer Model for Feasibility Analysis and Reporting** (COMFAR) software
- » The **Enterprise Development and Investment Promotion** (EDIP) programme - a strong base of companies to attract investment and technology flows

To foster and generate impact investment and to promote industrial opportunities, UNIDO organizes global events. The organization also works with public and private business institutions including national and regional investment promotion agencies, financial institutions and chambers of commerce and industry, to support enterprises and investors. Partnerships are established with, *inter alia*, the World Association of Investment Promotion Agencies (WAIPA), the International Chamber of Commerce (ICC) and the UN Global Compact as well as with companies such as Intel, Deutsche Messe, and IBM. In particular, UNIDO can rely on the long-standing support of, and cooperation with, ITPO host countries, namely Bahrain, China, Italy, Germany, Japan, Republic of Korea, Nigeria and the Russian Federation.



## BOOSTING INNOVATION

Innovation is integral to a country's performance as enhanced productivity ultimately results in higher social welfare. The large disparities in income and social development between developed and developing countries are often rooted in considerable differences in their industrial development and use of technology, and the resulting gaps in their productivity. This is even greater when considering the shift towards a new industrial revolution, summarized in the concept of industry 4.0, the current trend of automation and data exchange in manufacturing technologies. The effective utilization of innovation enables sustainable solutions for inclusive economic development and environmental challenges. To achieve transformative changes and to transfer and deploy technology for entrepreneurship, innovation needs to be scaled-up and spread globally. To this end, TII programmes and services seek to:

- » Provide advice and support to the formulation of innovation policies and strategies
- » Develop institutional capacities to manage, monitor and evaluate innovation policies
- » Strengthen national, regional and sectoral systems of innovation
- » Establish indicators for measuring and benchmarking innovation progress
- » Strengthen and advocate standards of innovation
- » Provide assistance to upgrade production processes and facilities, products, and skills of enterprises
- » Foster entrepreneurship and start-ups to promote and exploit benefits of innovation

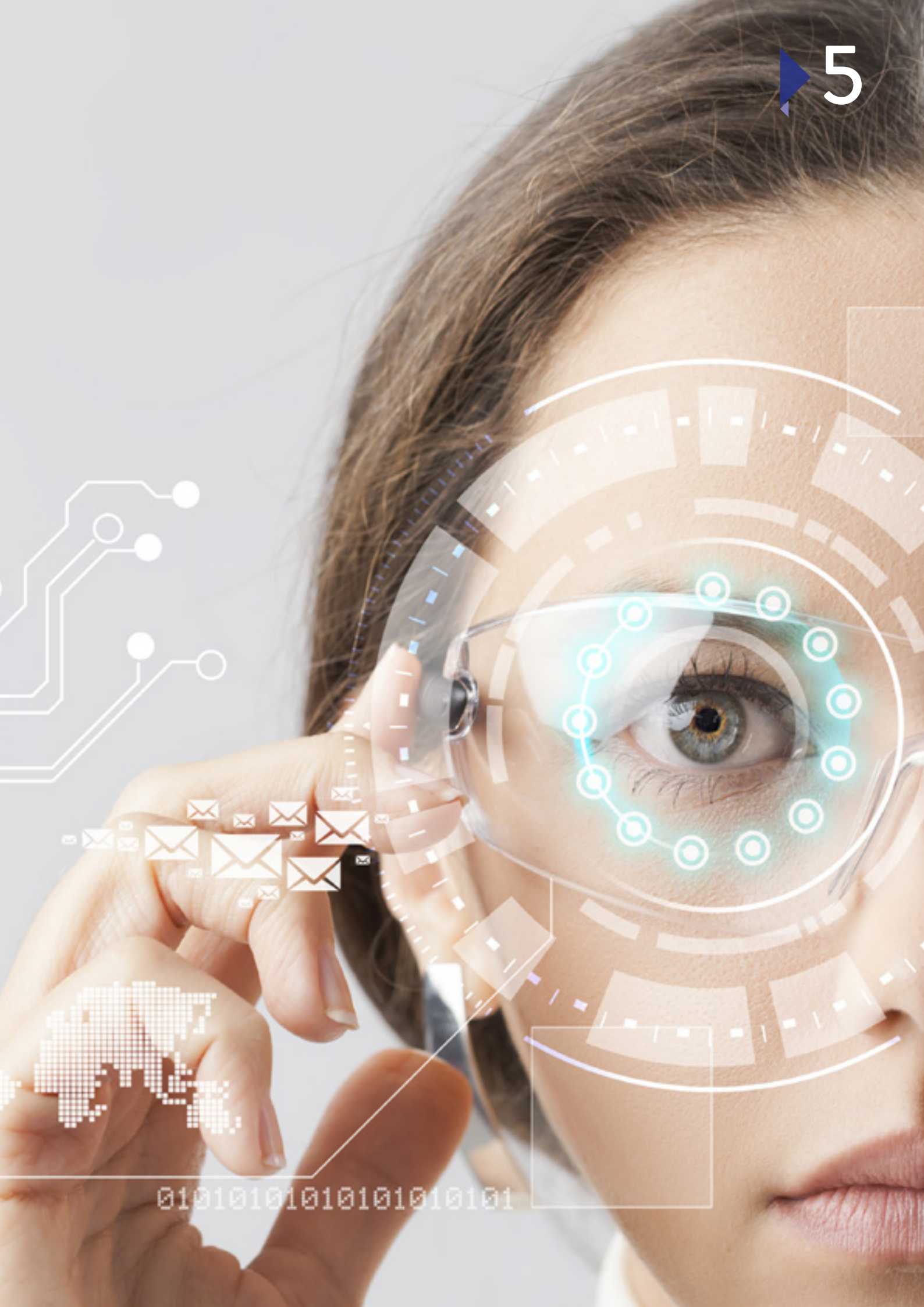
Flagship activities and tools include:

- » Establishment of **Science, Technology and Innovation (STI) Observatory**
- » **Enterprise-level innovation** and **institutional capacity building**
- » **Technology foresight**
- » **Technology transfer**
- » **Innovation and technology centres, innovation zones/corridors and technology parks**
- » Enterprise development for enhanced use of **innovation management systems**
- » Empirical analysis of **enterprise and innovation system data**

With its wide international network of partners, which include universities, associations (such as the World Association of Industrial and Technological Research Organizations, WAITRO) and international organizations (such as the OECD and the World Bank), TII provides a range of technical services to foster research and development (R&D) activities and technology transfer. In addition, the department contributes to empirical research and the development of tools and methodologies for furthering technological progress in developing countries.

Within the framework of boosting innovation, TII interventions involve strengthening the local production of essential medicines in Sub-Saharan Africa - local pharmaceutical production faces a complex set of challenges related to technical aspects of manufacturing, regulation, and the wider operating and business environment. TII draws on a combination of advisory, institutional capacity-building and enterprise-level activities to foster industrial development and thus enhance public health, recognizing that these two agendas are complementary.





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# PROMOTING QUALITY AND STANDARDS

Global trade is growingly embedded within value chains and is governed by multilateral trade rules such as the World Trade Organization (WTO) agreements on Technical Barriers to Trade (TBT) and the Sanitary and Phytosanitary (SPS) measures. Quality and compliance of products and services with market requirements and standards on consumer health and safety, environmental impact, labour conditions and/or sustainability, are key elements of competitiveness in global business relations. A demand-driven quality culture, together with a Quality Infrastructure System and its conformity assessment services, support economic operators (in particular SMEs), to achieve and prove conformity with market requirements, compete on international markets and connect to global value chains. UNIDO's interventions span from policy and governance advice to the development of quality infrastructure institutions and conformity assessment services, including the support of the private sector in achieving compliance with international standards. UNIDO services thus:

- » Define quality-related policies and good governance strategies
- » Evaluate and modernize technical regulation regimes, including policy and legislation development, market surveillance and import inspection system development
- » Strengthen capacities of national and regional quality systems (i.e. metrology, standardization and accreditation)
- » Build conformity assessment capacities (e.g. testing, inspection, certification, calibration, etc.)
- » Support SMEs to take advantage of standards, be more competitive and thus better participate in global value chains
- » Promote quality awareness with the public sector, economic operators and consumers

UNIDO flagship programmes and tools include:

- » **Quality policy advice**
- » **Standards compliance observatory**
- » **Quality infrastructure systems (QIS)** strengthening
- » **Quality and standards compliance** development for value chains
- » **Laboratory diagnostic** and knowledge tools
- » **Quality promotion and award** schemes
- » Sustainability and **private standards capacity-building**

Together with partners from the public and private sector, academia, national and international organizations in charge of standard-setting and global practices on standards and conformity assessment, TII promotes good practices, capacity building and training, and fosters global cooperation in standards-setting, measurement and compliance development along value chains. UNIDO partners in the field of quality and standards include the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the International Telecommunications Union (ITU), the International Bureau of Weights and Measures (BIPM), the International Organization of Legal Metrology (OIML), the International Accreditation Forum (IAF) and the International Laboratory Accreditation Cooperation (ILAC).



## FACILITATING TRADE

The need to improve the movement of goods across national borders has become ever more important with value chains spanning the globe (GVCs). The requirements of WTO's new Trade Facilitation Agreement (TFA), following the Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) Agreements, represent a major challenge as well as a great opportunity for developing countries. Lengthy procedures and border rejections result in major financial losses for the producers, particularly SMEs, and can damage the reputation of exporting countries. Effective and efficient, internationally-recognized testing, inspection and certification that are compliant with WTO Agreements are crucial to meet the standards of external markets. UNIDO services seek to:

- » Analyze reasons for rejection of goods at the border and identify bottlenecks to facilitate trade
- » Ensure both sides of the border mutually accept national and regional certificates on testing, inspection and certification, ultimately reducing local production costs
- » Support the development of a sound country risk management system to enhance transparency of trade procedures
- » Support SMEs to overcome TBT and SPS-related issues by tackling specific quality requirements in a particular value chain
- » Minimize the economic distance travelled by goods in relation to cost and time in order to reach their market
- » Develop WTO TBT/SPS Enquiry Points to provide new information on TFA requirements and improve access to an accurate and up to date information base for trading partners

UNIDO's flagship programmes and tools include:

- » **Trade performance analysis** on specific value chains for the exporting economy
- » **Advisory services to manage risks** identified from trade performance analysis
- » **Assistance to conformity assessment entities** to mitigate identified risks
- » **Support to mutual recognition of conformity assessment procedures** between main trading countries for selected value chains
- » **Enquiry points development** and connection with single window

Strong partnerships with global players, such as the WTO, World Bank, UNECE, UNCTAD, Global Facilitation Partnership (GFP) and the World Customs Organization (WCO), combined with UNIDO's longstanding experience and outstanding record, offer access to tested diagnostics and methodologies, good practice materials, training and advisory capabilities.













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