

What Denmark Gains from UNIDO

1. Benefits to the Danish People of UNIDO Membership

UNIDO's mandate and work program are fully aligned with the new Danish development priorities

- UNIDO's action around the world is fully in line with the new priorities of the government of Denmark to “*work towards meeting the developing countries demand for trade, investments, and technology so as to promote economic growth [...] further the conditions of developing countries and a sustainable business community that creates jobs and economic prosperity*” as outlined in the 2016 development cooperation budget proposition (p.6).
- The policy priorities for foreign aid set by the new ruling coalition (migration issues, women empowerment, employment generation, private sector involvement) and preferred partner countries selected (Ethiopia) are very much consistent with UNIDO's Post-SDG programs. In fact, UNIDO's very concrete role in international development has never been more relevant than today.

UNIDO is the private sector arm of the United Nations, which Denmark can exploit

- No other agency has a specialized mandate for private sector development. No other UN organization provides a holistic set of inclusive and sustainable industrial development services based on in-house technical expertise. No other agency provides a global and holistic platform for dialogue and policy-making on industrial issues, or serves as platform for industrial innovation and technology transfer.

UNIDO provides effective, long-term solutions to cross-border migration problems

- Like all advanced European countries, Denmark is currently facing a large flow of migrants from Middle-Eastern, Asian, and African countries. These movements of populations are happening in the context of weak global growth, political instability and even civil wars in some countries. Advances in social science research shows that the lack of job opportunities and income are often the root causes for social unrest in developing countries, and for social tensions and mass-migration.
- Such problems are raising concerns in Denmark. Beyond increased controls and security, the sustainable response to cross-border migration problems is the launch of labor-intensive industries in developing countries. To preserve peace and security in Europe, the international community should facilitate job-creation programs in Middle-Eastern, Asian, and African countries.
- Denmark can partner with UNIDO to lead the world in designing and implementing a set of such programs. With targeted interventions to improve food security, job and wealth creation,

and energy access, UNIDO aims at creating stable employment and increased incomes, thereby addressing the root causes of social instability.

- Recent UNIDO interventions in Egypt, Iraq, Jordan, Lebanon, and Turkey provided skills training and job opportunities for young unemployed people in the areas affected by the Syria refugee crisis, preserving stability in the areas that host most of the refugees.

UNIDO opens business opportunities and gives global legitimacy to Danish Firms. In fact, our partnership with the private corporate sector sets us apart from the rest of the UN system:

- On the environment side, the Carlsberg-Baltika Breweries project in Russia; it is a project to reduce natural resource and water consumption, pollution and greenhouse gas emissions.
- On the energy side, we have the UNEP/UNIDO CTCN initiative in Copenhagen with Danish project personnel: clearly the strategic location of the centre will benefit Danish producers of energy efficient and renewable energy technologies. We are also in explorative contacts with Danfoss on energy efficient heating and cooling systems.
- On broader technology and innovation issues, UNIDO is working with Danish service providers.
- Denmark is known for its strong agribusiness base (meat production, dairy products, etc.) and UNIDO has developed cooperation with local firms to export that knowledge around the world.

Danish major firms such as Carlsberg are benefiting enormously from (and advertising) their collaboration with UNIDO in various places around the world.

UNIDO helps bring Danish technology and know-how to developing countries around the world

- UNIDO helps developing countries to increase their participation in globalization by enhancing their capacities to be able to trade and integrate in the global market. Through this, Denmark benefits from expanded global sourcing opportunities and from selling more of their own products to an increased number of wealthy markets.
- UNIDO's investment and trade promotion activities create synergies bringing advanced technologies — for instance in the area of environment, resource-efficient production, or energy — to developing countries and countries in transition, opening new opportunities for the technology providers.

In recent years, the EU, Japan, Norad, and several other institutions have assessed the work of UNIDO and rate the organization among the very best managed in the world.

- An independent evaluation commissioned by the Norwegian Agency for Development Cooperation (Norad) in 2015 notes that “UNIDO plays a special and somewhat unique role

in the trade capacity-building-field and is widely recognised to form a "centre of excellence" in this area". Another study undertaken by Norad in 2011 concluded that "UNIDO appears to be delivering good value for money in the field of standards and quality, an area where the organization has a unique competence internationally, which also Norway has played a key role to develop."

- The European Commission commended UNIDO in its 2015 Pillar Assessment as an efficient and effective Organization in line with EC standards.
- UNIDO's competencies have repeatedly been recognized by the European Commission, which is funding several large scale regional and national programs, notably in West and Central Africa, and has become one of the largest donors of UNIDO's technical cooperation programs.
- The Japanese government came to a similar conclusion after a review of 64 entities in August 2015, ranking UNIDO as one of only four Organizations with the highest ranking.
- UNIDO is an implementing agency of the Multilateral Fund for the Implementation of the Montreal Protocol against the Depletion of the Ozone Layer. Out of 13 evaluations since 2001, UNIDO was ranked 11 times as the top implementing agency, and second only twice (in 2002 and 2007).
- UNIDO is now recognized as one of the best managed international organizations in the world. It is widely praised as the indispensable broker on all issues of industrial development. It offers highly-valued technical assistance and policy advice, and convenes some of the most popular intergovernmental and multi-sector forums.

Why would any Government want to withdraw from such an organization?

The UNIDO Nordic Office, to be based in Copenhagen, will promote the interests of Danish industries in the developing world and facilitate business deals for Danish firms all over the world.

- UNIDO is already present in Copenhagen with an office of the Climate Technology Centre and Network (CTCN).
- Following a formal invitation by the Danish Government in May 2015, UNIDO is currently in the process of establishing a UNIDO Nordic Office in the UN City Copenhagen. We have decided to expand our local representation by establishing a UNIDO Nordic office in the UN City Copenhagen. The opening is planned within a few weeks.

2. Potential Costs of Withdrawal from UNIDO to the Danish People

Withdrawal would undermine the Danish policy role on a global scale

- Denmark is *the* model country for UNIDO's mandate of inclusive and sustainable industrialization, and quitting UNIDO, precisely at the time when the organization has engineered a major turnaround in its strategy and organization and is being praised by all external evaluators, would deal a major political and reputational blow to both UNIDO and Denmark.
- Should withdrawal from UNIDO membership become reality, it would be the first time in the history of Denmark that this founding member and historically strong supporter of the UN system would leave an organization of the UN family. Announcing the withdrawal from UNIDO in the next few weeks, just ahead of the upcoming and critically important General Conference, would be a major blow to Organization and its Member States since this news would dominate the discussions and may change the agenda considerably.
- Denmark's withdrawal from UNIDO would come shortly after world leaders have adopted the 2030 Sustainable Development Agenda in a historic summit of the UN General Assembly (UNGA) chaired by Denmark. At a minimum, Denmark's withdrawal from UNIDO at this particular time would be used by some to undermine Denmark's chairmanship of the UNGA. In history books, the great name of the Honorable Mogens Lykketoft will often be accompanied with the sad footnote that his own country let him down during his tenure.
- Denmark would lose its ability to play a role in global industrial policy-making in UNIDO's policy-making organs, including in fields of Danish interest (such as economic cooperation with developing countries, stimulation of trade, etc.). Denmark would lose its voice in important fora, and its capacity to influence the debate on industrial development issues would be weakened considerably.

Denmark's withdrawal from UNIDO would expose Denmark to the risk of isolation on the critical issues of our time:

- With the adoption less than 2 months ago of the SDGs and particularly SDG 9 on infrastructure and industrialization, the world community has stated that the future of the planet (economic prosperity, stability, peace, and security) depend on inclusive and sustainable industrial development, which is the official mandate of UNIDO. The G-20, the BRICS, the African Union, and other major country groupings have endorsed that agenda. By quitting UNIDO Denmark would set itself outside of the main forum of decision on strategies and policies for new forms of global industrialization.
- Recent events in Europe as well as the Syria refugee crisis remind us that concerted action and international cooperation to address the root causes of the "problems without passport" are required. Economic misery feeds political and social instabilities and must be addressed in a joint international effort. With its 170 Member States and its nearly 50 years of experience UNIDO is the perfect body to foster Denmark's policies on such important matters. Leaving the Organization now would undermine Government effectiveness in dealing with these problems.

Denmark’s withdrawal from UNIDO would weaken global governance system.

- Individual “opting-in” and “opting-out” choices of membership in UN organizations, based on changing domestic considerations, could lead to permanent instability in the international system in its entirety and to the weakening of the multilateral development and global governance system that has been so painstakingly built up over the past five decades.

For a fistful of just 0.04 percent of Denmark’s development aid budget? Less than half of 1 percent?

- The annual assessed contribution to the UNIDO regular budget amounts to approximately DKK 6.1 million or 0.04% of the total proposed Danish development cooperation budget in 2016 (DKK 14.8 billion).
- There is a major difference between the decision not to provide voluntary contributions for projects of an organization and the entire withdrawal from an international constitutional arrangement with a UN specialized agency.

It is not really about the money: DKK 5.3 million versus 13.4 million. Withdrawal from UNIDO would be against the interests of Danish business and taxpayers

- Denmark is one of only a handful of UNIDO Member States whose firms gain as much in procurement from the Organization as the country contributes to the budget.
- Danish annual monetary contributions (membership fees) are minimal. A mere financial comparison based on last year’s figures shows that Denmark has “no monetary loss” from membership in the Organization:

In 2014, the assessed contribution of Denmark to the UNIDO regular budget amounted to DKK 5.3 million.

In the same year, the expenditure for core staff members and experts with Danish citizenship amounted to DKK 6.7 million. Moreover, annual procurement returns to Danish industry and companies averaged DKK 6.7 million over the past five years.

DKK 5.3 million vs.

DKK 13.4 million

For Denmark, the amount of the proposed budgetary savings from the UNIDO withdrawal would be negligible (0.04% of Denmark’s development aid budget). Yet the political impact of the decision and the public relations and reputational consequences for UNIDO and also for Denmark would be enormous, on a global scale.

- People would hear about it in Latin America. It would be front-page news in Africa and Asia. All this for the financial benefits of just DKK 6 million in 2016-2017.
- Beyond Danish money, what UNIDO needs is the political support and influence of Denmark so that the organization can continue promoting the beautiful red and white flag of Denmark in countries and places where the Government will never be able to go.

Withdrawal from UNIDO would deprive Danish firms from a strong network of business opportunities around the world, which generate employment and prosperity here in Denmark.

- The Organization has established several contacts with Danish companies and is expanding collaboration.

On balance: For Denmark, the benefit-cost analysis of saving DKK 6 million against the backlash of quitting a major UN agency whose agenda is closely aligned with the country's would not compensate for the heavy economic, diplomatic, and political losses, especially during the year when Denmark is chairing the UN General Assembly.

3. Background information

MANDATE OF UNIDO

- UNIDO is the only UN specialized agency mandated to promote inclusive and sustainable industrial development. UNIDO takes a holistic approach in this regard: it provides technical cooperation and policy advisory services that are based on its own in-house analysis and research.

ROLE OF UNIDO AND THE SDGs

- Poverty remains the central challenge of our world, and is closely related to issues such as migration, peace and security.
- Historical evidence and comprehensive analysis demonstrate that sustainable industrialization is indispensable to address these issues.
- UNIDO's approach is about "teaching how to make and use a fishing rod" rather than "handing out fish" (example of the UNIDO programme for the local pharmaceutical manufacturing of essential generic drugs in Africa vis-à-vis the humanitarian approach of distributing medication).
- Industrial development is an unparalleled driver of economic growth, transformative change and social progress, through the provision of stable employment, decent jobs and increased incomes.
- UNIDO's role in international development has never been more relevant than today.
- UNIDO's goal of achieving *inclusive and sustainable industrial development* (ISID) is explicitly recognized in the 2030 Agenda for Sustainable Development, adopted by all world leaders on 25 September 2015, specifically in SDG goal 9 "Build resilient infrastructure, promote sustainable industrialization and foster innovation".

WHAT WE DO

- UNIDO's work is targeted at poverty reduction through job and wealth creation, trade capacity-building, food security, and energy and environment.
- Example agri-business to address food security and reduce poverty: a large share of agricultural produce in developing countries does not undergo local processing, thus implying substantial post-harvest loss and food waste. UNIDO provides a variety of services to assist developing countries in adding value to agricultural produce, while generating employment opportunities for rural communities. UNIDO also helps establish value chains and links between resources and markets.
- Example energy: UNIDO's energy-related programme portfolio includes the promotion of energy efficiency policies, technologies and practices, as well as renewable sources of energy for the facilitation of productive activities. UNIDO also has an established convening role in this area, it is the founder of the Vienna Energy Forum, a leading global event on climate change issues organized every second year since 2009.
- UNIDO also has a strong record of post-crisis interventions aiming at the restoration of livelihoods and productive capacities devastated by armed conflicts and natural disasters, as well as at building resilience by creating economic opportunities and fostering self-reliance of the affected people.

- While political instability and war may be one reason for large numbers of refugees making their way to Europe, the lack of job opportunities and income as well as extreme poverty is recognized as the other main cause for migration. Through the above-mentioned projects and programmes, UNIDO addresses the root causes of social instability, with targeted interventions to improve food security, job and wealth creation and energy access as those issues that contribute to social stability and peace.
- With its presence in the field of regional and country offices and UNIDO desks, UNIDO covers 116 countries and manages technical cooperation projects in all regions of the world, with specific emphasis on the Least Developed Countries (LDCs).

EFFICIENCY

- UNIDO is one of the most reformed UN organizations. The Organization's increased efficiency is highlighted by a 240% increase in its technical cooperation delivery over the past ten years. At the same time, UNIDO has also substantially increased its mobilization of voluntary financial resources, testifying to the growing international recognition of the Organization as an effective provider of development services. This increase has been accomplished with virtually stable staff levels and a reduced regular budget over the past 15 years.

BUDGET

- The annual contribution to the UNIDO regular budget amounts to approximately 0.04% of the total proposed Danish development cooperation budget in 2016 (DKK 14.8 billion).
- In 2014, the assessed contribution of Denmark to the UNIDO regular budget amounted to DKK 5.3 million (€713,354), while the expenditure for core staff members and experts with Danish citizenship amounted to DKK 6.7 million (€891,751) in that year. Moreover, annual procurement returns to Danish industry and companies averaged DKK 6.7 million (€895,100) over the past five years.
- This illustration in mere financial terms shows that the benefits of Danish procurement and salaries to Danish staff (total of DKK 13.4 million) outweigh the costs of assessed annual contributions by the Government of Denmark (total of DKK 5.3 million).

UNIDO IN COPENHAGEN

- UNIDO is already showing presence in Copenhagen with an office of the Climate Technology Centre and Network (CTCN) in the UN City in Copenhagen.
- Following the visits of the UNIDO Director General to Copenhagen in October 2014 and March 2015, and based on a formal offer by the Government of Denmark in May 2015, UNIDO's management has taken the decision to expand its local representation by establishing a UNIDO Nordic office in the UN City Copenhagen. UNIDO is currently finalizing preparations for the establishment of such an office.

INVESTMENT PROMOTION AND PRIVATE PUBLIC PARTNERSHIPS

- UNIDO also promotes investments and technologies of advanced industrialized countries to developing countries and aims at enhancing trade between the "North" and the "South". The UNIDO Nordic Office is also planned to contribute to promoting the interests of Danish industries in the developing world.
- UNIDO takes a lead role within the UN system for cooperation with the private sector. In October 2012, for example, UNIDO entered into a partnership with the Carlsberg Group, the world's fourth largest brewing company, and its subsidiary Baltika Breweries for a project to reduce natural resource and water consumption, pollution and greenhouse gas emissions.

TRADE CAPACITY-BUILDING

- UNIDO is one of the largest providers of trade-related development services, offering customer-focused advice and integrated technical assistance in the areas of competitiveness, trade policies, industrial modernization and upgrading, compliance with trade standards, testing methods and metrology.

- The Norwegian development agency Norad recently reviewed UNIDO's trade capacity-building programme and called UNIDO a leading implementing agency within the Aid-for-Trade family "playing a special and somewhat unique role" and "widely recognized as a centre of excellence in this area".

4. Examples of the Denmark-UNIDO Cooperation

UNIDO Nordic Office in Copenhagen

- UNIDO is already showing presence in Copenhagen with an office of the Climate Technology Centre and Network (CTCN) (see separate fact sheet).
- Further to the visits of the UNIDO Director General in October 2014 and March 2015, and based on the formal invitation of the Government of Denmark in May 2015, the management of the Organization has nevertheless taken the decision to expand its local representation by establishing a UNIDO Nordic office in the UN City Copenhagen.
- UNIDO is finalizing preparations for the establishment of such an office, which would contribute to promoting the interests of Danish industries in the developing world.

Recent official visits to Denmark

Since taking office in June 2013, the UNIDO Director General has visited Denmark twice — in October 2014 and March 2015.

Meetings with senior management of the private sector and business interest organizations included meetings with the Confederation of Danish Industry, Danfoss, Project Zero, State of Green, Vestas Wind Systems, or LEGO.

The Director General also met with Government representatives, such as the Minister for Trade and Development, the Minister of Foreign Affairs, and the then Speaker of the Parliament of Denmark.

The Director General also participated in the Global Green Growth Forum 2014 where he addressed the plenary session on "Transforming our Economic Growth paths".

He was also invited as keynote speaker at the 8th Public Private Dialogue Workshop and spoke on "inclusive and sustainable industrial development - Social and environmental challenges in a sustainable and lasting manner" in March 2015.

At the occasion of the meeting with Her Royal Highness Crown Princess Mary, the Director General also invited Her Royal Highness to consider becoming a UNIDO Goodwill Ambassador on Gender Equality and Empowerment of Women.



Photo from left to right: DG Li Yong ; CEO of DI, Karsten Dybvad ; HRH Crown Princess Mary ; Minister of Development Mogens Jensen ; Second photo: Mr. Mogens Lykketoft, Speaker of the Parliament of Denmark and now President of the 70th Session of the UN General Assembly

UNIDO project cooperation with Carlsberg

A growing number of industry leaders are recognizing that aligning business strategies, operations and supply chains with sustainable development outcomes is not only a social responsibility, but also increasingly a business imperative. Adopting more socially inclusive and environmentally sustainable business operations helps to mitigate risk, develop new markets, and cultivate sustainable relationships with suppliers, customers and investors.



- Due to its mandate, UNIDO is in a unique position to establish partnerships with companies, thus harnessing the expertise, know-how and resources of the private sector to tackle important global industrial development issues.
- In October 2012, UNIDO entered into a partnership with the Carlsberg Group, the world's fourth largest brewing company, and its subsidiary Baltika Breweries.
- With the support of the Global Environment Facility, this partnership aims to reduce natural resource consumption, pollution and green-house gas emissions, while also improving the agro-ecosystem and water systems.
- The overall objective of the public-private partnership is to demonstrate a replicable approach of how the subsidiary of Carlsberg, as a corporate socially responsible industrial player, can become a pro-active steward for resource efficient cleaner production along its entire value chain.
- While project implementation is currently being put on hold due to external factors, representatives of Carlsberg group voiced their satisfaction about the cooperation with UNIDO.



“The role the UNIDO partnership has played within Carlsberg is not only that of driving environmental solutions in a progressive innovative business mode which we believe is the way forward across our entire business, but that it has also acted as an agent of change to shift our thinking towards a more sustainability oriented supply chain.”

Senior Management of Carlsberg

Photo from left: Isaac Sheps, former Senior Vice President of Carlsberg Group in Eastern Europe and President of Baltika Breweries; Sergey Korotkov, Director of UNIDO's Investment and Technology Promotion Office in the Russian Federation; and Crown Princess Mary of Denmark. (Photo courtesy of Carlsberg Group)

UNIDO and the Montreal Protocol

The Montreal Protocol on Substances that Deplete the Ozone Layer is an environmental treaty adopted by the international community to protect human health and the environment by phasing out a number of man-made chemicals with adverse effects on the ozone / ozone layer. It is one of the most successful environmental agreements to date, as for instance the concentration of chlorofluorocarbons (CFCs) in the ozone layer is expected to decline to pre-1980 levels by 2050.

- UNIDO became an implementing agency of the Montreal Protocol in 1992 and is proud to be associated with its success.
- UNIDO has particularly excelled in promoting innovative technologies based on ozone-friendly chemicals and clean manufacturing processes.
- These activities directly reduce emissions of gases that both deplete the ozone layer and contribute to climate change.
- The Organization’s performance is continuously highly rated by the Executive Committee of the Multilateral Fund: out of 13 evaluations since 2001, UNIDO was ranked 11 times as the top implementing agency, and second only twice (in 2002 and 2007).
- UNIDO’s Montreal Protocol projects, however, go beyond the mere elimination of ozone-depleting substances. They also contribute to the introduction of new, clean and up-to-date technologies; the upgrade of production lines with brand new equipment; and, the dissemination of adequate training on technology and industrial safety, including human health aspects. Not only does this allow for better access to new markets, it also keeps businesses alive and promotes modern technologies in developing countries.



Source: The Economist, 20 Sept 2014



- The CTCN is the operational arm of the United Nations Framework Convention on Climate Change (UNFCCC) Technology Mechanism, with the objective to enhance action on the development and transfer of technology for action on climate change.
- It is hosted by the United Nations Environmental Programme (UNEP) in collaboration with the United Nations Industrial Development Organization (UNIDO) and supported by 11 partner institutions with expertise in climate technologies.
- The Centre facilitates a Network of national, regional, sectoral and international technology centres, networks, organizations and private sector entities.
- The CTCN maintains an office in the UN City Copenhagen and closely collaborates with Danish stakeholders.
- Three institutions from Denmark are members of the CTCN Network:



Grue + Hornstrup A/S is a private sector organization founded in 1981 with a primary focus on electrical and building services engineering in the Danish building sector. G+H is currently owned by four partners. In the year 2000-01 G+H started some of the first climate change related projects to reduce greenhouse gas emissions from energy installations under the UN's Joint Implementation program.

NIRAS A/S is a private sector, international, multidisciplinary consultancy company established in 1956. It has over 1400 employees located in offices in Europe, Asia and Africa. It provides impartial consultancy in a variety of fields such as construction and infrastructure, public utilities, environmental and natural resources, climate change and energy, planning, and development consulting.

Quercus Group is an advisory type of an institution established in 2012 with the mission to positively improve and optimize living conditions for people and the working climate for public and private enterprise in the face of globalization. Quercus Group works with regional economic development in three main areas: Cluster Development, Network and Partnership facilitation, Investment and export promotion.

UNIDO's Trade Capacity-Building Activities

UNIDO is one of the largest providers of trade-related development services, offering customer-focused advice and integrated technical assistance in the areas of competitiveness, trade policies, industrial modernization and upgrading, compliance with trade standards, testing methods and metrology.

The relevance of UNIDO's competencies and unique value added has been confirmed through several independent studies, reviews and analyses, among which:

1. An independent evaluation commissioned by the Norwegian Agency for Development Cooperation (Norad) in 2015, entitled "Review of Norad's support to UNIDO's Trade Capacity Building Programme 2005-2013".
The report notes in particular that *"UNIDO plays a special and somewhat unique role in the TCB-field and is widely recognised to form a "centre of excellence" in this area"*.
2. A study undertaken by the Norwegian Agency for Development Cooperation (Norad) in 2011 on "Norway's Trade Related Assistance through Multilateral Organizations: A Synthesis Study". The study covered nine multilateral organizations and multilateral trade-related programmes and concluded in the case of UNIDO that *"UNIDO appears to be delivering good value for money in the field of standards and quality, an area where the organization has a unique competence internationally, which also Norway has played a key role to develop."*

UNIDO's competencies have also repeatedly been recognized by the European Commission, which is funding several large scale regional and national programmes, notably in West and Central Africa, and has become one of the largest donor's towards UNIDO's programmes of technical cooperation. Overall, voluntary contributions towards trade capacity building programmes of UNIDO exceeded USD 42 million in 2014 alone.

UNIDO is also well-known for its contributions towards promoting greater coordination and coherence among all relevant multilateral and bilateral development partners in the field of trade capacity building notably with development of the first edition of the *Trade Capacity Building Inter-agency Resource Guide* in 2008, followed by enhanced editions in 2010 and 2015.