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UNIDO TECHNICAL ASSISTANCE PROGRAMME IN SUPPORT OF TRADE PROMOTION

Communication by UNIDO

The following paper was received from the United Nations Industrial Development Organization (UNIDO) with the request that it be circulated to delegations. It reflects the presentation made by the UNIDO representative at the 29th Session of the CTD on 28 June 2000.

I. INTRODUCTION

1. Industry and trade have a strong correlation, as without productive and technological capacity, countries have limited ability to diversify their exports and engage in high value added, international trade. So from a supply-side perspective, much of what UNIDO does, impacts on the developing countries ability to trade at the national, regional and international level, and thus their ability to overcome poverty.

2. By the nature of UNIDO's work and mandate, UNIDO's contribution to trade promotion is through promoting the industrial competitiveness of developing countries, improving their productive capacities and addressing overall supply-side conditions. By concentrating on the linkage between agriculture and industry, particularly in Africa, UNIDO responds to the urgent need for diversification of their largely commodity-based economies.

3. UNIDO has engaged in a major reform process that was launched in early 1998. Since then, UNIDO has drastically reoriented its operations, both on the administrative and organizational level, but most importantly on the programmatic level. Basically, UNIDO has been refocusing its services into 16 core services in pursuit of sustainable industrial development, which the organization defines as *competitive economy*, *productive employment*, and a *sound environment* (the so-called 3 E's). These basic dimensions capture the essence of UNIDO's services, intended to enhance the competitiveness of enterprises and of the countries in which they operate, to address and prevent ecological problems in industrialization, and to stimulate the creation of productive jobs.

II. UNIDO SERVICES IN THE FIELD OF TRADE PROMOTION

4. The following technical assistance services render support to developing countries and economies in transition, from a trade and supply-side perspective:

- formulation of industrial or supply-side policies. The main objective of this service is to encourage good industrial governance by providing policy advice and build institutional capacity for policy analysis and formulation. In the process of policy formulation and implementation, UNIDO suggests to set up public-private sector consultation mechanisms so

as to fully involve the private sector and tap into its developmental potential. Often a environmental policy element is being introduced, such as in China, where UNIDO is conceiving strategies for the competitiveness of key sectors, in particular the automotive sector.

- sub-sectoral support. Under this service modules, UNIDO seeks to strengthen the link between agriculture with industry and to upgrade entire productive systems in the agro-industry sector. In line with UNIDO's comparative expertise, priority sectors include food processing, textile and leather, wood, agro-machinery and chemicals. To enable the production of competitive goods of consistent quality demanded by the specific markets, UNIDO pursues a holistic approach, involving the full range of sector-specific and cross-sectoral institutions and policy issues. Projects also integrate factory-level support, such as technology assessments and on-the job training on technology transfer issues, product quality, process optimization, maintenance, cost minimization and product safety.
- continuous improvement and quality management at the productive level. The aim of this service module, is to restructure and upgrade industries to enhance their competitiveness, through the introduction of quality management principles. At the institutional level, UNIDO works with local institutions which are being trained in enterprise diagnosis, technical audits, performance improvement and good manufacturing practices. Through these institutions, UNIDO works directly with enterprises which are being coached in the implementation of the financial and operational restructuring plans.
- support to standardization, certification and metrology bodies. The aim of this service module is to strengthen country's standardization infrastructure together with national capacities at government, institutional and enterprise level. This involves the technical and managerial upgrading of national or regional standardization bodies. It also involves the establishment or improvement of certification and accreditation procedures. National and regional certification and accreditation bodies are being supported to achieve international recognition of certification for products, systems, laboratories, tests and technical personnel. Institutions in turn improve the capacity at the enterprise level for improved product and process quality, export performance, environmental performance and certification to relevant international standards.

A good example of this service module has found application in Tanzania and Uganda, whose exports to the EU were banned due to the contamination of fish from Lake Victoria. In parallel with the introduction of safety regulations and inspection standards, UNIDO has been setting up a laboratory and certification procedure to ensure compliance with EU regulations. As a result, Tanzania managed to obtain re-access of its fish products to the European market during 1999, while the ban on Uganda fish exports is about to be lifted.

- cleaner production programmes, pollution control and waste management. The objective is to create a sustainable balance between industrial development and environmental management and conservation.

By advising on appropriate clean and waste management technologies and related production processes, UNIDO seeks to reduce environmental degradation and pollution caused by industrial production. A centrepiece in this endeavour are national cleaner production centres (CPCs), which provide advisory services on cleaner production technologies to the local industry. UNIDO has established CPCs in some 17 countries (including Guatemala, Morocco, the Russian Federation, Hungary, India, Nicaragua, Mexico, Slovakia, Tunisia,

Tanzania, Vietnam and Tanzania), while an additional three are planned in Ethiopia, Kenya and Mozambique.

A sector-specific centre, focussing on the oil and gas industry, was established in the Russian Federation. In the pesticide sector, a regional cleaner production and information programme covers some 15 countries in Asia and the Pacific. This resulted in the banning of the most persistent and toxic pesticides and facilitated the introduction of new environmentally friendly and bio-pesticides.

- private sector and enterprise development. UNIDO places private sector development at the core of its vision and technical assistance and fully subscribes to the global shift away from government intervention towards the creation of an environment in which market forces play a dominant role.

UNIDO projects are based on an integrated support strategy, that may include the promotion of a more favourable policy and institutional environment for SMEs, the strengthening of business service centres and business incubators with a view to create, expand and modernize private enterprises. They may also involve the formation of SME clusters of enterprises to allow for collective business strategies. Such an integrated private sector development programme is under implementation in Guinea, where the types of enterprises targeted vary from micro and small enterprises (such as artisans in the traditional textile sector) to formal, medium-sized enterprises (ready to engage in partnerships with foreign investors).

In addition, UNIDO is increasingly establishing linkages with institutions and enterprises in the private sector of developed and developing countries, many of which become partners in projects or providers of technical expertise. In India, for example, UNIDO has forged a multidisciplinary partnership with FIAT, INSEAD, the Prince Of Wales Business Leaders Forum, the Automotive Component Manufacturers Association, the Automotive Research Association of India, and the Government of India. The aim is to strengthen the supply chain of Indian SMEs in the automotive component sector, with a view to linking them to global supply chains of multinational car manufacturers. Through provision of shop floor interventions by international experts in areas such as quality, productivity and organization, Indian SMEs are being upgraded to meet international quality levels and become accredited to multinational buyers.

- investment and technology promotion. Investment and technological innovation are the prime movers of economic development and globalization. To achieve sustainable increases in investment and technology flows, UNIDO strengthens local investment promotion agencies in the promotion and negotiation of foreign investment and technology projects, with a view to forming international industrial partnerships, particularly among SMEs. To this end, UNIDO offers a package of tools and methodologies for the formulation and appraisal of investment projects, their promotion towards foreign investors, the finalization of cooperation agreements as well as linkages with the financing system.

III. INTEGRATED PROGRAMMING STRATEGY

5. A central element of UNIDO's reform, was not only the focussing and streamlining of its technical assistance services, but also a rethinking in the way these services are being delivered. While in the past, UNIDO would address support requirements through small projects isolated from each other, the new strategy is to package services into integrated country programmes, with

well-defined linkages among the various components allowing for a more holistic approach and multi-disciplinary solutions.

6. Since 1998, integrated programmes have become the main vehicles for UNIDO's technical cooperation activities. Currently there are 37 ongoing programmes, of which 12 are in Africa, 9 in Arab Countries, 6 in Asia and the Pacific, 4 in Eastern and Central Europe, and 5 in Latin America and the Caribbean. Of the total, 11 are in LDCs (see annex for full list of countries).

7. These integrated programmes are on average based on four to five service modules, have a duration of three years, and an average budget of USD 6 million. Cross-cutting themes are agro-based sectoral support, quality and standardization and SME and private sector development. Admittedly, the mobilization of full funding remains a challenge. Operating on the basis of seed money allocated from the Industrial Decade from Africa and various donor contributions to UNIDO's Industrial Development Fund, UNIDO is strongly advocating government ownership in the funds mobilization process.

IV. COOPERATION AND COORDINATION WITH THE WTO

8. UNIDO is not a member of the core group of six agencies under the Integrated Framework for LDCs. However, UNIDO is an associated partner and participates in the roundtable preparations, if it is so requested by Governments. In the case of Tanzania, Haiti, and Guinea (and Madagascar, which is currently preparing a roundtable later in the year), UNIDO's supply-side oriented technical assistance programmes were included in the multi-year technical assistance packages presented at the roundtable meetings.

9. UNIDO has been seeking coordination with the JITAP programme, so as to ensure compatibility between the trade promotion and supply-side support. This is particularly important, as in five of the eight JITAP countries, UNIDO has ongoing integrated programmes under implementation (Burkina Faso, Côte d'Ivoire, Ghana, Tanzania and Uganda). Coordination is pursued at the level of the ITC management unit and through the focal points at the field level.

10. In a current initiative, UNIDO is exploring a cooperation programme with the WTO in the field of TBT and quality and standardization related support. An initial idea is to set up a global monitoring system to record countries constraints in complying with international standards and to identify their specific needs to overcome constraints at policy, infra-structural or technical capacity level. The aim is to initially involve some twenty African countries and to draw up dedicated technical assistance programme to address the identified needs.

ANNEX

UNIDO Integrated Programmes under Implementation
(Status: July 2000)

Africa

Burkina Faso
Côte d'Ivoire
Eritrea
Ethiopia
Ghana
Guinea
Mali
Mozambique
Rwanda
Senegal
Uganda
UR Tanzania

Arab

Algeria
Egypt
Jordan
Morocco
Palestine
Saudi Arabia
Sudan
Tunisia
Yemen

Asia

India
Iran (Islamic Rep.)
Lao PDR
Nepal
Pakistan
Sri Lanka
Thailand

Europe

Armenia
Russia
Tajikistan
Uzbekistan

Lac

Bolivia
Colombia
Cuba
Guatemala
Honduras
