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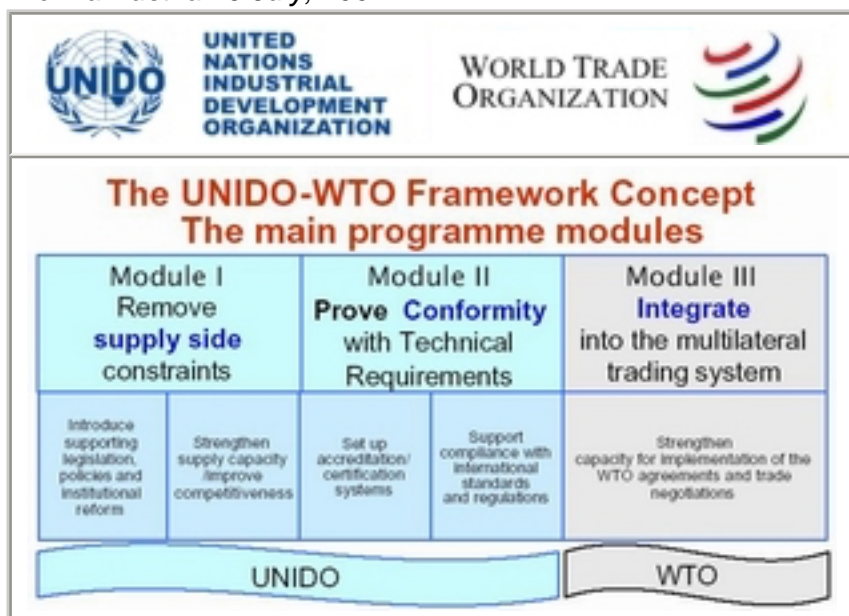
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WTO - UNIDO Report on implementation of Trade Capacity Building Agreement UNIDO Director-General says effort needed to improve metrics

Vienna Austria 19 July, 2004



During the WTO Ministerial Meeting held in Cancun in September 2003, WTO Director-General Supachai Panitchpakdi and UNIDO Director-General Carlos Magariños signed a Memorandum of Understanding (MoU) (see [UNIDOScope 14 - 20 September 2003](#)). The agreement further integrates UNIDO's activities in strengthening developing countries' supply side capacities and ability to prove conformity to international standards and regulations, with the WTO's activities in strengthening developing countries' capacities to engage in trade negotiations and implement WTO agreements. UNIDO approved a technical assistance project in January 2004 to begin implementation of the MoU.

[bigger picture of framework available here](#)

[joint WTO-UNIDO progress report available for viewing or downloading](#)

"The MOU between UNIDO and WTO fills an important gap, as nowhere else supply side, regulatory and market access issues are addressed in such a comprehensive manner." WTO Deputy- Director General Kipkorir Aly Azad Rana, Vienna July, 2004

On 19 July, 2004, a WTO delegation led by WTO Deputy Director - General Kipkorir Aly Azad Rana, who is responsible for WTO technical cooperation and the UNIDO Secretariat presented a [Joint Progress](#)

[Report on the Implementation of the WTO-UNIDO MoU](#) to UNIDO Member States at a meeting of UNIDO's Informal Consultative Group on Trade Capacity Building. Dr. Rana said at the meeting that "The MOU between UNIDO and WTO fills an important gap, as nowhere else supply side, regulatory and market access issues are addressed in such a comprehensive manner."

In his opening remarks at the meeting Director-General Magariños thanked Dr. Rana for the intervention he made with respect to the WTO-UNIDO MoU at the recent ECOSOC meeting which highlighted the connection between trade negotiations and the capacity of developing countries to supply goods and services. The

Director-General said that this fact "is very much noted and ever more recognized by developed and developing countries alike during their discussions on how to move forward." He encouraged member states' involvement in further refining the implementation of the WTO-UNIDO and said that "After today's meeting, we hope to move in two major lines: mobilize more funding and getting member states' advice in adjusting interventions and adding more countries, based on successes in the first nine pilot countries."

The Director-General suggested that on the margins of the next Industrial Development Board (IDB) in November, a second analysis of the actions taken within the first year of the MoU could be done, and invited Dr. Rana and his delegation to attend. "The important thing is that the outcome of informal meetings like this can be translated into decisions and resolutions of our governing bodies and actions to be taken by member states. "To be successful any memorandum of understanding must meet two conditions: it must be well designed from the outset; and the parties have to feel a commitment to producing results and be willing to submit the outcome to analysis and audit." said the UNIDO Director-General.

Referring to the [Dakar Declaration, signed at the Third Ministerial Trade Meeting of LDCs](#) (Dakar, Senegal 4-5 May 2004) and the [Kigali Declaration on the Doha Work Programme](#) and [Kigali Consensus on the Post-Cancún Doha Work Programme](#) adopted by the African Union Trade Ministers (27-28 May 2004) the Director-General also thanked UNIDO Managing Director Abel Rwendiere and Assistant Director-General and Director of UNIDO's Geneva office Alberto di Liscia for their success in achieving recognition for the WTO-UNIDO MoU.

WTO Deputy Director - General Rana began his contributions to the meeting by acknowledging that "it is always good to assess what has been done, what remains to be done and how it can be done better." He said that after signing the MoU the two organizations have moved very fast. "Given the limited human resources available in the two organizations that could devote their time to these new activities, it is fair to say that much has already been accomplished in a little time. It should also be noted that these joint activities come on top of already heavy work programmes of the two organizations, thus adding to the pressures of our staff. I would like to particularly commend our colleagues from UNIDO for having taken the lead on many of these events, and having done an excellent job in the preparations." He thanked UNIDO field offices and national authorities for their participation and commitment. "Very good team spirit between UNIDO and WTO staff has existed from very beginning and evolved and deepened in time" the WTO Deputy Director-General said, adding that both he and the WTO Director-General, Dr. Supachai are both "quite encouraged" by the outcome of the "kick-offs". "It fits very well with the objectives of the Doha Round, and needs to be pursued with the same vigour and expanded to a larger group of countries if possible." he said.

On the question of further funding for the joint programme, Permanent Representative of the UK to UNIDO, Peter Jenkins, who chaired the meeting, expressed his reservations on the idea of donor pledging conference and put a question to Austria's Representative at the meeting, Herbert Kröll, on the idea. Both expressed a preference for putting the onus on the potential beneficiary to mobilize funding by talking to some of their traditional partners to include it in their bilateral funding programmes. "The Trade Capacity Building programme is stressing ownership, partnership and this is where the action should take place. The drive should first of all come from the partner countries." said Ambassador Kröll. "There seems to be plenty of enthusiasm among the partner countries to do this." he continued, "I was very impressed in Sao Paulo at UNCTAD XI that several of the IF ([Integrated Framework on Trade-related Technical Assistance to Least Developed Countries](#)) partners raised this issue and were saying that this important element: concrete action to remove supply side constraints is missing in the IF. We are talking about integrating trade into development but what we need is concrete action to have more exportable goods to have more trade."

The introduction of the topic of the IF at the meeting prompted the UNIDO Director-General to comment. "I saw the launching of the IF in 1997, by the then Director General of WTO, Renato Ruggiero. The intention was to help the developing countries and particularly the LDCs to integrate into the multilateral trade system. At that moment there were many initiatives on the table, including competition policies, standards, metrology, and other aspects of supply side constraints. I think we can safely say that it is very disappointing to see seven years later, that not a single country managed to get concrete technical assistance or funding to overcome constraints in the trade field through the IF.

If we don't say that, the problem will be with us forever and we will not be able to help developing countries in the future. It is not my place to say that the IF was bad or wrong and I am not saying that. But the strict observation of facts shows that seven years later that there is no single country that received significant funding to solve their trade problems. So that system, one way or another, does not work.

Lets think what can work. To understand what can work, we need to understand why the IF failed to produce significant funding for the developing countries. One of the main problems (and this is a problem that relates not only to trade but to many other development aspects in the multilateral system) is that measurement, or the metrics, of development economics are too poor.

It is very difficult to measure economic development vis-à-vis donor contributions. We know how many dollars per capita we need to improve the health systems in developing countries, and we also know how many dollars per capita to improve education systems there. But do we know how many dollars per capita we need to increase competitiveness and overcome supply side constraints, to increase conformity with market requirements, or to enhance integration in the multilateral trading system. Do we know how this is defined so we can calculate the investment we need to make there?

For example, Michael Finger, the World Bank's Lead Economist for Trade Policy and economist Julio Nogues calculated that to develop conformity bodies in least developed countries (LDCs) could be as expensive as to finance the health or education system in these countries. Their conclusion was that it does not make sense to promote the adoption of conformity bodies in each LDC because they will never be able to afford it. Instead they recommended a regional approach, which is what we are doing in UEMOA ([West African Economic and Monetary Union - Union Économique et Monétaire Ouest Africaine](#)) with funding from the European Union.

We have at least got that far, but we have a serious problem with measurement, with metrics. Unless we solve the problem of metrics it will be very difficult to increase funding or to succeed with a donor conference.

At the heart of this WTO-UNIDO strategic partnership you can see an attempt to improve the metrics. These measurements will be based on the action plans that are prepared after the seminars. In our presentation we gave a preliminary estimate to cover issues identified in the kick-off seminars for each country of between Euros 1 to 5 million. This is what we need to improve and I hope that through the implementation of this memorandum we will be able to do that. By the end of the year, by the time of UNIDO's Industrial Development Board meeting we will be able to give member states some better foundation as a basis for a successful donor conference.

We know that to organize a donor conference can take as long as one year. So when my colleagues proposed the idea to WTO partners and we did an analysis on this, we thought it would be a good idea to test with you the rationale organizing such a gathering, once we have enough substantive information.

It is not only a problem with the IF, it is a problem related to most activities in the economic development field, due to the lack of good metrics in development economics. This is what we aim to address when we develop this programme."

Drawing conclusions from the meeting, Chairman Peter Jenkins asked donor country representatives to get in touch with their capitals and try to form a picture of what it would take for their authorities to start looking kindly on the possibility of funding some of the activities identified in the pilot exercises. On the developing country side, he asked that representatives report back what they had learnt and ask their authorities to consider whether they would be interested in benefiting from the process.

The [joint WTO-UNIDO progress report](#) and [presentation made by UNIDO's Trade Capacity Building specialist, Gerardo Patacconi](#) are available here for viewing or downloading.

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Africa Productive Capacity Initiative adopted by African Union as NEPAD component on industrial development

Addis Ababa, 7 July, 2004



The [African Union Summit in Addis Ababa](#), on 7 July 2004 adopted the African Productive Capacity Initiative (APCI) as the New Partnership for Africa's Development (NEPAD) component on sustainable industrial development. Supported by UNIDO, the Conference of African Ministers of Industry (CAMI), the Regional Economic Communities and African national authorities, the APCI is evolving into the policy framework for Africa's industrialization effort.

Trade without production is not sustainable. With merely 2.2% of the world share of merchandise trade (almost 75% of the world merchandise trade in 2002 were manufactured products), it is crucial for Africa to enter an in-depth transformation process in the development of its productive capacity.

While moving towards an African consensus on sectoral action plans and road maps, focused sub-regional cross-cutting programmes and projects in 2004-2005, the APCI has developed several integrated programmes at national, regional and sectoral levels. These aim to advance the implementation of productive capacity as part of NEPAD and of reaching the Millennium Development Goals (MDGs).

The APCI takes a bottom-up approach at the sub-regional levels, to enhance inter-firm and inter-regional cooperation within value chains to promote African comparative advantages, strengths and competencies in global and local production networks. It emphasises the enhancement of private ownership and a supportive legislative and regulatory environment and the harmonization of industrial policies. The issues of quality infrastructure, energy supply, information and communication technology and clean technology diffusion, up-grading of skills are also addressed.

A core group established by CAMI and NEPAD which include the African Union, UNIDO, representatives of organized private and public sector institutions and selected donors and knowledge centers, will help provide resources to the Africa Productive Capacity Facility (APCF). The APCF is the flexible funding mechanism planned for the APCI as a successor to the previous facility dedicated to Africa's industrialization under the Industrial Development Decade for Africa. To launch the overall transformation process, Cameroon contributed with EUR 50 thousand and UNIDO with EUR 1.7 million, hoping that this would encourage African countries and donors to support the APCF and to ensure an effective African ownership of the APCI. CAMI, NEPAD and UNIDO have established an APCI Support Group, which aims to advocate and mobilize resources especially with development finance institutions and the diaspora.

The APCI aims to gradually transfer leadership in the African productive sector from states to private stakeholders. It promotes the recognition that the development of productive capacity should be part of all Poverty Reduction Programmes in Africa based on Ministry of Finance/Planning support to the Ministry of Industry.

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