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## **UNIDO Industrial Development Report - more room needed for private sector development**

*Vienna Austria 20 July, 2004*



"It is all about industrialization, from the fertilizers you need to enhance productivity, to processing, to packaging." Ghana Minister of Trade and Industry, Alan Keyrematen, Vienna, 2004

"need to strengthen the supply of public goods to allow SSA countries to increase productivity, develop the private sector and achieve market access." UNIDO Director-General, Carlos Magariños, Vienna, 2004

[bigger picture here](#)

If the PRSPs are designed to be the economic blueprints for African countries and you cannot see the hand of industrialization, there is a major problem.... we have to reengineer them to reflect the value of industrialization." ( [view or download Minister Keyrematen's remarks](#) )

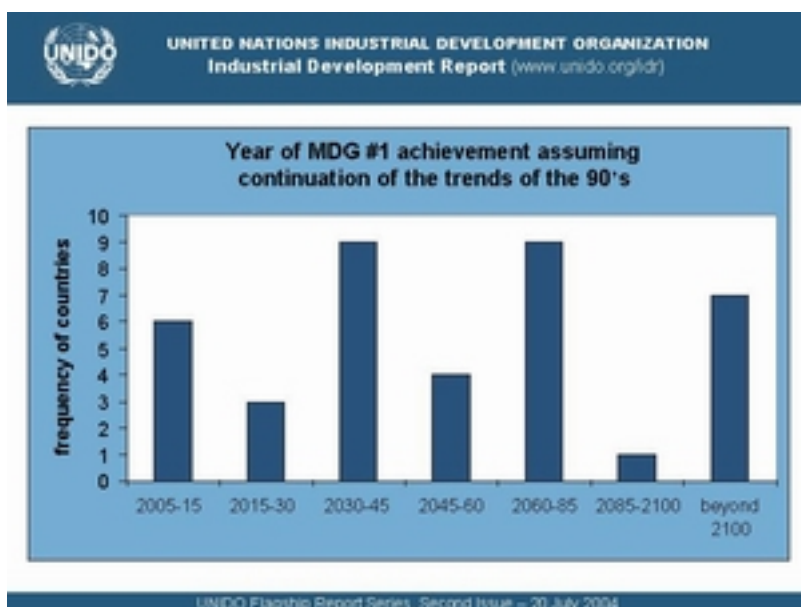
In keeping with the format of the IDR Series, IDR 2004 has two sections. One section contains the Competitive Industrial Performance (CIP) Index. The second section is a thematic one, devoted to a particular subject or topic. [The first report](#) , issued last year, focused on the problem of innovation and learning and the importance and relevance of global value chains.

Introducing UNIDO's Industrial Development Report 2004 *Industrialization, Environment and the Millennium Development Goals in Sub-Saharan Africa: The New Frontier in the Fight Against Poverty*, UNIDO Director-General Carlos Magariños said that the Poverty Reduction Poverty Papers (PRSPs), the best-known mechanism of multilateral efforts to help developing countries escape the poverty trap, "do not give enough room for private sector development". Ghana's Minister of Trade and Industry, Alan Keyrematen, who was in Vienna especially for the launching of the Report, made it clear what private sector development means to him, "It is all about industrialization" said the Minister, "from the fertilizers you need to enhance productivity, to processing, to packaging. The Millennium Development Goals give a sense of hope, but we have to look more seriously at what it takes to reach those goals and continually come back and reemphasise the primacy of industrialization.

In his introductory remarks, the UNIDO Director-General ([view or download remarks](#)) gave an overview of the CIP Index and explained the choice of this year's theme: Sub-Saharan Africa's (SSA) prospects of meeting the Millennium Development Goals (MDGs). This issue of UNIDOScope focuses on the latter.

The Director-General began by pointing out that between 1981 and 2000, the number of people living in extreme poverty in countries other than those in SSA decreased from 1,286 million, to 787 million, while in the same period in SSA the number increased from 164 million to 314 million. The number for the year 1990, which is the reference year for the MDGs, is about 219 million people. That means that, by the year 2015, as stated in MDG number one, the number of people living in extreme poverty in SSA has to be less than 110 million. "To be clear", said the Director-General, "to achieve the first MDG, we have to decrease the number of people living in extreme poverty in SSA from the current 314 million to 110 million maximum."

"For this to happen, we have calculated that in the absence of relevant changes in income distribution in SSA, the growth rates needed to achieve MDG #1 (halving extreme poverty by 2015), in per capita terms should be around five per cent." The Report shows the mean rate of per capita income growth needed from now until the year 2015, for countries located on the coast of Africa and for "natural resource rich" countries, is 4%; for landlocked countries the average per capita growth rate needed is 5%. The Report also states that the prospects of landlocked countries of reaching this five per cent per capita income growth rate depends a lot on the performance of the coastal countries, in particular, and the performance of the "natural resource rich" countries.



"We believe that unless further action is taken, most of the SSA countries will not be able to meet MDG #1 one until after the year 2030. If the trends of the 90s are maintained, only six countries will be able to do so 2015. A smaller group of countries (only three of them) will be able to meet the targets between 2015 and 2030. The great majority, (30 countries) will only be able to meet the target from 2030 onwards, with a significant number of them meeting the target after 2060." said the UNIDO Director-General. "That is why we want to call the attention of the international community to the need to take further action to ensure that SSA countries will have a chance of meeting MDG #1 by 2015."

"unless further action is taken, most of the SSA countries will not be able to meet MDG #1 one until after the year 2030"

IDR 2004 is at <http://www.unido.org/idr>  
Executive Summaries in [English](#) [French](#) [Spanish](#) are here

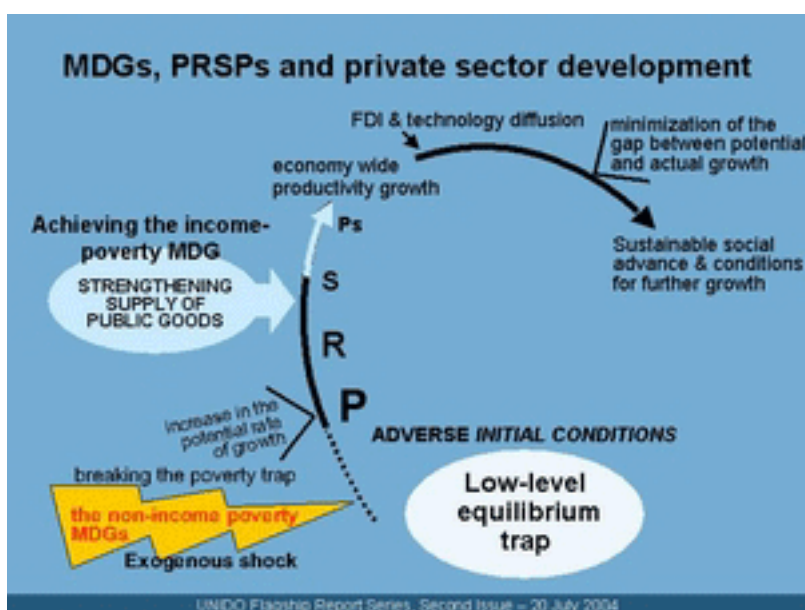
The MDGs are more than targets set by the international community for minimum levels of human and social wellbeing in poor countries. They are also basic preconditions

for sustained economic development. Most analysts now accept that social and economic development must proceed hand in hand and complement each other in vital ways. The improvements that MDGs envisage in health, education, gender, environment and infrastructure are essential if productive sectors are to grow and create employment. Only such improvements can provide the high-quality inputs needed for the productivity increase that sustained growth requires, and only the greater equity and opportunities implied in the MDGs can provide the social stability without which growth cannot succeed.

On the other hand, the achievement of MDGs also requires faster economic growth. The greatest shortfall in MDGs will be in the countries where poverty is already the worst, and where it has been rising fastest. The poorest SSA countries are, on average, also those that pose the greatest challenges in terms of required growth rates in order to achieve the MDGs. They have been making the slowest, or even negative, progress towards the poverty goal. In many SSA countries the MDG growth requirements greatly exceed the best they have achieved in the recent past.

MDG #1 is referred to as the "income poverty MDG". The other MDGs, the goals related to sanitation, health and education (referred to by the Bretton Woods institutions and others as the Human Development Goals) are the "non-income poverty MDGs". The Director-General drew attention to estimates given in IDR 2004 on per capita income growth the achievement of the "non-income poverty MDGs", (achieving universal primary education, of stopping the spread of HIV/AIDS and malaria and the relative contribution of halving the proportion of people without access to potable water, reducing maternal mortality and reducing infant mortality as well as promoting gender equality at secondary education) will bring about for SSA countries. The estimates given in the Report are: 1.4% for coastal countries; 1.5% for landlocked countries; and 1.6% for natural resource rich countries.

"As you can see, between the growth rates that could come about by the achievement of the non-income poverty MDGs and the required per capita income growth rates stated in the report, of four to five per cent on average, depending on the location of the country, there is a considerable gap. This means that, in the absence of significant changes in income distribution, SSA countries will have to fill a gap of three to four percentage points to achieve the MDG #1 by the year 2015."



The Director-General then proceeded to illustrate the relationship between the MDGs the PRSPs and the strengthening the supply of public goods for private sector development. "Most SSA countries are trapped in a "low level equilibrium" cycle, often called the poverty trap, related to adverse initial conditions, such as: geography; infectious disease burden; high fertility and infant mortality; low educational attainment; and poor infrastructure. These adverse initial conditions feed a process where you find a vicious causality relating low marginal productivity of capital to the inability to meet basic needs, low human capital, low or negative savings, low investment and low productivity. This is how pervasive absolute poverty is being fed back, thus reproducing the low adverse initial conditions. The objective of the "non-income poverty" MDGs (those related to health, education and sanitation) is to break out this low-level equilibrium trap and allow the

"unless we strengthen the supply of certain public goods and provide additional external and domestic shocks to the SSA economies, this "way out" from the vicious cycle of the poverty trap towards a virtuous cycle of sustainable social advance and conditions for further growth will not occur"

[see Director-General's remarks for bigger picture](#)

economy to move to a process where it can achieve economy-wide productivity growth."

"The non-income poverty goals represent an exogenous shock to break out of poverty trap, giving the possibility to increase the potential rate of growth (not necessarily the actual growth rate of the economy). The best-known mechanism of coordination of multilateral efforts to contribute to this process at the field level is the Poverty Reduction Strategy Papers (PRSPs). These PRSPs are meant to contribute to economy-wide productivity growth and to drive the economy into a sustainable process of social improvement and better economic conditions."

"What we see in our report is that, unless we strengthen the supply of certain public goods and provide additional external and domestic shocks to the SSA economies, this "way out" from the vicious cycle of the poverty trap towards a virtuous cycle of sustainable social advance and conditions for further growth will not occur. We would like to call the attention of the international community to the fact that it is absolutely necessary to invest in achieving the MDGs related to health education and sanitation. But, at the same time, it will also be indispensable, unavoidable, to make further investments to provide foreign market access to the African economies and to strengthen private sector development (PSD) so as to make the investments in health education and sanitation sustainable over time."

"We believe that action on this front is very necessary and very urgent. That is why we call the attention of our sister agencies in the system to the importance we give to the development of the private sector when we address economic development policies to the SSA economies. I am pleased to say that the call to our sister agencies in the UN System has worked well and many of them have responded positively and with interest. There was already a meeting called recently by the International Monetary Fund to review the way the Poverty Reduction Strategy Papers treat the topic of PSD. UNIDO was invited to provide its views and recommendations in this regard on the basis of the findings of this report."

"We think this is a major matter to be corrected. Currently the PRSPs, particularly in SSA, (and we have reviewed a large number of them) do not give enough room for private sector development. So, while we are recommending economic policies based on the importance of free market economies and PSD we are not providing to the developing economies the tools, not even the capacity, to supply the public goods that are required to foster and sustain the growth of an indigenous private sector, or to match investments coming from foreign markets. This applies particularly to SSA."

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## **Nigeria Industrial Information Centre and Ministry website launched**

*Abuja, Nigeria, 19 July, 2004*



a continuous computer literacy programme at Ministry of Industry

[Nigeria Industrial Information Centre Picture Gallery](#)

The Nigerian Ministry of Industry Industrial Information Centre (IIC) and the Ministry website <http://www.ufmind.gov.ng>, was formally launched in Abuja on 19th July, 2004. The IIC is a partnership between the Government; the Manufacturers Association of Nigeria (MAN); Lagos Chamber of Commerce; [Lagos Business School](#); and UNIDO. The project is financed by the Nigerian Government. The ceremony was conducted by the Head of the Civil Service of the Federation, Mahmud Yayale Ahmed, in the presence of the Minister of Industry, Magaji Mohammed, the Minister of Communication, Corlineus Adebayo, Permanent Secretaries from five Nigerian States and over 100 high-level participants from government, industry and development agencies.

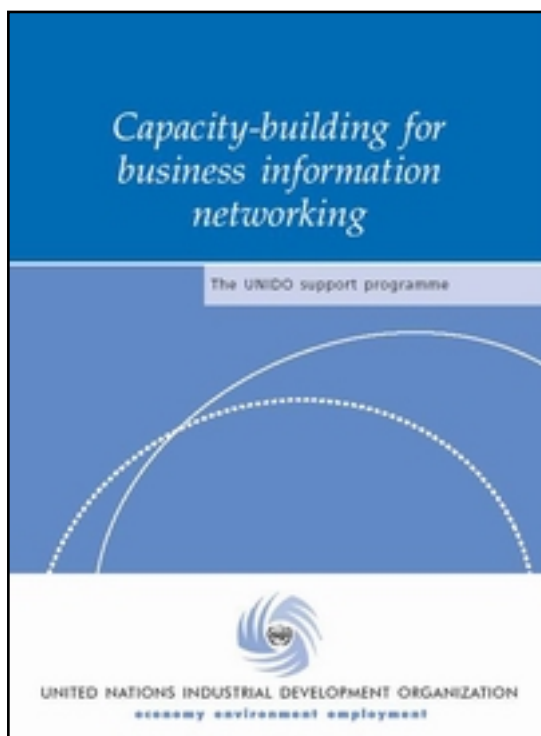
In addition to the impact the Industrial Information Centre will have on the efficiency of the Ministry and the development of the country's industry, it is a big step forward in implementing the Presidential directive to for all civil servants to be computer literate by 2005. The Ministry of Industry is located in a compound along with all other Nigerian Ministries, many of which have already indicated their interest in taking the training courses offered by the IIC, not to mention having information centres of their own. So far, more than 120 people, up to secretariat level in the Ministry of Industry have been trained in the use of the internet and basic office applications and training continues on a regular basis. The impact of the centre will spread beyond civil servants since the IIC has private sector partners and is open to the public.

The IIC is run by two LAN operators and two webmasters who each underwent intensive training for 4-6 hours for four months. They are now training their colleagues in the Ministry's continuous training programme for staff. The IIC also has a web content committee in the Ministry that meets on weekly basis.

The seven rooms of the IIC premises cover some 200m<sup>2</sup>, completely renovated and redesigned for use as an information centre. The main facilities of the IIC are: a satellite internet line; a computer room currently containing 13 PCs (expected to grow to 40 under phase two); two training rooms for up to 30 people each

(training rooms are used for in-house training or hired for external courses); one "Business Centre" room; a library and study room; and, last but not least, a standby generator for uninterrupted power supply!

In his opening statement at the launching, Minister of Industry, Magaji Mohammed, said that the IIC provides the Nigerian public with invaluable information on industrial technology, desperately needed to transform the country from its rural setting into an industrialized nation. He also emphasised that updated and reliable information constitutes the base for sensible policy research analysis, formulation, implementation and monitoring. He said that there is an urgent need to make readily available information over the internet accessible to the private sector, and in particular small and medium size enterprises (SMEs). The Minister also thanked UNIDO for its leadership in addressing the pressing challenges of industrialization in Nigeria.



In his remarks at the launching, UNIDO Representative in Nigeria, David Tommy, pointed out that according to a recent UNIDO study on industrial competitiveness, Nigeria, despite ranking second among African countries south of the Sahara in terms of total number of personal computers, ranks low in computer penetration and telephone lines per capita. Describing information as an essential business resource, he said that the new information and communication technologies have profoundly changed the way enterprises are interacting with each other, stressing that new forms of market competition have emerged with increasing importance of clusters, networking and specialization for enterprise efficiency.

The IIC in Abuja is the beginning of what is hoped to be a nation-wide industrial information network. Nigerian cities already on the list for future Industrial Information Centres ([see map](#)) are (in alphabetical order!): Aba; Adamawa; Akwa-Ibom; Enugu; Kaduna; Kano; Lagos; Newwi; Ogun; and Port Harcourt.

The centres will be set up according to UNIDO's methodology for establishing integrated business information networks that link all relevant national and international information sources into a "One-Stop-Shop" (OSS). The OSSs operate on a demand-driven, commercial basis, ensuring SME trust and support through a strong local ownership of public and private sector business partners. For more on the UNIDO methodology, see **Capacity-Building for Business Information Networking: The UNIDO Support Programme** [English](#) (20 pages/233 Kb), [French](#) (16 pages/300 Kb), [Spanish](#) (15 pages/309 Kb).

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