



# UNIDOScope

weekly internet newsletter

## 29 August - 11 September 2004 (this issue covers two weeks)

- [UNIDO Industrial Development Report launched in Tanzania](#)  
[Minister says market access and trade capacity building needed to avoid MDG shortfall](#)
- [Eritrea: private-sector-friendly Industrial Policy](#)  
[new UNIDO publication available for download](#)
- [COMING SOON](#)
- [OTHER INDUSTRY NEWSLETTERS](#)

- [Current Feature](#)
- [PRINT-FRIENDLY VERSIONS of UNIDOScope](#)

## PAST ISSUES

this month  
[22 - 28 August](#)  
[15 - 21 August](#)  
[8 - 14 August](#)  
[1 - 7 August](#)  
 past months  
[Jul-2004](#)  
[Jun-2004](#)  
[May-2004](#)  
[Apr-2004](#)  
[Mar-2004](#)  
[Feb-2004](#)

## UNIDO Industrial Development Report launched in Tanzania Minister says market access and trade capacity building needed to avoid MDG shortfall

*Dar es Salaam, Tanzania, 9 August 2004*



From left to right: Tanzania's Minister of Industry and Trade Juma Ngasongwa and UNIDO Representative in Tanzania Felix Ugbor at the launching of IDR 2004

market access and trade capacity building  
 "at the top of the list"  
 Minister Nagasongwa

Following the official launch of the UNIDO Industrial Development Report 2004 (IDR 2004) in Vienna on 20 July ([see UNIDOScope 8 - 14 August](#)), the report was launched by Tanzania's Minister of Industry and Trade Juma Ngasongwa, in Dar es Salaam on 9 August, 2004. The event was attended by over 100 people drawn from government ministries, development agencies, diplomatic missions, industry support institutions, private sector agencies and the media. Entitled ***Industrialization, Environment and the Millennium Development Goals in Sub-Saharan Africa: The New Frontier in the Fight Against Poverty***, IDR 2004 drew comments from Minister Ngasongwa, the UNIDO Representative in Tanzania, Felix Ugbor, Wilbert Kitima, an Executive Director of the Tanzania Chapter of [Transparency International](#) and Amon Manyama from the UN Development Programme ([UNDP](#)) office in [Tanzania](#).

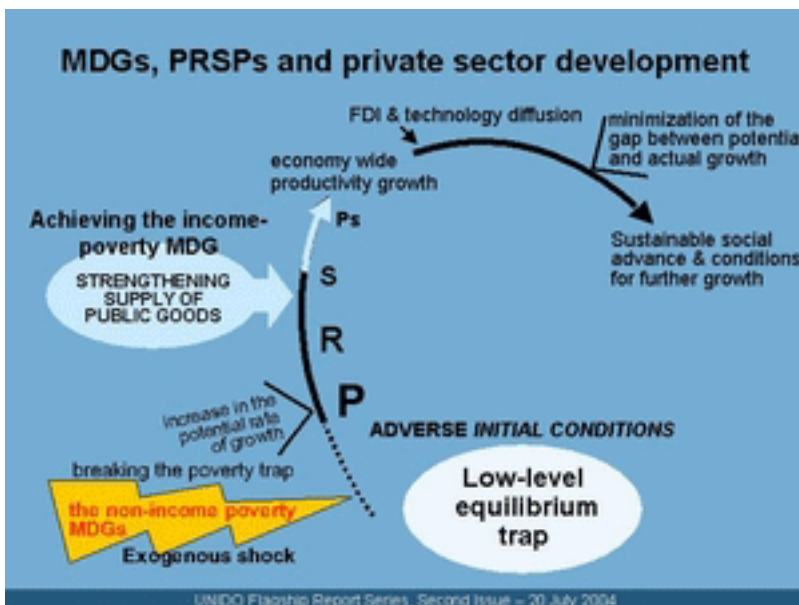
In his comments on the report, Minister Ngasongwa ([view or download comments](#)) said that the

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

achievement of the MDGs requires faster economic growth and productivity. "It has been observed that the greatest shortfall in the MDGs is in the countries where poverty is already the worst and where it is has been rising fastest. To overcome such situation, a number of external and domestic policy interventions are needed to reinforce the relationship between MDGs, poverty reduction and sustained growth. "At the top of this list" said the Minister, "is foreign market access, which, when complemented with trade capacity building will result in export growth." He also drew attention to the emphasis in the report on the important

role of the private sector in promoting economic diversification and structural change. The importance of a dynamic private sector and the need to see, in the Minister's words that "the formulation of the Poverty Reduction Strategies are in tune with the productive capacity building needs of the economy" were issues emphasised by all speakers.

UNDP's Mr. Manyama put his comments on IDR 2004 ([view or download comments](#)) under the banner "Millennium Development Goals and Local Processes". He said that local processes have a critical role to play in ensuring development processes address the MDGs within each country. "In Tanzania" he said, "the lessons and experiences gained during the implementation of the Poverty Reduction Strategy 2000, bring to the fore the discussions on the role of the productive sectors in attaining and sustaining the MDGs. ... In Poverty Reduction Strategy 2000, agriculture was explicitly indicated as a priority sector. Getting agricultural development right will contribute to many of the MDGs. ... But how do you get agriculture right without addressing "industrialization"! For Mr. Manyama, filling this gap is the essence of the message of IDR 2004. Coming back to his theme "local processes", he continued, "The experience has shown us that agriculture and industrialization are two parts of the same coin - development - having very strong forward and backward linkages". He then moved on to "The role of private sector development and local processes", saying that "Unfortunately, up to now, this challenge has been seen as an issue for governments in developing countries and development agencies. Less has been heard on the role of the private sector." Referring to the "unheard voices" of the private sector, he said that supporting solutions that are developed by the local private sector, together with the processes by which they negotiate with government and other external agencies in doing so is key to the attainment of the MDGs. In concluding, he echoed the hope expressed by UNIDO Director - General Magariños at the Vienna launching ([view or download DG's remarks](#)) that IDR 2004 "will trigger a discussion proposing solutions", saying that in order to implement the recommendations of the report, "it is necessary that there are "local processes", which provide for dialogue, consensus, design and implementation."



At the Vienna launch of IDR 2004 ([see UNIDOScope 8 - 14 August](#)), Director-General Magariños gave an indication of the general direction he believes those local processes should take in his illustration of the relationship between the "poverty trap", the MDGs, the Poverty Reduction Strategies 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" he said. "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,

"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" [for bigger picture see Director-General's remarks at Vienna launching](#)

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 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."

**MORE INFO** ► Francisco Sercovich, Tel +43-1 26026 / 3079, Email: [F.Sercovich@unido.org](mailto:F.Sercovich@unido.org)

## Eritrea: private-sector-friendly Industrial Policy new UNIDO publication available for download



view or download  
[part I - Analytical Framework](#)  
[part II - Policy Framework](#)

A new UNIDO publication, entitled *Eritrea - Integrated Industrial Policy for Sustainable Industrial Development and Competitiveness*, is available here for viewing or downloading. Available in two parts, [Part I: Industrial Development – an analytical framework](#); and [Part II: Industrial Policy Framework](#) the work is the result of team of international and national experts interacting with key stakeholders in Eritrea.

The report is the second to be published under the *Industrial Policy Formulation and Sustainable Human Resource Development* component of the [UNIDO Integrated Programme for Eritrea](#). The first report: *Eritrea - Human Resource for Sustainable Industrial Development* (see [UNIDOScope 24 - 30 August, 2003](#)), was also the result of analysis carried out in conjunction with the Eritrean Ministry of Trade and Industry and funded by the UN Development Programme (UNDP).

To initiate the work on industrial policy, a national workshop involving key stakeholders in government, the private sector, the university and selected development agents in civil society, was organised in April 2002, "to reflect and deliberate on the industrial structure of Eritrea, challenges and opportunities for a

competitive and sustainable industrial sector in an increasingly global economy with a view to defining an integrated industrial policy". The workshop also reviewed international best practices for manufacturing improvement and competitiveness, as well as the enabling environment for private sector-led industrialisation with a focus on export promotion.

Subsequently, a sample survey of 56 industrial enterprises was conducted to assess the competitiveness platform in Eritrea. The industrial sector analysis therefore draws heavily on the field survey that was conducted in 2002. A Roundtable of stakeholders was held in December 2003 to get a consensus on the pillars and key actions required for sustainable industrial development and competitiveness in Eritrea.

The starting point of the analysis is the macro-economic policies and strategies aimed at transforming the socio-economic landscape of Eritrea by revitalising the productive sectors; increasing production, in particular, export-oriented production; generating employment; eradicating poverty, as well as achieving

political and economic stability and sustainable development. The Government of Eritrea has defined a macro-economic policy for recovery, reconstruction and development, which emphasises the new role of the Government as a facilitator for private sector development. The government recognises that macro-economic policies and stability per se will not ensure sustainable industrial development. Other conditions should be in place for the private sector (expected to be the engine of growth and development) to respond positively to macro-economic stability.

Chapter 2 of Part I presents a critical assessment of current approaches to industrial policy development. The emergence of new policy approaches in response to the challenges of a global economy is also analysed, only to conclude that each country is unique and that it is now generally accepted that there is no universal definition of an industrial policy. The essential ingredient however, is that the policy should be defined in an interactive process, involving the private sector. An industrial policy should be realistic, functional and all ministries with a role in its sustainability should be encouraged to buy into the various policy instruments.

To successfully define an industrial policy, both the public and private sectors should have a clear picture of the structure and performance of the industrial sector. Chapter 3 of Part I is therefore an assessment of the macro-economic situation and industry, more specifically, manufacturing. Eritrea's manufacturing sector comprises of large, medium and small enterprises producing a wide variety of products. The sector is faced with structural problems and constraints, ranging from inadequate critical skills for industry, including managerial, technological and engineering capabilities; raw material shortages; weak physical infrastructure and industrial support services; high cost of energy and transportation. Nevertheless, the country has some potential for a dynamic and sustainable industrial development focusing on export-oriented industries.

The measures being proposed by the Government for an export-oriented industrialisation are also reviewed in Chapter 3. Existing manufacturers will be obliged to change their strategies, production methods, corporate management, as well as the way they operate in the domestic market. However, it is recognised that certain prerequisites should be in place for industrial enterprises to grow and compete.

Chapter 4 seeks to understand and analyse competitiveness, the various drivers of competitiveness and Eritrea's competitive platform, which will inevitably provide the ingredients for a realistic integrated industrial policy. The competitiveness analysis draws heavily from a sample survey of 56 existing industrial enterprises representing various sub-sectors in Eritrea with a view to identifying cross-cutting constraints and the factors or drivers of competitiveness and increased industrial production.

The recommended industrial policy framework described in Part II has as its starting point the National Economic Policy Framework and Programme (Macro Policy), the main objective of which is to reduce poverty, create wealth and prosperity with social justice through, inter alia, the facilitation of a dynamic private sector-led market economy.

The Government of Eritrea has put in place the basic requirements for macroeconomic stability, economic management and governance. The National Economic Policy Framework is multifaceted. However, there are some important aspects that are of relevance to industrial development and competitiveness. These are fiscal policy, monetary policy, financial policy, trade and investment policies and specified sub-sectoral objectives and strategies, namely agriculture and fisheries, manufacturing, energy and mining, infrastructure, education, training and human capital formation, as well as quality and environment. The aim of the industrial policy framework and proposed action plan is to complement the objectives, strategies and plans inherent in the Macro Policy with selected policy elements and appropriate institutional framework that contribute to revitalising the industrial sector in Eritrea, improve productivity and industrial competitiveness.

**MORE INFO** ► Remie Toure, Tel: +43 1 26026 / 3419, E-mail: [R.Toure@unido.org](mailto:R.Toure@unido.org)

[coming events](#)

▲ **TOP**

Send your comments to the editor: [K.Timmins@unido.org](mailto:K.Timmins@unido.org)