



UNIDOScope

weekly internet newsletter

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UNIDO in Timor-Leste

Dili, Timor-Leste, 14 - 15 September, 2004



Timor-Leste Minister for Planning and Finance, Madalena Brites Boavida and UNIDO Director-General Carlos Magariños

photo: Ms. Kym Smithies, Media Officer, UNDP Dili [view larger picture](#)

Timor-Leste's Minister for Planning and Finance, Madalena Brites Boavida and UNIDO Director-General Carlos Magariños signed documents in Dili, Timor-Leste on 14 September to launch two UNIDO projects to strengthen entrepreneurship and set up a Bamboo / Rattan Skills Development and Demonstration Centre. Prime Minister of Timor-Leste Mari Alkatiri and Special Representative of the UN Secretary General in Timor-Leste, Sukehiro Hasegawa, were present at the launching.

During his stay in Timor-Leste on 14th and 15th September, Mr. Magariños had discussions with Prime Minister Alkatiri on how UNIDO can assist with the development of the country's industrial sector and pay special attention to

entrepreneurship among young people in Timor-Leste. The Prime Minister emphasised the need for assistance to change the agrarian mentality of Timorese to a more businesslike entrepreneurial mindset.

The basic aims of UNIDO's entrepreneurship development activities in Timor-Leste are twofold: to build the capacities of academic and vocational institutions, and NGOs to develop an entrepreneurial culture among the youth and improve the entrepreneurial capabilities of local entrepreneurs; and to enable the country to maintain a reliable legal framework for entrepreneurs by developing the capacities of civil servants to administer business-related laws and regulations. As public administration was established only in May 2002, civil servants lack experience in formulating and administering laws and regulations conducive to a transparent business environment for entrepreneurs. The \$US620,000 funding for the three-year project has been provided by Portugal and Japan. UNIDO has successfully implemented several similar projects in Africa.

The second project: the establishment of a Bamboo / Rattan Skills Development and Demonstration Centre, will disseminate technologies suitable for craftspeople and small and medium-scale entrepreneurs, and

strengthen the capacity of institutions that can assist the sector by linking them with specialized institutions in China, India and Europe. The project is specially designed to reduce poverty in a post-crisis situation through employment and income generation. The basic product of the centre will be laminated bamboo boards. Using these boards, a wide range of furniture prototypes will be designed and produced for the local market. With a budget of US\$358,000 (200,000 from UNIDO and 158,000 to be mobilized from donors), the project will last 18 months starting October this year.

Timor-Leste (East Timor) became UNIDO's 171st Member State on 31 July 2003. In December 2003, President Kay Rala Xanana Gusmão attended the UNIDO General Conference in Vienna where he signed a Memorandum of Understanding with UNIDO. In his address to UNIDO Member States, the President said that while "there can be no development without democracy. ... if we continue to live under the poverty line, then democracy will fail" ([full text available here for viewing or downloading](#)). The UNIDO - Timor-Leste MoU is to enhance cooperation in the following areas: sustainable industrial development strategies and policies; development of micro-, small and medium enterprises for employment creation; standardization and metrology infrastructure and renewable energy. More than 75 per cent of the Timor-Leste population of 924,642 lives in rural areas and most of the households are mainly engaged in cultivating food-crops. Agriculture accounted for about 25 per cent of the GDP in 2001, while manufacturing only for 2.5 per cent. Main food-crops are rice, maize, cassava, sweet potatoes, bananas, taro and beans.

At present, Timor-Leste is dependent on external assistance, however it has resources [including oil](#), which should greatly impact its self-sufficiency over the coming years (in becoming the world's newest nation in May 2002, one significant aspect of its right to self-determination remains to be exercised - Timor-Leste has no maritime boundaries with its neighbours. This means that the extent of Timor-Leste's maritime territory is yet to be determined). The country is currently characterized by: levels of human development (income, health, and education) that place it among the 10 poorest countries on earth; physical infrastructure that is still in a serious state of disrepair, much of it totally destroyed; a primarily subsistence, agricultural economy that will remain heavily dependent on external assistance until about 2005-6; a civil service in which most staff lack the technical expertise and experience to perform their jobs satisfactorily; a new form of (democratic) governance that has no historical or cultural roots in East Timor, and whose institutions are in the process of being developed and are fragile.

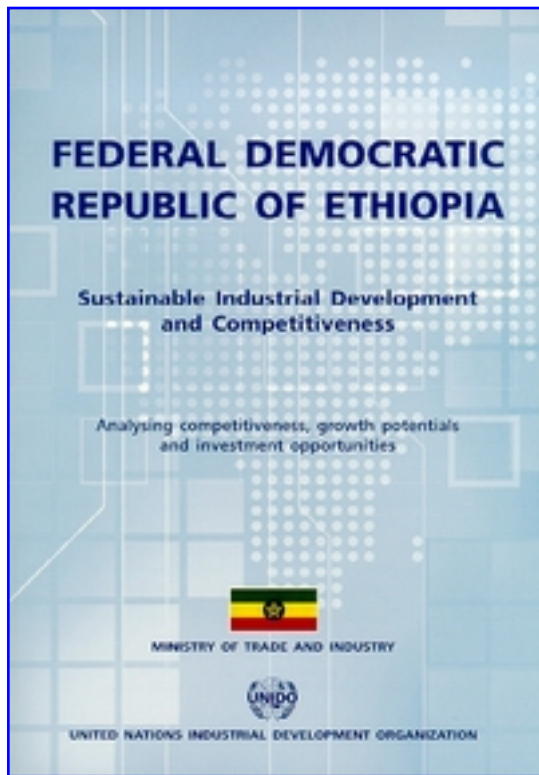
In the newly-independent Timor-Leste, [the United Nations Mission of Support in East Timor \(UNMISET\)](#) was established by Security Council resolution 1410 on 17 May 2002, as a successor mission to [UNTAET](#), which had laid a foundation for governance under the leadership of the late Sergio Vieira de Mello. The UNMISET mission was to consolidate the achievements of the UNTAET transitional phase by: providing core administrative structures critical for maintenance of the viability and political stability of the new state; by providing interim law enforcement and development of a law enforcement agency, and through the maintenance of external and internal security. As UNMISET was completing its mandate period that lasted from 21 May 2002 to 20 May 2004 as provided by resolution 1410, the Security Council then decided through adoption of its resolution 1543 on 14 May 2004 to extend the mandate of UNMISET for six months, with a view to extending the mandate for the further and final period of six months until 20 May 2005.

MORE INFO ► Sei Hisakawa, (entrepreneurship) Tel: +43 1 26026 / 3832, E-mail: S.Hisakawa@unido.org

MORE INFO ► Antonio Levissianos, (bamboo) Tel: +43 1 26026 / 3715 E-mail: A.Levissianos@unido.org

UNIDO Report on Ethiopia competitiveness recommends more private sector dialogue

A study just published by UNIDO analysing competitiveness, growth potentials and investment opportunities in Ethiopia identifies potential in agro-based industries, non-metallic and engineering industries. The report, ([available here for viewing or downloading](#)) points out that the competitiveness of these industries depends on the extent to which Government and private sector are able to interact and take positive action to transform the industrial landscape. And as "In Ethiopia, there is no public private consultative body that could play an effective role in policy formulation and implementation" the report recommends that such a mechanism be established.



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A major programme element of the UNIDO [Integrated Development Programme for Private Sector Development, Enhanced Competitiveness and Environmentally Friendly Production](#) is that of strengthening the capacity and corresponding capabilities of the Ministry of Trade and Industry for policy research and analysis, including diagnostic studies and competitiveness analysis which could impact on policy decisions and industrial governance, as well as determine Industrial sub-sectors with potential and dynamic comparative advantages.

The analysis starts with Ethiopia's policy instruments and policy environment, addressing, in particular, the evolution of industrial policies and the country's *Agricultural Development led Industrialization Strategy (ADLI)*. One of the objectives of the ADLI is the achievement of industrial competitiveness in areas of clear comparative advantage in industrial exports. The ADLI acknowledges the complexity of the problems and constraints of industrial development and recommends measures and institutional arrangements to ensure the realisation of the objectives and goals of the ADLI.

In 2003, the country adopted an Industrial Development Strategy, which clearly recognizes the private sector as the engine of growth, and industrial development with a focus on, inter alia, export-led industrialization and competitiveness. Other fundamental principles of the Strategy are that industrialization will be agricultural development led, incorporating the participation of the rural areas / peasant communities; labour intensive industrialization / technology is a preferred option for employment creation. The priority subsectors identified to drive the industrialization process are textile and clothing, leather and leather products, food processing, in particular, meat, cereals, edible oil and fruits. The facilitating role of the Government, in terms of creating an enabling environment for private sector development and industrialization and when appropriate, its intervention to correct market failures are reiterated in the strategy. The importance and effectiveness of public-private partnership is also recognised.

In Chapter 2 of this analysis, an assessment is made of the macro-economic situation and industry, in particular, manufacturing. The manufacturing sector is faced with a number of problems and constraints such as, shortage of raw materials, inadequate physical infrastructure, inadequate human resources including skilled labour, engineers, technologists, industrial managers, etc., inadequate capital resources, etc. Nevertheless, the potential is there for industrial development. The analysis also covers trends analysis in the various industrial sub-sectors focusing, inter alia, on production, employment, trade trends and investments in recent years.

Chapter 3 addresses the dynamics and implications of competitiveness, including definitions, measuring competitiveness and the drivers of competitiveness. In this analysis, the Porter Diamond and variation thereof are used to determine the drivers of competitiveness and tools for policy and strategies, which could impact positively on industrial development.

In Chapter 4, an attempt is made to analyse Ethiopia's competitive platform. The competitiveness analysis also reviews the competitiveness of industry. The analysis draws heavily on a competitiveness survey of over 150 industrial enterprises in various regions of the country. Survey results are used to construct the competitiveness platform of Ethiopia and determine the potential for the competitiveness of industry in any of the industrial subsectors. The survey results reflect (a) qualitative responses and (b) subjective perceptions by firm owners and managers. The authors caution that this is important to keep in mind throughout, as perceptions may or may not be grounded in fact and that whenever perceptions appear to indicate a problem, it is imperative that further investigations (outside the scope of the analysis) be undertaken to further verify them.

Chapter 5 further reviews the socio-economic problems, the status of industry, as well as the result of the survey in terms of investment and expansion plans of industries within the prevailing operating environment. Growth potentials are identified in the agro-based industries, non-metallic and engineering industries. It is here that the report says that the competitiveness of these industries depends on the extent to which both the Government and the private sector "continuously and interactively take positive action to transform the industrial landscape of the country" and that for this to happen a public private consultative mechanism needs to be established.

Although the country's Agricultural Development led Industrialization Strategy (ADLI) outlines some measures for industrial development, the report says there are critical areas for policy review and policy development which are not addressed by the ADLI such as monetary and fiscal policies in support of the country's industrialization effort, finance and credit for industry, trade facilitation and market access and industrial governance. Human resource for industry is also considered a critical issue. There is a dearth of professional, technical and skilled manpower for industry. The Government has introduced some major initiatives to promote human resource development. However, there is a need to conduct an industrial human resource survey on the basis of which an industrial human resource policy could be formulated.

MORE INFO ► Remie Toure, Tel: +43 1 26026 / 3419, E-mail: R.Toure@unido.org

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Send your comments to the editor: K.Timmins@unido.org