

# UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)

## Support to NEPAD

Period of report: 2002-2004

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### Orientation of work in support of NEPAD

Industrial development falls into the global partnership goals of the Millennium Development Goals (MDGs). It can be promoted as part of the NEPAD's *Economic and Corporate Governance Initiative*. Concrete actions were launched within the areas' priorities defined by NEPAD as well as through the new global partnership and the mobilisation of resources for NEPAD. In order to support an evolving process, the Conference of African Ministers of Industry (CAMI) requested in 2001 UNIDO's support in providing a new industrial framework to replace the second Industrial Development Decade for Africa (IDDA II). The Framework should follow a bottom-up approach and should be approved and own at the sub-regional levels by State and non-State Actors namely representatives of the private sector. As a consequence, UNIDO's support to CAMI, NEPAD and MDGs were intertwined and resulted in the adoption of the Africa Productive Capacity Initiative.

### Areas of support for NEPAD

As of October 2001, UNIDO started organizing its approach towards translating the vision expressed in NEPAD into operational actions with targeted counterparts such as the NEPAD Secretariat, African Union, Regional Economic Communities, national and local

authorities, representatives of the private sector, knowledge centres, and diaspora.

Harmonising the United Nations MDGs with NEPAD and industrial development became crucial in responding to the objective of Poverty reduction by 2015. In parallel to the 7 per cent estimated economic growth (Gross Domestic Product) recommended by both MDGs and NEPAD it is suggested that African economies should strive to reach at least a share of 17 per cent of Manufactured Value added in GDP on a sustainable basis till 2015 in order to have a chance to reach the MDGs.

Stakeholders to the CAMI Process decided that the new political will of African leaders should be translated into operational approaches and programmes with a collective approach at sub-regional, national, local authorities' levels which should involved non-state actors especially the private sector. The bottom-up and the demand-driven approaches were identified and adopted as a mean to proceed with an in-depth transformation process. It should lead African economies from *factor-driven economy* through *investment-driven economy* towards an *innovation-led economy* as a mean to participate actively to the new world changing environment characterized by the global and local production networks systems. It is essential in order to upgrade African economies in a competitive world environment to understand segmentation and fragmentation of production; making good use of a larger part of medium- and high-technology content in the transformation and diversification of products and process with the objective to generate value. One of the outcomes of the CAMI sub-regional

meetings is that Trade without effective productive capacity and beneficiation is not sustainable. Each regional institution should strive to include the APCI as part of its overall industrial strategy. ECOWAS, SADC, CEMAC,

As a follow-up to various major international conferences, it was decided to grant more priority to industrial development through the Development of Productive capacity in Africa. The United Nations General Assembly Resolution N. 57/297 dated December 2002 *“called upon the international community, including the UN System to channel its support for Africa’s industrialization efforts within the framework of the New Partnership for Africa’s Development”*.

The African ministers of Industry spontaneously took the lead in embracing NEPAD as the guidance vision. NEPAD as well as the RECs suggested UNIDO as the lead agency to support the process.

The APCI is an outcome of the various CAMI sub-regional conferences held across the continent in 2002-2003 where both State and non-State actors in the field of industrial development in Africa actively collaborated with the objective to carry out a collective approach to the development of Productive Capacity in Africa.

Benchmarking approaches and Peer Reviews Mechanisms become therefore crucial to improve industrial performance.

In preparing the report on “Africa Productive Capacity Initiative”, specific sectors (at least three segments of the value chain) were identified for each of the five African sub-regions and seven cross-cutting issues were also highlighted (see below) which should contribute to more synergy and cross-fertilisation among UN Agencies, African and international support institutions.

The following priority sectors based on Africa’s comparative advantages in

segments of selected value chains were identified through Public-Private Partnership consultations as the sub-regional levels between 2002-2003:

- Central Africa: Agro-food including beverages, textiles and Garments, Wood and wood products;
- Eastern Africa: Agro-food including beverages, Textile and Garments, Leather and leather products including footwear;
- Northern Africa: Agro-food including beverages, textiles and Garments, Transport Equipment and Chemicals;
- Southern Africa: Agro-food including beverages, Minerals and Metallic products (Processing of) including machinery and equipment Chemicals/ Petroleum/ rubber and plastic products
- Western Africa: Agro-food including Beverages, Textiles and Garments.

The following cross-cutting issues were highlighted as part of the segments of the value chains. Promoting industrial upgrading at the sectoral level is essential to improve industrial performance and competitiveness:

- Harmonisation of industrial strategies and policies (including upgrading of statistical data);
- Improving quality infrastructure (standards, quality, metrology, norms...) for market access;
- Energy supply and clean environment (especially for productive capacity in rural areas);
- Information and Communication Technologies (use of Internet to reduce transaction costs and access knowledge and technology);
- Technology diffusion, improving productivity and promoting clean production;
- Conducive regulatory and business environment (support systems);
- Upgrading skills through learning innovative process including business/

enterprise/ value chain performance improvement (priority to inter-regional cooperation, inter-firms cooperation)

### **Participation in regional consultations and clusters**

All APCI activities are developed through Public and Private Consultations (including knowledge centres) starting at regional levels on specific sectors with the objective to sustain it at national levels. Outcomes of the consultations will be summarized in sectoral Actions plans and Road Maps to be implemented based on a Private-sector-driven approaches. Concrete follow-up will take the form of missions of sectoral representatives of the productive sector to countries where concrete exchanges of information, knowledge, technology and partnerships could take place.

Active participations in the United Nations System Support to NEPAD with the objective to request the creation of a special cluster on *Productive Capacity, Diversification of Production and regional integration* as requested by the Report of the Secretary General: Doc. E/AC.51/2004/6 – 44<sup>th</sup> session of the Committee for Programme and Coordination, Substantive session, 7<sup>th</sup> June to 2<sup>nd</sup> July 2004 on the United Nations Support for the NEPAD (para. 32 on page 10): *“It is envisaged that the Initiative (APCI) will become the industrial component of NEPAD, and a new cluster on Productive Capacity Development, diversification of production and regional integration should be established”*.

Meanwhile, UNIDO will be active in two clusters:

- Infrastructure Development: UNIDO leading the sub-cluster on *“Energy”* and
- Agriculture, Productive Capacity, Trade and Market access: UNIDO leading the

sub-cluster on *“Development of Productive Capacity”*.

In addition, UNIDO has developed several “Integrated Programmes” (both at national and regional/sectoral levels) with specific sectoral components directly in line with APCI, NEPAD, MDGs. Various consultations and meetings are taken place and more importance has been given to joint-activities within the United Nations system. For example: ILO, WTO, UNCTAD, ITC, FAO, UNECA.

### **Forthcoming actions-oriented activities**

APCI will continue to obtain guidance from the African Ministers of Industry (CAMI meetings). As the NEPAD component on sustainable industrial development, it will also contribute to shape the African Union four years programme on industrial development.

Representatives of CAMI, AU, NEPAD, RECs, Government, Private sector, Knowledge centres and UNIDO and any interested supportive parties will be requested to participate in APCI activities with the objective to:

- To move from vision to action;
- To enable the private sector to take a lead in the promotion and implementation of productive capacities at the sub-regional and sectoral levels within the framework of NEPAD.

The APCI will complement on-going activities in support to International negotiation on Trade related issues It is important to reinforce industrial component in the Poverty Reduction Strategy Program (PRSP) process at the national level. PRSP is becoming the principal mechanism for resources mobilization in Sub-Saharan Africa and the involvement of the Minister of Finance and international cooperation at the

earliest stage should contribute to the resource mobilisation process in favour of the flexible African productive Capacity Facility.

Seed Money Programme Strategy and levels of intervention:

As part of the value chain approach, the APCI will promote consensus with public and private stakeholders in designing productive capacity proposals in priority sub-sectors, or segments of the value chain, including cross cutting issues (Quality, ICT, Energy, Water, Environment, Learning process, etc.) with comparative advantages. The programme will have three levels of intervention, which are as follows:

1. The first component will focus on supporting RECs and the private sector to prepare sectoral Actions Plans and sectoral Road Maps in line with NEPAD objectives and the goals of RECs; Selected supportive national or sectoral proposals or cross-border initiatives may be considered as well;
2. The second component will develop regional industrial programmes based on sectoral priorities in cooperation with the CAMI/NEPAD/AU/UNIDO core group who will focus on advocacy;
3. The third component will support technical support cooperation activities, including support to institutions and institutional frameworks; Promotional arrangements together with CAMI/NEPAD/AU/UNIDO core group will take place as collective approach to resource mobilization for the Initiative. The provision of seed money is already earmarked from UNIDO to facilitate the launch of Productive capacity regional programmes in line with APCI.

- Establishment/Strengthening of national/regional/sectoral Private-Public Steering Committees on the “*Development of Productive Capacity*” and eventually moving towards the establishment/Strengthening of a “Competitiveness Advisory Body” at both national and regional level);
- The participation of at least sectoral representations of the private sector, representatives of the Ministry of industry, Ministry of finance and selected interested donors is crucial for the consensus building process;
- Ten Sectoral action plans based on value chain approach developed (at least 2 per region);
- Business and Process Improvement exchanges; value added Study tours on selected segments/niches of the value chains. Study tours should be followed by “Training and diffusion of information” in private sectors led support institutions;
- Technology diffusion and knowledge sharing through an electronic platform supported by sectoral and/or crosscutting built-in technology database structured upon request of non-State actors;
- Ten sub-regional programmes formulated based on identified sector priorities (at least two per region);
- An Africa wide sectoral road maps within the framework of public-private partnership with a clear focus on promoting an harmonized African productive capacity visions and actions. Transfer of synergies/Best practices will give a special priority and could lead to the creation of an African Strategic Watch/Observatory on competitiveness, products and process improvement, etc... as well as beneficiation policies;

## **Forthcoming actions**

- A cluster on the Development of productive capacity, Diversification of production and regional integration established within the NEPAD programme of work in coordination with AU, RECs, CAMI, UNIDO, etc. Members of the APCI Core/support Group will be requested to negotiate with Development financial institutions (DFIs), selected Donors and interested supportive private sector representatives with the objective to establish several complementary and flexible African Productive Capacity Facilities (APCF);
- Using UNIDO's policy instrument such as the Competitive industrial Performance index, industrial drivers and proxy-drivers and the Competitive industrial Performance Divide to support the African Peer Review Mechanism (APRM). The benchmarking approach could be institutionalized at a later stage. A list of specific industrial related questionnaire should be added to the APRM main questionnaire;
- A Peer review and Evaluation process should be built in the CAMI regular meetings.

### **Resource mobilisation strategy**

The 2<sup>nd</sup> Meeting of the Bureau of the CAMI held in Nairobi, Kenya 2<sup>nd</sup> July 2004 under the leadership of His Excellency Amb. Magaji Muhammed, Chairman of the CAMI Bureau and Hon. Minister of Industry of the Federal Republic of Nigeria:

1. Formally establish an APCI support group aiming, inter-alia, at:
  - Promoting APCI as the NEPAD sustainable industrial development strategy. To this effect, the group will engage in a structured manner with the development partners as well as

African countries. In addition, it will develop a communication and outreach program to assist CAMI in promoting the initiative. It was suggested that the Group be comprised of the CAMI Bureau Members, UNIDO, African Union, NEPAD Secretariat, African Business Round Table (ABR);

- Developing a resource mobilization strategy for the implementation of the APCI. This strategy will entail mobilizing financial as well as human and technical resources;
2. Strongly suggested African Governments to start contributing financially towards the APCF as a clear indication of ownership, which would facilitate the mobilization of additional resources. The Chairman will send a letter to each of the African Ministers of Industry soliciting financial contribution to the APCI as a means to send a strong signal;
  3. The Bureau expressed gratitude to the Director General of UNIDO for the first release of Euro 1,750,000 as seed money to support the implementation of various sectoral/regional activities with the RECs with the aim to focus on regional productive capacity programmes and facilitate coherence and complementarities among Donors in the field of industrial development in Africa.

The APCI support Group should be in a position to hold the first meeting with identified Development financial Institutions (DFIs) active in Africa before the end of 2004. The support of the Government of Cameroon in providing Euros 50,000 to launch the APCF should be commended.

### **Recommendations for strengthening NEPAD implementation**

1. Integrating the CAMI/ NEPAD/AU/ RECs/ private sector/ UNIDO support

Group on resource mobilisation into the newly created cluster on Advocacy and Communications Campaign for the New Partnership for Africa's Development (NEPAD);

2. Requesting the United Nations General Assembly to take note of the APCI/APCF and call on United Nations Members States to financially support financially NEPAD through the APCF.

#### Overview of approval process of the Africa Productive Capacity Initiative and its Facility

- Request of the United Nations General Assembly: GA Res. N. 57/297, December 2002: *"Called upon the international community, including the UN System to channel its support for Africa's industrialization efforts within the framework of the NEPAD"*. APCI is a CAMI initiative within the framework of NEPAD;
- Approval of the Conference of African Ministers of Industry (CAMI) to launch the Africa Productive Capacity Initiative (APCI) as well as the African Productive Capacity Facility (APCF) on 28<sup>th</sup> Nov. 2003; this decision was preceded by Decisions taken at sub-regional levels by both Governments, RECs and private sector representatives between 2002 and 2003;
- Endorsement of the APCI and APCF by UNIDO General Conference 1-5 Dec. 2003: GC.10/INF.4:
  - Resolution 1 on the *"closure of operations of the Second Industrial Development Decade for Africa and support for Africa's industrialization effort within the framework of the NEPAD"*;
  - Resolution 2 on the *"Support to the African Productive Capacity Initiative"*

as well as *"the African Productive Capacity Facility"*.

- Endorsement by the Economic and Social Council of the United Nations (ECOSOC): Report of the Secretary General: Doc. E/AC.51/2004/6 – 44<sup>th</sup> session of the Committee for Programme and Coordination, Substantive session, 7<sup>th</sup> June to 2<sup>nd</sup> July 2004 on United Nations System support for the New Partnership for Africa's Development (see para. 32 on page 10: *"It is envisaged that the Initiative (APCI) will become the industrial component of NEPAD, and a new cluster on Productive capacity Development, diversification of production and regional integration should be established"*);
- Approval of the APCI as the NEPAD component on sustainable industrial development by NEPAD Heads of State and Government Implementation Committee as well as by the 5<sup>th</sup> Ordinary Session of the Executive council of the African Union (25 June-3 July 2004, Addis Ababa, Ethiopia) for submission to the African Heads of State (Decision EX.CL/Dec.116 (v) *"The Executive Council recommends the APCI and APCF to the Assembly of Heads of State and Government for political endorsement"*);
- Decision of African Union Heads of State on the *"Implementation of the NEPAD"* – Assembly/AU/Dec.49 (III) –, 7<sup>th</sup> July 2004 on para. on *"Development of Priority Sector Strategies"*: point 15: Heads of State of Government of Members States of the African Union, meeting at the 3<sup>rd</sup> Ordinary Session of our Assembly in

Addis Ababa, Ethiopia from 6-8 July 2004  
welcome the APCI and the APCF adopted  
by the 16<sup>th</sup> CAMI and call on the AU  
Commission and the NEPAD Secretariat,

with the support of development partners,  
particularly, UNIDO, to assist Member  
States in the implementation of the Strategy.