

AID-FOR-TRADE: CASE STORY

UNIDO

TRADE CAPACITY BUILDING IN UNIDO SUPPORTING AID FOR TRADE THROUGH ORGANISATIONAL CHANGE

Date of submission: 31 January 2011

Region: Global

Country: Global

Type: approach/process

Author: Christiane Schimeck, Associate Expert and Steffen Kaeser, Industrial Development Officer, Trade Capacity-Building Branch, UNIDO

Contact Details: c.schimeck@unido.org, s.kaeser@unido.org

AID FOR TRADE CASE STORY

Trade Capacity-Building in UNIDO: Supporting Aid for Trade through organizational change

Date of submission: 31 January 2011

Region: Global

Country: Global

Type: Approach/Process

Author: Christiane Schimeck, Associate Expert and Steffen Kaeser, Industrial Development Officer, Trade Capacity-Building Branch, UNIDO

Contact Details: c.schimeck@unido.org, s.kaeser@unido.org

Executive Summary

The United Nations Industrial Development Organization (UNIDO) is attentive to changes in the global economic system as well as the environment of development cooperation and endeavours to build these changes into its technical assistance delivery. The Doha Development Agenda led UNIDO to launch its 3C approach (Compete, Conform, Connect) and to complement its previous focus on quality infrastructure by supporting the creation of productive supply-side capacities in beneficiary countries. This successful approach also relies on cooperation between development partners as encouraged by Aid for Trade and One UN coherence efforts. While UNIDO has become a well-recognized partner for implementing trade-related technical assistance within Aid for Trade adjustments to its trade capacity-building approach remain a major success factor for the organization.

1. Issues Addressed

In 1966 the United Nations Industrial Development Organization (UNIDO) was established as a specialized agency of the United Nations with a mandate to promote and accelerate the industrial development of developing countries. Until today, changes that occur in the world economic system and in the environment of development cooperation drive UNIDO to continuously adapt its approach to industrial policy and trade development to its external environment.

The advent of the Aid for Trade initiative preceded by the renewed focus on the need for supply-capacities in Least Developed Countries (LDCs) was one of the external factors that confirmed UNIDO's commitment to enrich its approach to trade capacity-building in order to meet the global challenges and to provide effective support to its beneficiaries: Organizational change proves to be a critical success factor for the organization to build its internal capacity to deliver tailored trade-related technical assistance within Aid for Trade.

2. Results and lessons learned

Phase 1 – Quality Infrastructure

After its foundation in 1966, UNIDO's approach in supporting developing countries' integration into global trade mainly focussed on providing technical assistance services to National Standard Bodies (NSBs) and testing laboratories. During this period and prior to the foundation of the WTO trade relations were less complex and still governed by tariffs. Non-tariff barriers slowly started to emerge. The technical assistance provided by UNIDO during this phase enabled developing countries to put in place first elements of a quality infrastructure and to turn towards a commitment to quality as part of their trade development efforts.

Phase 2 – International Recognition

When the WTO was founded in 1995 and compliance with the Agreements on Technical Barriers to Trade (TBT) and on Sanitary and Phytosanitary Measures (SPS) became a quasi-prerequisite for access to international markets, UNIDO's approach to trade development was enlarged: The organization continued to focus on NSBs and testing laboratories as main beneficiaries, but recognized that the international recognition of the accuracy of the performance (international accreditation) of the laboratories was crucial to ensure trust in global trade relations. Laboratories were thus guided towards the international accreditation of their scope of services within UNIDO's technical assistance projects. This laboratory accreditation concept ensured that laboratories were able to provide the required testing services to the private sector and that testing results were accepted internationally, facilitating trade relations. The local availability of internationally recognized conformity assessment services in turn ensured that an increased number of companies could access export markets due to decreased costs and reduced time for testing services.

Phase 3 – Compete, Conform, Connect

Global trade statistics after the completion of the multilateral trading negotiations of the Uruguay Round indicated a continuing marginalization of developing countries in global trade as they lack of a broad export base to compete on world markets. UNIDO and other development partners realized that supporting the development of supply-side capacities and the competitiveness of developing countries' productive sectors are critical elements for the inclusion of the latter into the world trading system. This was also prominently voiced during the 3rd United Nations Conference on LDCs in Brussels in 2001. Subsequently, UNIDO broadened its quality infrastructure focussed concept to include the development of productive supply-side capacities into its approach. Furthermore, it also acknowledged that companies need to be connected to international markets – a complementary element to its approach that is provided by other international organizations such as WTO and ITC.

This three-pillar approach was launched in 2002, coined "Compete, Conform, Connect" and has since then figured prominently as UNIDO's approach to trade capacity-building. The creation of a specialized branch, the "Trade Capacity-Building

(TCB) Branch” that became responsible for a number of services provided by UNIDO within its approach clearly highlighted the importance of this concept to the organization.

The development emphasis of the Doha Development Agenda and the work of the Aid for Trade Taskforce - established after the Ministerial Meeting in Hong Kong in 2005 - gave additional weight to the importance of the first two pillars of the approach, i.e. the development of supply-side capacities and the development of compliance infrastructure with NSBs, National Metrology Institutes and testing laboratories. When WTO and OECD joined hands in creating a global database to capture the monetary flows of Aid for Trade it highlighted UNIDO’s strong engagement and technical assistance delivery within this global initiative – in quantitative and qualitative terms. Subsequently, UNIDO was increasingly entrusted by numerous donors to implement trade capacity-building projects. The organization significantly enlarged its portfolio of Aid for Trade activities to USD 150 million to the benefit of developing countries.

3. Conclusion

Aid for Trade successfully promoted trade as development issue and allowed UNIDO to undertake in-depth analyses and research on trade standards-related challenges and on trade capacity-building drivers with high impact on poverty reduction: In early 2011 UNIDO launched the first Trade Standards Compliance Report that analyses trade-related compliance challenges that developing countries face when exporting to industrialized markets. The work of the Aid for Trade Taskforce and One UN efforts in technical assistance delivery led UNIDO to increasingly pursue cooperation agreements with other agencies. Today, UNIDO is a recognized partner in inter-agency programmes and regularly takes the lead in large-scale national and regional programmes. Such inter-agency cooperation is supported by the UNIDO-led TCB Resource Guide that provides an overview of the work and focus of all multilateral and bilateral development partners in the area of trade capacity-building. UNIDO’s contribution to Aid for Trade has been characterized by Pascal Lamy, Director General, WTO, as “WTO and UNIDO are two sides of the same coin” (UNIDO General Conference, 2007). It is further illustrated in the publication “Aid for Trade – A Global Call for Action, UNIDO’s contribution” (2009).

The Aid for Trade focus on the development of production and competitive supply-side capacities has led UNIDO to complement its approach on quality infrastructure with a sector-specific value chain logic. Technical assistance delivery is thus increasingly focused on specific pro-poor export-oriented sectors and support is provided to more selective elements of quality infrastructure such as Competent Authorities.

UNIDO’s TCB Branch has experienced considerable growth of its portfolio since the launch of the 3C approach in 2002. Today, UNIDO has become the largest implementing agency of trade-related technical assistance within the UN system with a portfolio of USD 150 million. UNIDO will continue to develop its trade capacity-building approach further in particular focussing on poverty-driven trade development.