UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Ministry of Foreign Affairs
of the Rupblic of Turkey

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Trade and Development for African LDCs' Prosperity

Actions and Directions

Report based on the High-Level Workshop
in Preparation for UNCTAD XII, Izmir, Turkey, 4-5 March 2008

Ministry of Foreign Affairs
of the Rupblic of Turkey

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Note

The views expressed in this volume are those of the authors and do not necessarily reflect the views of the UNCTAD secretariat.

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High-Level Workshop
in Preparation for
UNCTAD XII
MINISTRY OF FOREIGN AFFAIRS OF THE REPUBLIC OF TURKEY
UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Trade and Development for Africa's Prosperity:
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Preface

The surge in economic growth throughout most of Africa has raised the hope that the continent has now passed a turning point. However, there is considerable risk as to the durability and sustainability of recent growth rates. Moreover, poverty remains a formidable challenge.

Africa's Least Developed Countries continue to struggle with increases in extreme poverty and fall short of achieving the Millennium Development Goal (MDG) targets set for 2015. Employment opportunities are largely unavailable for these countries' predominantly young population, urbanization is accelerating, and the scourge of HIV/AIDS hangs ominously over millions of Africans.

The Izmir high-level workshop was organized and hosted by the Government of Turkey in Izmir, Turkey, 4–5 March 2008 as a contribution to UNCTAD XII which took place in Accra, Ghana, 20–25 April 2008. It was attended by ambassadors of African least developed countries (LDCs) and representatives of international organizations and senior officials of the Government of Turkey which reflects Turkey's commitment to support the development efforts of the LDCs in Africa.

The workshop provided an opportunity to re-examine the prevailing orthodoxy with regard to African LDCs' development in the light of recent trends, new opportunities such as the new geography of trade, and the emergence of new development partners such as Turkey. It was also instrumental in ensuring that the efforts at the high-level segment at UNCTAD XII to identify actions and directions for Africa's prosperity with regard to trade and development took into account their particular specificities.

The workshop addressed the theme of the high-level segment of the Conference, "**Trade and Development for Africa's Prosperity: Action and Direction**", which was organized to focus attention on the African host region with a view to contributing to its development processes and economic progress in those areas within the competence of UNCTAD. The Izmir workshop, focused specifically on the continent's 33 LDCs with a view to identifying a collaborative course of action to accelerate the pace of economic development and prosperity for this group of not only poorest in Africa but the poorest in the world. A course of action founded in solid understanding of the causes of poverty and underdevelopment, free of blame, driven by honest and objective motivations, practical, pragmatic and credible solutions locally lead and internationally supported.

At a time that the most vulnerable members of the global economy, the LDCs, are confronting major challenges while making serious efforts to put their countries on the path to development and prosperity, the emergence of new development partners such as Turkey offers opportunities for new win–win partnership opportunities. Emerging economic powers such as Turkey are not only joining the ranks of traditional donors but also providing new examples and role models to be followed. Turkey and the path it has followed to development and its place in new geography of trade provides it with very relevant and rich experiences to share with countries striving to follow. The efforts such as this series of interactions with the LDCs have been appreciated as they go a long way in forging mutually beneficial partnerships for development which will be rooted in being open to hear, discuss and identify actions and directions that are founded not in perceived but real needs.

UNCTAD was born as a result of struggle of its forefathers, to address the hopes and aspirations of generations to come, in pursuit of development and prosperity for the elimination of poverty and marginalization. In the late 1960s and early 1970s, UNCTAD was the most important organization that had among all others a unique mandate to address the problem of development through the medium of trade.

Forty-four years on, UNCTAD continues to pursue its objectives by bringing technological and financial advancement in line with the intrinsic wisdom of human beings and their endeavours for betterment. Today, UNCTAD is positioned to achieve that objective through its three pillars of research and policy analysis, consensus building and technical assistance.

In the1980s, Turkey was a pioneer in pursuing the principle of Aid for Trade by increasing trade with the developing and the least developed countries. Turkey is and will continue to play its role in strengthening bilateral and multilateral ties with and among developing and the least developed countries as a principle tool to achieving the Millennium Development Goals (MDGs) and eliminating poverty. In addition to a growing flow in Turkey's official development assistance which reached $750 million in 2006, the Government of Turkey, which regards itself as a developing country, is committed to raise awareness of the international community to effectively address the existing problems of poverty and lack of development. Turkey also goes beyond debt relief initiatives for the LDCs through strongly encouraging public–private sector cooperation, in particular investment in the LDCs. With that in mind, Turkey has been providing duty free quota free market access for the industrial goods of LDCs since 1 January 2006.

This publication brings together the highlights, some short background analytical papers and the outcome of the workshop — the Izmir Recommendations — so as to disseminate them widely with the dual aim of stakeholder's sensitization and development partner's mobilization. The role of Government of Turkey in development cooperation as an emerging development partner is also highlighted as was presented and discussed at the workshop.

Supachai Panitchpakdi
Secretary-General
UNCTAD

Bozkurt Aran
Ambassador
Permanent Representative to WTO
Republic of Turkey

Acknowledgements

The Izmir workshop was initiated, hosted and financed by the Government of Turkey. The concept was co-developed and co-organized by the Government of Turkey and UNCTAD. This publication is a consolidation of the issues, the analysis, the presentations and the outcome of the workshop held in Izmir, Turkey, 4–5 March 2008.

The vision, leadership and support, without which the workshop and this publication would not have been possible, were provided by the World Trade Organization (WTO) Ambassador of the Government of Turkey in Geneva, Ambassador Bozkurt Aran and the Secretary-General of UNCTAD, Mr. Supachai Panitchpakdi.

The workshop, under the able chairmanship of Honourable Akwasi Osei-Adjei, Minister of Foreign Affairs, Regional Integration and New Partnership for Africa's Development (NEPAD) of the Republic of Ghana, concluded the Izmir recommendations, which were subsequently reported at UNCTAD XII. The co-organizers are grateful to the Government of Ghana for having ensured that these recommendations are taken on board at the high-level segment of UNCTAD XII.

As the Chair of the LDC Coordination Council, H.E. Debapriya Bhattacharya, Ambassador, Permanent Representative of Bangladesh to the United Nations Office at Geneva, provided valuable policy guidance and analytical insight.

The development of the concept, the timing, the successful organization of the workshop and the effective mobilization of the participation of ALDC benefited from the key roles played by Mr. Awni Behnam, Senior Advisor, UNCTAD XII; Mr. Kobsak Chutkil, Special Advisor to the Secretary-General, UNCTAD; and Ms. Zehra Cagnur Unlu, First Secretary, Turkish Permanent Mission to WTO.

The issues note and opening presentations that set the stage for focused discussions were prepared by Mr. Charles Gore, Special Coordinator for Cross-Sectoral Issues, ALDC, UNCTAD; Mr. Tesfaye Dinka, Former Minister of Finance of Ethopia and Senior Advisor to the Global Coalition for Africa; and Ms. Masoumeh Sahami, Chief Office of the Director, ALDC, UNCTAD.

This publication was prepared by Ms. Masoumeh Sahami, with guidance from Mr. Charles Gore and Ms. Zehra Cagnur Unlu, First Secretary, Turkish Permanent Mission to WTO.

The organizers are most grateful to the resource persons and participants representing LDC Governments, the Government of Turkey and international organization for their stimulating presentations and valuable inputs into the discussions which raised the quality and the relevance of the discussions through sharing of experiences and perspectives. This paved the way for pragmatic and meaningful recommendations for consideration at the high-level segment of UNCTAD XII.

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Abbreviations

ACP	African, Caribbean and Pacific Group of Countries
ADF	African Development Fund
ALDC	Division for Africa, Least Developed Countries and Special Programmes
AGOA	African Growth and Opportunity Act
AoA	Agreement on Agriculture
ATL	Air Transport Levy
BDP	Bureau for Development Policy
BIT	Bilateral Investment Treaty
BRICS	Brazil, Russia, India, China and South Africa
CBI	Caribbean Basin Initiative
CCA	Common Country Assessment
CDF	Comprehensive Development Framework
CDP	Committee for Development Policy
CFC	Common Fund for Commodities
CGIAR	Consultative Group on International Agricultural Research
DAC	Development Assistance Committee (OECD)
DFQF	duty-free, quota-free
EBA	Everything but Arms
ECOSOC	United Nations Economic and Social Council
ECOWAS	Economic Community of West African States
EEG	Environment and Energy Group
EIF	Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
FAO	Food and Agricultural Organization of the United Nations
FDI	foreign direct investment
FTA	free trade agreement
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GNI	gross national income
GNP	gross national product
GSP	Generalized System of Preferences
GSTP	Global Scheme of Trade Preferences
HIPC	Heavily Indebted Poor Countries
ICT	information and communication technologies
IEA	International Energy Agency
IF	Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries
IFFIm	International Finance Facility for Immunization
IFIs	International Financial Institutions

ILO	International Labour Organization
IMF	International Monetary Fund
IPR	Intellectual Property Rights
LDC	least developed country
LLDC	Landlocked Developing County
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MFA	Multifibre Arrangement
NEPAD	New Partnership for Africa's Development
NPV	Net present value
NTB	Non-tariff barrier
NGO	non-governmental organization
ODA	official development assistance
OECD	Organization for Economic Cooperation and Development
PG	Poverty Group
PPP	Purchasing power parity
PRSP	Poverty Reduction Strategies Paper
R&D	Research and development
REDP	Rural Energy Development Programme
RMG	Ready-made garment
ROO	Rules of Origin
RTA	Regional trade agreement
S&DT	Special and Differential Treatment
SDR	special drawing rights
SIDS	Small Island Developing States
SMEs	Small and medium-sized enterprises
SPD	Spatial Development Programme
SPS	Sanitary and phytosanitary measures
SP	Special products
STI	Science, technology and innovation
TBT	Technical Barriers to Trade
TIKA	Turkish International Cooperation and Development Agency
TRIPS	Trade-related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
WFP	World Food Programme
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Chapter 1

Issues Note:

Trade and Development for African LDCs' Prosperity

1.1 Context and key policy issues*

Over the last seven years, Africa has consistently outperformed the world economy in terms of growth rates: the average rate in Africa has been 4.7 per cent per year, which is 1.7 per cent higher than that of the world economy.

After over 40 years of stagnation, the recent economic performance raises the question "Is Africa at a Turning Point?"

After over 40 years of stagnation, this recent economic performance raises the question "Is Africa at a turning point?" When examining this growth performance, the pattern that emerges is unevenly distributed growth within and across African LDCs, fuelled by the current commodity boom and the high demand from the rapidly growing Asian economies, including China and India. Oil exporters in particular have grown at rates markedly higher than the regional average. However, greater macroeconomic stability, debt relief, increasing foreign direct investment (FDI) and, in recent years, higher aid flows have also played a role. A number of African countries have moved perceptibly toward reasserting ownership of their own development strategies. In parallel, Africa's newly-revitalized continental and subregional institutions are poised to make positive contributions to the region's renaissance. New forms of South–South cooperation and the new geography of international trade are also creating new opportunities as well as challenges for the continent.

The African continent is host to 33 of the 49 least developed countries and what characterizes the LDCs, in particular those in Africa, include: massive poverty and under-development, poor soft and hard infrastructure, weak supply capacities, lack of institutional and technological capabilities, low labour productivity, brain drain, low levels of savings and lack of domestic resources for development. These are further reinforced by civil strife and conflict; political instability; desertification, drought and land degradation; high population growth and ill health, which hinder the growth and development prospects of LDCs. Most African LDCs are also landlocked and therefore face high transit–transport costs, which further compounds the ability of African LDCs to produce and trade on the regional and international markets, thus undermining their international competitiveness.

The major challenge facing African LDCs is to devise and effectively implement an alternative development strategy that overcomes the failures and shortcomings of present policies. This is a very complex undertaking, which involves building political consensus not only domestically, but also engaging donors and other elements of the international development community. It is particularly difficult for two reasons.

First, African LDCs are undergoing a major social change, with increasing rates of urbanization which, however, are not accompanied by either a corresponding increase in job creation or significant changes in the structure of the economy.

* This paper synthesizes inputs to the workshop by UNCTAD staff.

This can potentially be a major source of tension and continuing poverty. Dealing with this change is a major challenge for African LDCs.

Second, the trade liberalization undertaken by LDCs since the 1980s has resulted in open economies. This has brought about a surge in imports and very strong competition in domestic markets. The domestic enterprise sector must devise strategies to survive and grow in the globalized environment.

The major challenge facing African LDCs is to devise and effectively implement an alternative development strategy that overcomes the failures and shortcomings of present policies.

In this new open-economy context, LDCs have attracted increasing amounts of inward FDI. These inflows, however, have not resulted in tangible employment creation, transfer of technology or development of the domestic enterprise sector. New policies must be devised in order to reach these three goals that should be pursued by FDI policy. This is particularly important as competition in international markets for goods and services is becoming increasingly knowledge-intensive. This poses a major challenge for LDC firms to become more knowledge-intensive and to be able to compete internationally without falling into the trap of being locked in specialization in the lower ladders of the processing and value added chain. LDCs are currently being left behind other developing countries (including the African ones) in terms of technological achievement. Such trend must be reversed, but this requires a change in policy. It means formulating and implementing policies for science, technology and innovation.

1.2 Critical issues

Trade and development encompass a broad range of issues. The focus here will be six, which, according to previous and ongoing research by UNCTAD, are critical for African development and enhancing the role of trade in that process: investment, official development assistance (ODA), trade, commodities, migration and climate change.

1.2.1 Investment

Africa's weak economic performance over the long term is a reflection of inadequate investment and low productivity growth. Over the last 25 years, investment rates in sub-Saharan Africa have averaged around 18 per cent of gross domestic product (GDP), a performance that compares poorly to most other developing regions.

There has been some upward movement in recent years, with the latest (2006) figures showing a rise to about 19.5 per cent. Further efforts need to be made to raise the rates to at least the 25–30 per cent range, which most experts agree are the levels that would help generate the higher growth rates needed for significant poverty reduction. While national development strategies would help set the guidelines for the sectoral allocation of capital expenditures, it is expected that due priority would be given to investment in the productive sectors — to raise production and productivity — and also to finance the expansion and improve the efficiency of infrastructure, including trade facilitating infrastructure. There is now a New Partnership for Africa's Development (NEPAD)-led effort to redress the relative neglect of these important sectors.

Africa has witnessed a rapid increase in inward FDI within the last four years, reaching a peak of about $40 billion in 2006. However, the region's share of global FDI flows remains about 3 per cent, below its share in the 1970s.

Africa has witnessed a rapid increase in inward FDI within the last four years, reaching a peak of about $40 billion in 2006. However, the region's share of global FDI flows remains about 3 per cent, below its share in the 1970s. These flows are very much concentrated in a few countries and a few sectors. Although some countries — such as South Africa, Morocco and Egypt — have managed to attract considerable external investment in manufacturing and for the acquisition of existing assets (mergers and acquisitions), the bulk of FDI going into Africa has been focused on the extraction of natural resources, particularly oil and gas. While there are signs of increasing investment in services, in particular in infrastructural services, the share of FDI in the manufacturing sector is on the decline, mainly as a result of the end of the Multi-Fibre Arrangement.

While FDI is important, a self-sustaining and dynamic investment process in a country requires both domestic and foreign investment. Both can be complementary, but complementarities do not emerge spontaneously and FDI often lags rather than leads domestic investment. Greater attention needs to be given, therefore, to domestic investment. Despite recent efforts to enhance domestic financial resource mobilization, very low domestic savings and weak domestic financial systems remain significant impediments to vigorous private-sector-led investment, growth and employment generation.

Issues

- What policy measures are necessary for improving the environment for domestic investment? Are these different from those necessary for attracting FDI? How can Africa diversify investment into the services and manufacturing sectors?
- How can Africa maximize its benefits from FDI, in particular in the extractive industries? That is, how can it ensure win–win outcomes in terms of higher incomes, job creation, forward–backward linkages in the domestic economy, transfer of technology (or technological upgrading), transfer of skills and know-how, and other positive spillovers?
- How can FDI be used to enhance Africa's positive integration into the global trading system?

1.2.2 Official development assistance

ODA remains a major source of financing for a range of developmental and poverty-reduction policy programmes in many low-income African countries. Despite recent increases, however, total aid flows in 2006 dropped by 5 per cent relative to 2005. Flows in 2006 represented only 0.3 per cent of Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) members' combined gross national income (GNI) — far below the level required to fully attain the MDGs by 2015. Only five countries have met or exceeded the United Nations target of devoting 0.7 per cent of their gross national incomes to ODA, and the challenge of meeting the Group of Eight (G8) Gleneagles commitment to double aid to Africa by 2010 and reducing the volatility of aid persists.

The recent growth in ODA has so far not translated into significant additional financing of development programmes and projects.

One ODA-related area where major progress has been recorded is that of debt relief. There has been significant forward movement on bilateral debt write-off under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and more recently on multilateral debt relief under the Multilateral Debt Relief Initiative (MDRI). But one consequence of the progress made in this regard is that much of the increased flow of ODA has been diverted to the financing of debt relief. Thus, the recent growth in ODA has so far not translated into significant additional financing of development programmes and projects. Much of the incremental resources were channeled to debt write-off and emergency relief.

Macroeconomic conditionality and advice are leading to a situation in which much of the aid which is actually received in a country is being used to build up international reserves or pay off domestic debts. The amount available to do real things on the ground within African countries is thus much less than the amount which donors actually disburse and record as such. This calls for serious discussion at the various forums available for this purpose.

In addition, for a number of years, a major focus for ODA has been support of the social sectors; the adoption of the MDGs has further reinforced the primacy of these sectors. It would be both timely and appropriate to re-examine such a stance with a view to also giving due attention to investment in infrastructure as well as in productive sectors. Otherwise, there is a danger that the debt problem will simply recur in the future. But if aid inflows are doubled and used to build up the productive base of African economies, both aid dependence and debt relief dependence can rapidly end.

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Issues

- Does the Paris Declaration on Aid Effectiveness address all the issues involved in enhancing the development effectiveness of ODA? What actions can the international development community take to reduce the proportion of aid (e.g. tied aid) which does not address the priorities of recipients?
- How can the demands made by donors on weak and overburdened bureaucracies in Africa be reduced? Do we need a new multilateral organization to channel aid?
- Is there a need for a permanent forum of recipient countries and donors to discuss these common issues?
- What role can new donors play in supporting Africa's development efforts?

1.2.3 Trade

African economies are generally open. The ratio of trade to GDP in sub-Saharan Africa was equivalent to 69 per cent in 2006, up from 50 per cent in 1991. Equally, tariff barriers are below 15 per cent in most countries. This follows deep and sustained policy reforms over an extended period from the mid-1980s, which have included trade liberalization policy conditionality outside the framework of multilateral negotiations. But despite the high level of openness, African participation in world trade is small and declining. Africa's share of global exports declined from about 6 per cent in 1980 to about 2.7 per cent in 2006.

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To reverse this pattern of integration-with-marginalization, action is required at national, regional and global levels. At the national level, it is clear now that trade liberalization in itself is insufficient for export development and in particular export diversification. Trade liberalization has reinforced commodity dependence. While the attempts of a number of countries to actively promote non-traditional exports should be acknowledged, diversification would require more determined and long-lasting efforts aimed at moving into activities that have more solid prospects for sustained export growth, domestic value adding and employment generation. Investing in trade facilitating infrastructure, formulating development-oriented trade policies, export promotion, reforming trade-related regulations and building technological capabilities are among the key steps to be taken to stimulate export growth and improve competitiveness.

Regional integration has long been recognized both as the obvious means of binding Africa's small economies together into larger and more viable single markets, and as a stepping stone toward integration into the global trading system. Expanding regional markets by strengthening and deepening African regional integration schemes has thus been a continuing feature of the continent's trade and development agenda. In line with this, Africa's subregional economic communities have all placed priority emphasis on trade integration. Most are in the process of liberalizing their intraregional trade and tariff systems within the framework of free trade area agreements or customs unions. However, in terms of concrete results, cross-border trade has seen very little growth, mainly due to the persistence of non-tariff and administrative barriers, as well as the inadequacy of essential cross-border infrastructure. The lack of significant progress on the harmonization and rationalization of Africa's numerous integration schemes also complicates and inhibits intraregional trade.

With the continuing stalemate of the Doha Round of trade negotiations, the problems Africa faces in the global trading environment are expected to remain unresolved for a while. No action has yet been taken on the commitments undertaken at the 2005 Hong Kong (China) Ministerial Conference to eliminate export subsidies and reduce domestic support — with respect to cotton first and foremost, but also, in due course, for agriculture in general. Thus, Africa's cotton exporters continue to be disadvantaged by the international community's failure to implement the Hong Kong (China) consensus. The barriers to market access for non-agricultural exports, including tariff escalation and peaks, remain unresolved. Meanwhile, non-tariff barriers — in particular ever-stricter technical standards and expanding and more stringent environmental and sanitary requirements – have in effect become insurmountable obstacles to accessing OECD markets.

In parallel to the Doha Round of multilateral talks, there have been ongoing negotiations to conclude Economic Partnership Agreements (EPAs) between the European Union and various subregional groupings of sub-Saharan African countries. But the current status and eventual outcome of the EPA negotiations appear to be quite fluid.

Issues

- What are the costs and benefits of non-reciprocal market access for poor African countries? What would be the costs and benefits of the economic partnership agreements under the current proposals on the table?
- What guarantee is there that resources for Aid for Trade will be additional to resources allocated to existing technical cooperation programmes? How different is Aid for Trade from existing technical cooperation arrangements?
- How can the Doha Round maximize the benefits and minimize the costs of external integration for African countries? How can the impact of non-tariff barriers and contingency trade protection measures on African countries be mitigated?

1.2.4 Commodities

The current boom in the demand and prices of primary commodities has been a welcome development for African commodity producers. Analysis by UNCTAD indicates that the prices of all commodities increased by nearly 90 per cent in dollar terms or 66 per cent in special drawing rights (SDR) terms between 2002 and 2006.

The largest increase was for minerals and metals as a group, but although there were some significant exceptions such as cotton, most products in other categories also saw significant price rises. The major emerging economies' growing demand for oil, gas, other minerals and agricultural raw materials is the underlying reason for the boom.

While the outlook for commodities is encouraging, the actual benefits accruing to African countries depend on their share of revenues within the marketing system or value chain.

While the outlook for commodities is encouraging, the actual benefits accruing to African countries depend on their share of revenues within the marketing system or value chain. Global supply or value chains have increasingly become important players in commodity trade. Among global commodity chains, Northern-based buyer-driven chains have been gaining more power and more say as to the distribution of value along the chain. As a result, producers and other second-tier participants are increasingly being marginalized. The enforcement of stringent quality standards has contributed to the consolidation of the powers of buyer-controlled chains. At the same time, in developing countries, the dismantling of marketing boards and related market liberalization measures have resulted in weakening producers. The demise of international producer–buyer commodity organizations also had the same effect.

With the new scramble for energy and minerals, host countries of extractive industries are increasingly able to negotiate revisions in their contractual agreements with transnational corporations in order to improve their ownership position and to ensure that they get higher shares of the revenues. But they do not necessarily have the information or capacity to renegotiate successfully. Producers of some other commodities have also managed to work out improved terms with their buyers by successfully carving out niche markets, through branding and by branching out into the supply of specialty products. But these are more the exceptions than the rule, as the majority of producer countries and commodities are still subject to buyer dominated value chains.

Issues

- How can the commodity windfall be used to achieve sustainable development?
- What measures can further strengthen the participation of African countries in South–South trade in commodities?
- What international commodity initiatives can be envisaged to assist African commodity producers?

1.2.5 Migration

International migration from Africa to other regions, in particular to developed countries, has increased strongly since the early 1990s and is an emerging area of concern. Migration has both positive and negative consequences for African countries.

On the positive side, remittances, if channeled to productive investment, can contribute to long-term growth. Officially recorded remittances to sub-Saharan Africa were estimated at $11 billion in 2007. On the negative side, brain drain can have dire consequences for long-term development prospects. If properly managed by home and host country Governments, the negative effects of international migration could be minimized and its benefits maximized for both groups of countries.

The International migration from Africa to other regions, in particular to developed countries, has increased strongly since the early 1990s and is an emerging area of concern. Migration has both positive and negative consequences for African countries.

Dialogue at the highest political levels may help address the many dimensions of South–North migration. In fact, migration was a major point of discussion at the recent Africa–European Union Summit (Lisbon, December 2007). Even without returning, African Diasporas can effectively participate in the continent's development if appropriate mechanisms are created to harness this largely untapped resource. The African Union, which plans to place the African Diaspora on a par with each of its territorial regions, has been conducting active consultations on strategies aimed at the productive utilization of this external resource.

Issues

- How can both the home and host countries of migrants (legal and illegal) manage migratory flows in a more sustainable and humane manner?
- What policies can host countries adopt to reduce the costs of brain drain in Africa?
- How can commitments on the temporary movement of natural persons (under Mode 4 of the General Agreement on Trade in Services (GATS)) contribute to brain gain, brain circulation and knowledge diffusion in Africa?
- What measures can African countries and host countries adopt to maximize the development impact of remittances?

1.2.6 Climate change

Climate change is another emerging global phenomenon that has immense implications for African development. Ironically, Africa has contributed the least to the causes of global warming, but it now finds itself as the most vulnerable continent to the consequences of climate change. Its vulnerability to climate change is further compounded by other well-known challenges Africa already faces, including poverty, food insecurity, diseases, conflict, and overall lack of capacity to respond to these threats. All the same, African countries and their development partners have started to consider the likely vulnerability scenarios in various sectors as well as the required measures and resource implications for adaptation and mitigation.

> Africa has contributed the least to the causes of global warming, but it now finds itself as the most vulnerable continent to the consequences of climate change.

From among the many sectors expected to feel the stress of climate change agriculture would be the most affected. Intense, more frequent and longer droughts, heavy rains and associated flooding, fluctuations and extremes in weather patterns all have negative impact on agriculture in general, and in turn on food security and agricultural commodity production. Such variations in weather patterns are either associated with or exacerbated by climate change. One result has been the encroachment of desertification, the expansion of semi-arid and arid zones and the trend toward even drier conditions in almost all sub-regions of the continent, but particularly in North Africa. Water stress is increasingly felt in various parts of the continent even though the continent is a known laggard in water use for irrigation. The expected increased demand, due to rapid urbanization and for more intensive irrigated agriculture, would place further pressure on water supply. The forestry subsector plays significant roles both on the vulnerability and mitigation sides of the climate change issue. As with agriculture, droughts and decreased precipitation negatively impact forest cover and the growth of trees. Also, the use of wood and other biomass as the main source of energy in Africa contributes significantly to the emission of greenhouse gases. On the positive side, forests — particularly tropical rain forests — play a vital global public good role by absorbing carbon dioxide from the atmosphere and thus acting as huge carbon sinks. The international community needs to adequately compensate the countries so endowed to ensure their continued custodianship of this public good. Low-lying coastal areas would be affected by a rise in sea levels due to global warming, which would lead to flooding, erosion, severe stresses on ecosystems and forced movement of affected populations. The health sector is yet another area of vulnerability, as climate change contributes to the intensity and spread of such diseases as malaria.

The net effect of these multiple stresses could be felt in trade and other economic activities. The prevalence of erratic and otherwise adverse weather conditions due to climate change would negatively impact agricultural commodity production. Shorter seasons, reduced precipitation and generally drier trends are bound to result in significant reduction of crop yields and thus constrain the supply of export products. Measures taken to limit deforestation, justifiable in terms of mitigation, could directly affect trade in timber, an important source of export earnings for a number of countries. Mitigation measures, particularly those already being taken or planned to be taken by other parties, would also be consequential for African countries. For example, the increasing resort to biofuels may reduce the global supply of cereals and raise the import bill of net food importers. However, African countries may themselves go into biofuel production and in the process realize multiple gains. Countries with comparative advantages in clean energy production from hydro electricity could develop new sources of foreign exchange earnings, while also undertaking a mitigation measure.

Countries with comparative advantages in clean energy production from hydro electricity could develop new sources of foreign exchange earnings, while also undertaking a mitigation measure.

Responding to the threat of climate change involves a variety of adaptation and mitigation measures. As a general rule, adaptation will be costly, and mitigation even more so. Countries are beginning to internalize the fact that climate change is now not only an environmental concern but a basic development challenge. The overall response would thus be to incorporate it as an integral component of sustainable development strategies. The required broad adaptation/mitigation measures include a shift toward efficient sources of energy for production, transport and other uses, reduction of energy intensity and minimization of carbon-intensive fuels. In agriculture and forestry in particular, the call is for curbing deforestation, adopting balanced and sustainable management of forests, efficient production and conservation. African countries have capacity and financial limitations to implement appropriate responses to climate change. The African Union — together with the United Nations Economic Commission for Africa and others — has drawn up an action plan in this regard. Support from development partners, both financial and in the provision of appropriate technologies, would facilitate implementation of the action plan and also generally equip countries to start adapting and responding to this unavoidable challenge. Partners would also need to refrain from protectionism in the guise of eco-labeling and buy local movements, and subsidies for domestic biofuel production.

At present, the effects of growth on Africa's poverty are limited, as key commodities such as oil and minerals are produced in capital-intensive industries with weak linkages to the rest of the economy. Agricultural productivity remains precariously low in many countries, and more and more farmers are working on ecologically fragile land. Climate change will aggravate this situation.

Issues

- To what extend is development and the achievement of MDGs in African LDCs threatened by climate change?
- What if anything can African LDCs' Government do to mitigate climate change and how can they be done in a way that does not conflict with development and poverty reduction?
- How can development partners support the African LDCs' Governments to adjust to the consequences of the climate change?

1.3 Action and directions

The process of globalization has come under increasing scrutiny in recent years because of growing inequalities between the rich and poor countries, and within countries. Questions have been raised about the ability of unfettered globalization to deliver millions of people, in countries such as those in Africa, from poverty, as was initially hoped for. The difficulties Africa is experiencing in taking advantage of globalization have been attributed in some quarters to inappropriate policy reforms, which have damaged nascent industrial sectors in several countries and resulted in economic stagnation. There is an emerging consensus that these countries need to design a development strategy that responds to their development challenges, and to implement this strategy within the framework of a "developmental State". The strategy would be complemented by a policy of solidarity on the part of the international community to help Africa take advantage of the opportunities provided by globalization.

Issues

- Is the "developmental State" the way forward for African LDCs?
- What would be the "building blocks" for a new development paradigm?
- How can African LDCs address the technological constraints they face?
- How can a realistic and effective partnership between African LDCs and their development partners be brought about?
- What role can UNCTAD play?

Chapter 2

Keynote Addresses

2.1 Statement by H.E. Mr. Debapriya Bhattacharya, Ambassador and Permanent Representative of Bangladesh and Chair of the LDC Group in the United Nations System

Mr. Chairman,

I thank you very much for giving me the floor to make the opening statement. Today, I shall be speaking in my capacity of the Coordinator of the LDC Group in the United Nations system. And at the first opportunity, I would like to thank the people and Government of the Republic of Turkey for their warm hospitality.

Mr. Chairman,

This high-level workshop in Izmir has great significance as it has been designed as an important contribution to the twelfth quadrennial ministerial conference of UNCTAD. More concretely, it will focus on the high-level segment captioned "Trade and Development for Africa's Prosperity Action and Direction of UNCTAD XII". This workshop will also generate a policy statement which will focus on the development challenges and opportunities which are facing the LDCs in general and those in Africa in particular.

I take this opportunity to sincerely commend the thoughtful initiative of organizing this workshop. This comes in continuum of the United Nations ministerial conference on LDCs, held in Istanbul in last July. Indeed, Turkey remains one of the enlightened developing countries which has provided wide-ranging duty-free quota-free market access to LDC products. I congratulate Turkey for its commitment to meet the development needs of LDCs — bilaterally as well as multilaterally. It is a country with a great civilization, positioning itself for a new role in the modern world. The LDCs would like to find a dependable and resourceful partner in the emerging Turkey.

Mr. Chair,

Who are these LDCs? This is a group of countries — which is disadvantaged by history, punished by geography and self-indulged by malgovernance. They are the poorest and weakest members of the international community. They are also socially, economically and environmentally most vulnerable.

Who are these LDCs? This is a group of countries — which is disadvantaged by history, punished by geography and self-indulged by malgovernance. They are the poorest and weakest members of the international community. They are also socially, economically and environmentally most vulnerable.

We are talking about 800 million people constituting about 13 per cent of the world population, living in 49 countries of the world. About half of this population lives on less than $1 a day and more than three-fourth at less than $ 2 a day. Upward trend of life expectancy is challenged by malnutrition, HIV/AIDS. Further, 28 of the LDCs are either landlocked or far-flung small island countries. Today, these LDCs continue to command less than 1 per cent of the world trade, less than 1 per cent of the global FDI and less than 1 per cent of the global GNI. The recent growth spurt in Africa is very encouraging, particularly given the performance of the agricultural product exporting countries. However, we remain worried about its sustainability, as it is largely driven by commodity, mineral and oil prices.

Mr. Chair,

Thirty-four out of 49 LDCs are in Africa. African LDCs remain particularly handicapped in the emerging development scenario. Indeed, all the incremental population growth in the LDCs during 1990s has taken place in the African LDCs. Today, 61 per cent of the total LDC population resides in the African LDCs. So there is a compelling reason for us to attach special attention to the problems of African LDCs, particularly to strengthen their voice in the UNCTAD XII process.

Today, 61 per cent of the total LDC population resides in the African LDCs. So there is a compelling reason for us to attach special attention to the problems of African LDCs, particularly to strengthen their voice in the UNCTAD XII process.

Mr. Chair,

The problem of the LDCs in general and African LDCs in particular is complex and is well known to the present audience, and we shall be further discussing them in the coming seasons. So I refrain from dwelling on them. In this connection, only let me emphasize that a number of global initiatives has been designed to address the developmental problems of the LDCs in the recent period. These include increased flow of concessional foreign aid and debt forgiveness, providing preferential market access for exports and leveraging foreign direct investment. However, to date we have observed only a limited impact of these efforts in precipitating a sustainable structural transformation towards industrialization of the LDC economies.

Creation of productive capacities and gainful employment in these countries continues to be the main challenge for pro-poor growth. The supply-side constraints of the LDCs in this context are brought out by the UNCTAD LDC Report 2006 in the following way: “Even if the LDCs exported all their output, their share of world exports of goods and services would be only 2.4 per cent, even though their share of world population is over 10 per cent”. In this connection, we observe that some of our development partners find it convenient to thwart the development prospect of certain African countries by way of pursuing perverse trade interest. Cotton is an instructive case in point.

Creation of productive capacities and gainful employment in these countries continues to be the main challenge for pro-poor growth.

Mr. Chair,

As we remain cognizant about the diversity among the LDCs and the special needs of some of them, we should forget that we are dealing with an internationally recognized a set of indivisible set of countries characterized by a transparent set of parameters. Thus, we would continue to project a unified voice in the global arena in favour of our demands.

Mr. Chair,

In this context, let me express our solidarity with the Maseru Declaration of the LDC Trade Ministers, which we adopted just three days back. I would like to point out three characteristics of the outcome of this meeting:

First, the *political message*. It has come out loud and clear that the LDCs as a group is speaking in one voice and that voice is getting louder.

Second, *developmental aspirations*. The declaration contains a well-articulated forward-looking agenda which seeks to promote trade as a means to achieve development.

Third, the *negotiating position*. The negotiating strategies of the LDCs have now become more concrete and sophisticated reflecting the overall maturity of the interest group.

A declaration is as good as we make it. As the Geneva Process of the WTO is entering into a very important phase eyeing for completion of the Doha Round, it has become imperative for the LDCs to pursue more effectively to implement this mandate.

The LDCs would also need a new generation of international support measures to complement the internal efforts.

Mr. Chair,

There is no reason to believe that the LDCs are cherishing their current socio-economic status. Each of them is striving for "graduation", although the results have been less than encouraging. During the last 10 years, only one country has successfully graduated out from the LDC status, while two more may leave the group by 2011. Conversely, during the same period, two more countries have joined the rank of LDCs.

To expedite the graduation process, the LDCs have to accelerate the process of domestic reforms involving development of institutional capacity for managing their globalizing economy as well as deepening of democratic practices for participatory development. But the LDCs would also need a new generation of international support measures to complement the internal efforts. I trust that UNCTAD XII will devote necessary attention to these issues.

Mr. Chair,

The LDCs in the coming days would greatly increase its demand on UNCTAD. UNCTAD, through its four decades of trail-blazing activities, has emerged and consolidated as the United Nations focal point for integrated treatment of trade and development issues and interrelated contemporary challenges. We expect that UNCTAD, remaining faithful to its core mandate, will reinvent itself to be at the cutting edge of the global intellectual discourse on development. It is further expected that UNCTAD will position itself as the source of applied best practices of sustainable development and endow itself as the predominant source of developmental statistics and analysis. As a part of this process, we would need to strengthen the "Division for Africa, LDCs and Special Programmes" of UNCTAD. For that we would also need additional resources including for replenishment of the LDC Trust Fund.

I trust this workshop will seize the potent moment in the run up to UNCTAD XII and reflect on these issues.

2.2 Statement by Ms. Harriet Schmidt on behalf of Mr. Cheick Sidi Diarra, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

Mr. Chairman,
Excellencies,
Ladies and gentlemen,

We last met in this beautiful country in July last year for the Ministerial Conference of the Least Developed Countries on "Making Globalization Work for the Least Developed Countries," organized by the Government of Turkey in collaboration with the Office of the High Representative and the Untied Nations Development Programme (UNDP). The discussions of that meeting centred on how the least developed countries can be more beneficially integrated in the world trading system. This workshop, which is in preparation for UNCTAD XII, is therefore an important bridge between the ministerial conference of July last year and the forthcoming UNCTAD conference. With UNCTAD XII focusing on "Addressing the Opportunities and Challenges of Globalization for Development," the discussions we had here in Turkey in July couldn't be more relevant. I therefore commend the Government of Turkey for its continued support and the commitment it has shown in responding to the needs of the marginalized countries and in assisting them in their efforts to achieve the Millennium Development Goals.

> African LDCs are experiencing a major social transformation, with high rates of urbanization, which, regrettably, are not matched by a commensurate increase in job creation.

The theme of this high-level workshop is "Trade and Development for Africa's Prosperity: Action and Direction". As you are aware, the majority of LDCs — 33 out of 49 — are in Africa. At the same time, the African LDCs represent more than half the continent. Consequently, what happens in the African LDCs has wide-ranging implications for the LDCs as a group and for Africa as a continent. Any discussions of the "action and direction" needed to promote trade and development for Africa's prosperity should, therefore, pay sufficient attention to the situation of the African LDCs.

African LDCs are experiencing a major social transformation, with high rates of urbanization, which, regrettably, are not matched by a commensurate increase in job creation. The underlying problem, as many experts have observed, is that economic growth is taking place without development in terms of structural transformation and broad-based change in the human condition. Though annual rates of economic growth in African LDCs have averaged 5 per cent in the last five years, they are still below what is needed to reach the Millennium Development Goals. Questions also remain about the sustainability of rates of economic growth seen in recent years, given that they have been largely driven by higher commodity prices.

Economic growth has not been particularly inclusive. It has not had a significant impact on job-creation and poverty reduction. While African LDCs have, in recent years, attracted higher and higher amounts of foreign direct investment (FDI), this has not usually translated into concrete employment generation. Much of the foreign direct investment has gone into the extractive industry, particularly oil, which is capital-intensive and whose capacity to create employment is therefore limited. The biggest employment sector in the majority of LDCs — agriculture — continues to attract little foreign, and in many cases, domestic investment. Moreover, compared with other developing regions, the amount of Foreign Direct Investment attracted by African LDCs, especially the non-oil producing LDCs, remains minuscule. The result is that the prospects of reaching the targets of the Millennium Development Goals by 2015 in the LDCs are quite dim. Not only that, but the presence of a large, young population without jobs could, in many of the LDCs, become a major source of political instability and conflict, further exacerbating an already difficult situation.

Mr. Chairman,

As we noted at the Istanbul Conference, the LDCs continue to face daunting structural constraints. Insufficient financial resources, inadequate physical and social infrastructure, lack of skilled human resources and weak institutional capacities, not to mention the challenge of HIV/AIDS, malaria and tuberculosis, inhibit their growth and jeopardize their sustainable development. New challenges, including rising food prices, the effects of climate change and increasing brain drain compound the situation even further. Given the magnitude of these constraints, trade preferences and other forms of preferential treatment become very critical in jumpstarting LDCs' participation in the global economic system. While this need is appreciated by the international community, the political commitment to carry it through remains insufficient. For example, the tentative Doha Round agreement on preferential market access for LDCs and similar arrangements notwithstanding, a number of products that are of great interest to the LDCs remain locked out important markets. Moreover, important as they are, preferences must be matched with measures to help the LDCs take full advantage of those preferences. In this connection, measures like the Enhanced Integrated Framework for Trade-related Technical Assistance must be effectively implemented. It is commendable that the Government of Turkey is actively supporting the Enhanced Integrated Framework.

In the case of the African LDCs, support of the international community to the New Partnership for Africa's Development is important in enabling those countries to take their rightful place in the global economy. Investing in NEPAD's priorities — particularly infrastructure, agriculture, human development and the environment — would go a long way in eliminating the major constraints to trade, development and poverty reduction in Africa. Through the Brussels Programme of Action for the Least Developed Countries, the international community has committed itself to specific targets in assisting the LDCs carry out the necessary reforms and investments in those same areas. But annual reviews by the United Nations have shown major implementation gaps which must be filled if the LDCs are to get out of the current development quandary.

> Although there are about 30 regional groups in Africa, intra-African trade remains quite low at less than 10 percent, partly due to infrastructural and regulatory constraints.

Regional integration is vital for promoting trade and development in the African LDCs. Although there are about 30 regional groups in Africa, intra-African trade remains quite low at less than 10 percent, partly due to infrastructural and regulatory constraints. There cannot be global integration without regional integration. The expansion of regional trade does not only bring immediate economic benefits to the countries involved, but it also helps them improve the competitiveness of their goods and services at the global level. More international assistance should therefore be directed at facilitating regional trade among LDCs and their neighbours.

Mr. Chairman, distinguished participants,

Though the general picture of African LDCs remains less bright than we would all want it to be, these countries have shown a resilience and dynamism that should be a good reason for hope. Coupled with the growing support of the international community, both from the countries of the North and the emerging partners from the South such as Turkey, I have every confidence and expectation that with more determined efforts, the African LDCs will take their place in the global economy.

I thank you for your attention.

2.3 Address by Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD

Let me first reiterate what Mrs. Schmidt has just said about how much we appreciate the efforts of the Government of Turkey in promoting South-South economic cooperation, particularly for those countries in greatest need of support from their fellow developing countries, and particularly for the LDCs in Africa. I am confident that this workshop will mark the beginning of fruitful cooperation among the Turkish Government, OHRLLS and UNCTAD in supporting the LDCs. It is also certain to drive forward our discussions on the same subject at UNCTAD XII, which as you know will be held in Accra, Ghana, next month. We have been organizing some pre-events for the conference around such areas as commodities, gender and trade negotiations. And one thing I would like to see coming out of Accra is for UNCTAD to be mandated by all our member States and other stakeholders to continue our work on the LDCs and Africa — a process to which I hope this meeting will contribute. In fact, one of the earliest discussions on an issue of great importance to the LDCs — cotton — was held here in Izmir a few decades ago. I think this issue is still very much in the limelight, and it will certainly be an important part of our discussions on commodities in Accra.

> Accra conference must formulate an effective strategy to help use globalization, trade and investment for poverty reduction and economic growth.

For the first time in history, a United Nations Secretary-General has attended an executive session of UNCTAD's Trade and Development Board. On 3 March, Mr. Ban Ki-moon delivered some very strong messages, which I would like to share with you today. First, he said this will be the year of the "bottom billion" — a reference to the world's poorest people, most of whom are in the LDCs and Africa. Second, he has created a high-level MDG Africa Steering Group, which will mobilize UN and external resources to help close the gaps between Africa and its attainment of the MDGs. This effort is coming at exactly the right time, and demonstrates Mr. Ban's commitment to the UN's development pillar. Third, he told us that the Accra conference must formulate an effective strategy to help use globalization, trade and investment for poverty reduction and economic growth. In this regard I hope that after Accra there will be a series of meetings to monitor the kind of progress we've been making and to support what our Secretary-General will be doing.

Some of you were with me in Maseru last week at the LDC trade ministers' meeting. The Maseru Declaration you adopted emphasizes the key LDC commitments and the concessions your countries expect from the rest of the trading community. In particular, the Declaration urges that concessional market access be truly conducive for exports, unlike previous such concessions, which did not result in any real gains for the LDCs' trade share. Nor should concessional market access commitments be offered merely to sweeten the deal, or to ensure that the middle name of the Round — "development" — is recognized. One of the agreements in the Declaration was to simplify rules of origin and other details, which I think represents considerable progress over the previous LDC trade ministers' statement (Zambia, 2005).

Nor should concessional market access commitments be offered merely to sweeten the deal, or to ensure that the middle name of the Round – "development" – is recognized.

Another area reflected in the Maseru Declaration is cotton, and I hope that our series of meetings on LDCs in Africa also dwell on this issue, as cotton represents the main source of livelihood for many African countries, particularly in West Africa. Cotton will command higher prices than in the past, and there will be a revival of cotton production in many parts of the continent, so it is important that we pave the way for cotton receiving market access in compliance with WTO rules. At the same time, our development partners can help ensure the future for cotton developing countries through their official development assistance. My main point here is that when we talk about actions and directions for the African LDCs, we should harmonize and synchronize our work with what the LDC trade ministers have themselves agreed upon.

Let me now turn to some of the issues on Africa, and the African LDCs in particular, which will also be discussed at UNCTAD XII. First is the recent gains due to rising commodity and energy prices — gains from which Africa and some LDCs have benefited in terms of export growth. Most of those gains, however, are limited to the extractive industries, which do not generate many revenues for Africa or its communities. If these gains are not invested in something more permanent — such as infrastructure — then they will be another lost opportunity.

African LDCs will be unable to make use of market access unless they possess the capacity to produce exports that meet the standards required by the advanced economies.

Second, and as I have already mentioned, African LDCs will be unable to make use of market access unless they possess the capacity to produce exports that meet the standards required by the advanced economies. Many goods are currently not accepted because of trade barriers, sanitary standards, packaging requirements and so forth. Mrs. Schmidt has already referred to measures to remedy this situation through the Enhanced Integrated Framework and the Aid for Trade initiative. UNCTAD has been involved in just this sort of work since our creation in the 1960s, including capacity-building, rules implementation, adjustment processes, enabling environment and the like, and I certainly look forward to your guidance in this area.

Third — and I hope this will be brought to the attention of African leaders — what we need for Africa is for its governments to have the fullest possible understanding of their development role. I say this because sometimes the State has been told not to intervene; that because of liberalization, the market should be left to its own devices. What we actually need, however, is what we at UNCTAD are calling a developmental State. A developmental State is one that knows how to work with the private sector; that can facilitate development, investment, and dissemination of technologies; that can build the lifelines for communication and connectivity. We need effective, enabling developmental States; we need a strong private sector. Also at UNCTAD XII, we will be launching our EMPRETEC Africa Forum, which will create enterprises and entrepreneurs. After all, you cannot always expect the State to provide jobs; people must create their own livelihoods, their own jobs, and this is what UNCTAD's EMPRETEC programme excels at. The EMPRETEC Africa Forum will create a whole network of African entrepreneurs, will help them improve their own management and help them connect with markets outside of Africa.

> What we need for Africa is for its governments to have the fullest possible understanding of their development role.

Thank you very much.

2.4 Address by Honourable Akwasi Osei-Adjei Minister of Foreign Affairs, Regional Integration and NEPAD of the Republic of Ghana

Mr. Chairman,
Secretary General of UNCTAD, Mr. Supachai Panitchpakdi,
H. E. Mr. Ertugrul Apakan, Under Secretary,
Ministry of Foreign Affairs of Turkey
Excellencies,
Distinguished ladies and gentlemen,

I feel highly honoured to be invited to dialogue with you on some of the critical issues that will certainly form the basis of our work during the forthcoming UNCTAD XII conference in Accra, which is just a couple of weeks away.

Let me at the outset, on behalf of the President of the Republic of Ghana, express our profound gratitude to the Government and People of the Republic of Turkey, for extending this generous invitation to us to participate in this very important workshop. Indeed, for me, the timing of this workshop is very opportune. The theme for the workshop is apt, as we all seek to chart a new path of economic and development growth for Africa, especially for low-income and least developed countries.

Mr. Chairman,

The focus for our deliberations for the two days is on the challenges that Africa, especially the LDCs face in getting fully integrated into the global economy.

Mr. Chairman,

It bears emphasizing that, of the known 50 least developed countries in the world, the continent of Africa is host to 34, taking about 70 per cent. According to the UNCTAD publication on Statistical Profiles of Least Developed Countries of 2005, the United Nations has denominated least developed countries as low–income countries that are structurally disadvantaged in their development and facing more than other countries the risk of failing to come out of poverty.

Specifically, Mr. Chairman, these LDCs have very weak infrastructural development, low level of technological development, very weak supply base, over-reliance on a few exportable commodities, usually raw agricultural products for the much-needed foreign exchange to import capital goods, and low productivity, among others. Trade performance continues to slide. They are unable to attract into their economies the much needed investments. Domestic resource mobilization is low as domestic savings which lead to domestic capital formation are low. They are unable to effectively participate in the global economy. What is pitiable is that the gap is getting wider, with the advent of globalization. As such, LDCs are considered in dire need of the highest degree of attention on the part of the international community.

Mr. Chairman,

For almost two decades now, our countries have been undergoing internal structural reform processes with the view to taking advantage of especially, market access openings. These reforms must obviously respond to the dynamics of the international economic environment. In spite of these autonomous reform processes, which continue to be influenced by multilateral trade rules, African countries have not been able to reap the desired results. Our trade has structurally not changed.

For almost two decades now, our countries have been undergoing internal structural reform processes with the view to taking advantage of especially, market access openings.

African countries have reformed their legal investment environment to ensure that they are not left behind in the global investment flows. Statistics available indicate that even though foreign direct investment flow into Africa reached the highest level in recent years, reaching a peak of $40 billion in 2006, the paradox is that the region's share is a mere 3 per cent of global FDI flows, in fact, below its share in the 1970s. A major catalyst and stimulant to economic and trade development continues to be elusive.

Mr. Chairman,

Strategically, an adequate capital market development is considered a prerequisite for the development of portfolio investment. I am particularly happy to note that many of our countries are now actively trying to promote domestic securities markets but, admittedly, this is a rather difficult process. Indeed, the obstacles African countries face in attracting private capital from abroad underline the importance of the role of official agencies, i.e. multilateral development finance institutions and aid agencies, in enhancing private flows to our countries. We note that whilst there are a number of public–private initiatives that we are taking to promote private capital inflows, it is admitted that there are severe limits to what we can do. The way forward is that official agencies need to step up their development assistance to our countries to stimulate our economies, if we are to be successful in mobilizing substantial amounts of foreign private capital.

Ladies and gentlemen,

At the multilateral trade level, our efforts at ensuring an effective participation in global trade are hampered by internal, as well as external barriers. The chronic supply-side constraints, weak productive structures, inadequate knowledge of external markets, stringent application of non-tariff barriers, notable among them technical regulations, proliferation of private standards and sanitary and phytosanitary measures, must be overcome.

Furthermore, highly subsidized products from developed countries continue to make products of export interest to our countries uncompetitive on the international markets. Paradoxically, even where preferences exist, we are unable to exploit the regime to the maximum as we are faced with the administration of very complex rules of origin. Market access opportunities generated over the years have become a myth to our countries. Development becomes a mirage. Our industrialization programmes and thus the diversification process has run aground, as a result of tariff escalation in the developed country markets.

> At the multilateral trade level, our efforts at ensuring an effective participation in global trade are hampered by internal, as well as external barriers. The chronic supply-side constraints, weak productive structures, inadequate knowledge of external markets, stringent application of non-tariff barriers, notable among them technical regulations, proliferation of private standards and sanitary and phytosanitary measures, must be overcome.

Mr. Chairman,

There is, therefore, the urgent need to take a very critical look at Africa's peculiar economic and trade challenges. This calls for a very comprehensive but coherent policy initiatives from the international community. The Doha Development Agenda launched under the auspices of the World Trade Organization WTO, must deliver on its promise. It is a challenge confronting not only our countries, especially the LDCs, but also all members of the WTO, as well as the international financial institutions. Pledges made by the developed partners must be honoured. Aid for Trade, which is part of the overall development aid, designed with the specific objective of assisting developing countries, especially, the LDCs, play an active role in the global trading system and to use trade as an instrument for growth and poverty alleviation, is much welcome.

Mr. Chairman,

I am particularly happy to note that a new geography in international trade relations is emerging. South–South trade is on the rise. This is as it should be and must therefore be pursued. Turkey is one of the very few developing countries that operates a Generalized System of Preferences scheme, a trade preference scheme designed solely for the benefit of developing countries. I therefore urge other developing countries in a position to offer this scheme — the global system of preferences — to do so. The potential of South–South trade can be realized. The Global Scheme of Trade Preferences (GSTP), a South–South trade promotion instrument designed by UNCTAD, must also be exploited by our countries to the maximum.

On the investment side, China and Turkey are leading the level of investment flows into Africa. These are very healthy signs of South–South trade and economic cooperation, which our countries must take advantage of.

Mr. Chairman,

I stand here today making a call for more renewed initiatives and accelerated progress in existing programmes for Africa. This I believe would surely make a significant contribution to the development of the global economy.

Ladies and gentlemen,

As we prepare during these last days for Accra, it is my hope that the policy statement that would be adopted by the workshop should be used at the Conference as a blueprint capable of charting a new positive path for Africa's growth and development.

A new geography in international trade relations is emerging. South–South trade is on the rise. This is as it should be and must therefore be pursued.

Ladies and Gentlemen, distinguished delegation,

I shall personally follow and lead the process of negotiating the text in order to forge a consensus in this direction. As the leader of the host country delegation, it is our fervent hope that we shall enjoy the fullest scope of cooperation of the participants at the forthcoming conference. Nothing becomes as more than to bring to our discussions the full measure of political will and mutual goodwill.

The host Government and people of Ghana have committed resources to assist in hosting the Conference in Accra. It may interest you to know that we are taking into full account the comfort and convenience required to ensure a successful conference. We are doing our outmost to ensure that accommodation facilities are available to all participants and at affordable costs. We stand in the debt of those kind donors who have provided funding to secure the participation of LDCs. You shall all enjoy a hospitable home in my country, Ghana.

Mr. Chairman,
Excellencies,
Ladies and gentlemen,

In conclusion, I am hopeful that the discussions at this meeting will provide a solid basis for the participants to come-up with concrete and substantive proposals and recommendations, promoting the interests of African LDCs at the high-level segments in Accra. I assure you that the Government of Ghana will spare no effort to ensure that UNCTAD XII will be a success and that the outcome of this important workshop will get all the necessary attention and support at the Conference. We are confident that with the commitment and support of the Government and people of Turkey, UNCTAD and you, we will succeed. The Government of Ghana looks forward to welcoming you all in Accra with the traditional Ghanaian words of welcome “Akwaaba”.

I thank you.

2.5 Address by H.E. Mr. Ertuğrul Apakan, Undersecretary of Ministry of Foreign Affaires of the Republic of Turkey

Honourable Minister,
Distinguished Secretary-General of UNCTAD,
Ladies and Gentlemen,

It is a great pleasure for us to host such an important workshop here in Çeşme-İzmir on "Trade and Development for Africa's Prosperity: Action and Direction".

May I also remind you that İzmir is the candidate to host Expo 2015. It is Turkey's third-largest city as well as its second-biggest port. İzmir is a city where modernity and history coexist.

The discussion which I partly followed yesterday was very illuminating and substantive. This workshop is most timely in the lead-up to the twelfth session of the United Nations Conference on Trade and Development, to be held in Accra.

Our Government declared the year 2005 as the "Year of Africa", aiming to bring a new impetus and content to our relations with the continent with concrete steps such as high-level visits, new economic and trade agreements, and encouraging the exchange of commercial delegations. In this context, we are working to substantiate the institutional basis of our relations with African countries in the political, economic, commercial and cultural fields.

In this respect, we are looking forward to fostering ever broadening relations with African LDCs.

I believe that the increase of the development assistance of the Turkish International Cooperation Agency (TİKA) to African countries in the upcoming period will also contribute to our bilateral relations. Necessary funding is being allocated for the implementation of projects through TİKA in the LDCs, landlocked LDCs and Small Island Developing States in Africa, Asia-Pacific, Latin America and the Caribbean. Furthermore, Turkey recently organized the Istanbul Ministerial Conference of Least Developed Countries where the main topic was "making globalization work for the LDCs" which resulted in the Istanbul Declaration of Least Developed Countries — Time for Action.

On the part of Turkey, this is a long-term commitment and strategy for a sustainable cooperation. This process is based on mutual respect and benefit.

In this context, I can identify three elements which inspired us to host this workshop:

- This meeting represents a concrete follow up to the Istanbul Ministerial Conference of Least Developed Countries of July 2007;
- This is one of the series of preparatory meetings in the lead up to UNCTAD XII; and
- We also believe that this meeting represents an important step forward in the run-up to the Turkey–Africa Cooperation Forum/Summit in August 2008 in Istanbul, during which additional ways and means to further promote relations will be discussed and hopefully agreed upon.

We expect the participation of Foreign Ministers and of Heads of States and Governments at this Forum/Summit. For the preparation of this event, we work in cooperation with the African Union. I would like to take this opportunity to ask for your valuable support to this meeting.

We are at a pivotal point in the history of trade and development. The world economy and the international trading system have changed profoundly over the last decade alone. So has the nature of the contribution of globalization to development.

Ladies and Gentlemen,

We are at a pivotal point in the history of trade and development. The world economy and the international trading system have changed profoundly over the last decade alone. So has the nature of the contribution of globalization to development.

The challenge is to ensure that positive development impulses reach all developing regions and all segments of society. There are a number of requirements for achieving this goal. In this respect, appropriate macroeconomic policies need to be put in place by all players, and particularly the major ones. Macroeconomic policies alone, however, will not be sufficient. Certainly, trade plays a critical role.

The objective must be to bring about an international economic environment in which developing countries can take advantage of new market access, more productive investments, appropriate technology as well as improved financing for development, and can translate these into effective development gains.

Our discussions yesterday has displayed that there is a long way to go in addressing key issues such as; developing productive capacity, participating effectively in global value chains, building institutional capacities, ensuring that benefits of trade widely distributed and use for long-term development needs.

That's why Turkey has extended its duty free and quota free market access to LDCs. As an emerging donor country, Turkey is extending ever increasing Official Development Assistance to the LDCs. Turkish government also encourages private sector investments in LDCs as a new form of partnership.

UNCTAD's 12th Ministerial Conference next month, will provide an occasion to elaborate on these issues, to promote a new development agenda, to ensure that globalization is progressively more inclusive.

This is the basic challenge which we have to cope with.

Thank you.

2.6 Address by moderator: H.E. Bozkurt Aran, Ambassador, Turkish Permanent Representative to WTO

Excellencies,
Ladies and gentlemen,

I wish to welcome you all once more to İzmir and Turkey. It gives us great pleasure to host this important event in this beautiful town of Çeşme.

Earlier we had listened to important opening statements by our distinguished guests. I believe that these statements have provided us with sufficient guidance and a roadmap to conduct our discussion in this session. As we will address the theme of "The New Africa — Where are we now and where are we going?"

Allow me first of all to extend on behalf of Turkey our deep appreciation to the Honourable Minister of Foreign Affairs of Ghana for gracing this workshop with his presence which is truly source of encouragement to all of us.

I wish also to welcome most warmly Ms. Harriet Schmidt, representing Mr. Diara, the High Representative of the Secretary-General of United Nations for Least Developed and Landlocked Countries.

I would also like to extend a warm welcome to Mr. Tesfaye Dinka, the former Minister of Finance of Ethopia and Senior Advisor to the Global Coalition for Africa. He has a first-hand experience of the challenges that face African LDCs.

There is no denying that in the late sixties and early seventies, UNCTAD was the most important organization that had among all others a unique mandate to address the problem of development through the medium of trade. UNCTAD was born as a result of struggle of its forefathers, to address the hopes and aspirations of generations to come, in pursuit of development and prosperity for the elimination of poverty and marginalization.

Forty-four years on, I am still convinced that UNCTAD has the capacity and the potential to achieve its objectives by bringing technological and financial advancement in line with the intrinsic wisdom of human beings and their endeavours for betterment. Today, UNCTAD is positioned to achieve that objective through its three pillars of research and policy analysis, consensus-building and technical assistance.

Ladies and gentlemen,

Turkey is proud to contribute by supporting all efforts for a more effective UNCTAD through preserving and strengthening its development mandate. An important area of our contribution is the Aid for Trade initiative.

In the 1980s, Turkey was a pioneer in pursuing this principle by increasing trade with the developing and the least developed countries. We are committed to strengthening bilateral and multilateral ties with and among developing and the least developed countries as a principle tool to achieving the Millennium Development Goals and eliminating poverty.

I wish also to recall what has been just said by Mr. Kulaklıkaya, the President of the Turkish Cooperation and Development Agency-TIKA, official development assistance has reached $750 million in 2006.

For this purpose, Turkey, which regards itself as a developing country, is committed to raising awareness of the international community to effectively address the existing problems of poverty and lack of development.

While we strongly support the merit of debt relief initiatives for the LDCs, we do not feel that our role is limited to this end; we also strongly encourage private public sector cooperation in particular investment in the LDCs. With that in mind, Turkey has been providing duty-free quota-free market access for the industrial goods of LDCs since 1 January 2006. To be precise, the only other developing country providing such facility is Moldova, which unfortunately is not a major partner.

While we strongly support the merit of debt relief initiatives for the LDCs, we do not feel that our role is limited to this end; we also strongly encourage private public sector cooperation in particular investment in the LDCs.

At this session, there will be three major presentations which will be made by the most authoritative personalities in their own fields. I am sure the presentations will be exhaustive and inspiring. It is therefore all the more important that we complement these presentations by adding our own experiences that we have accumulated in the field. Real-life experiences are always greater than theoretical ones.

I therefore wish to encourage all of you, the real stakeholders as discussants to engage in a comprehensive and serious interactive debate.

I am convinced that the exchange we will have, will be the basis of a policy statement to incorporate the views expressed and to this end a valuable product to be presented at UNCTAD XII in Accra.

Ladies and gentlemen,

The President of the Republic of Turkey H.E. Abdullah GÜL has included UNCTAD XII in his work programme. The President is planning to take part in the high-level segment.

The policy statement that will be produced at the end of our deliberations will be restated by the President at UNCTAD XII.

It is my sincere wish that this policy statement will reflect a serious process to increase the awareness and commitments to LDCs and identify the areas where the contribution and assistance of the international community would make difference in the life of people living in LDCs.

I invite you to engage in a serious, frank and lively debate.

Chapter 3

Short Analytical Presentation Papers

3.1 Economic development and MDGs — Getting the balance right

Presentation by Mr. Kagan Akdogan,
State Planning Organization of Turkey

The Millennium Development Goals adopted at the United Nations Millennium Summit in 2000 are measurable targets attached to a time-frame for making a difference in the lives of billions of people. Governments in developing and developed countries have jointly committed themselves to provide the resources and the policies to implement these goals.

African leaders have adopted the MDGs as a tool within their wider development planning framework, in order to end the tragic conditions in which so many Africans are deprived of their basic human rights, such as health, education, shelter and security. By making the Goals work as tools for coordinating development policy, within broader development priorities, African leaders can tackle the extreme poverty that is hobbling their people, make their countries more productive and reduce the risk of conflict.

3.1.1 Key development policy challenges

African economies continued to sustain the growth momentum of previous years, recording an overall real GDP growth rate of 5.7 per cent in 2006 compared to 5.3 per cent in 2005 and 5.2 per cent in 2004. As many as 28 countries recorded improvements in growth rates in 2006 over 2005. Africa's growth performance in 2006, as in previous years, was underpinned by improvement in macroeconomic management in many countries, and strong global demand for key African export commodities, sustaining high export prices, especially for crude oil, metals and minerals.

However, for most African countries, the growth rates continue to fall short of the 7 per cent necessary to achieve the MDGs. UNCTAD's latest Economic Development in Africa report reveals that sub-Saharan Africa seems to be singled out as one region that is unlikely to meet the target of halving the absolute poverty by 2015 if current trends continue. Furthermore, it is once again, the only developing region where the absolute number of poor people has been steadily increasing, even if the relative number declined from 47 per cent to 41 per cent of the total population between 1999 and 2004.

Another issue that raises serious concerns about the continent's ability to achieve meaningful poverty reduction is that growth has not been accompanied by substantial gains in job creation. Africa's inability to sustain high growth over an extended period, low growth rates that fail to generate enough demand for labour, and the shift of economic activity away from agriculture into capital-intensive sectors such as mining and oil production are main causes of poor employment performance of the continent.

The challenge of HIV/AIDS looms large over Africa's efforts to attain the MDGs. The pandemic has aggravated weak economic growth in many countries and is depleting human capital, the very foundation of social development.

Gender inequality remains a big challenge despite the fact that educating and empowering women and girls are important to achieving all the MDGs. Notably, a large number of countries have not adopted a human rights approach to development that pays special attention to equality and non-discrimination. As a result, wars and violent conflict in many countries continue to disrupt livelihoods, destroy infrastructure, reverse gains and damage the investment climate.

Some 20 African countries, or 40 per cent of sub-Saharan Africa, have experienced at least one period of civil war in the last 40 years. In 2000, around 20 per cent of sub-Saharan Africa's population lived in a country that was formally at war. In many other countries, low-intensity conflict was prevalent. Civil conflict has affected development both directly and indirectly and has contributed to the overall human suffering and environmental degradation.

Africa's inability to sustain high growth over an extended period, low growth rates that fail to generate enough demand for labour, and the shift of economic activity away from agriculture into capital-intensive sectors such as mining and oil production are main causes of poor employment performance of the continent.

3.1.2 Policy prescriptions to achieve the MDGs

To achieve the MDGs in Africa and win the war on poverty, change and resource mobilization are needed in at least four areas at the same time:

Firstly, international framework conditions for debt reduction, trade and investment must be improved and made more supportive of the MDGs. We must secure international consistency and coherence between the goals which the world society sets for itself and the framework which the same world society puts in place to achieve them.

Secondly, African countries need to state priorities, make strategies, invest in human resources and implement poverty oriented policies. Good governance, democracy and human rights must be promoted in order to combat poverty and make development sustainable. These are also crucial preconditions in order to attract investments and to make development assistance sustainable.

Thirdly, ODA should be increased considerably; in fact it must be doubled, if one shall realize the MDGs. If donor countries would increase their assistance to 0.7 per cent of their gross national income, much would be achieved. Untying of assistance and better aid coordination are also important factors in this effort. We really need to get more poverty reduction out of every dollar. Thus, the ability to deliver it efficiently must be improved.

The real challenge will be to ensure programmes that are fully owned by African stakeholders are also interconnected, and respond to Africa's development needs, in a comprehensive, timely, sustainable and realistic manner.

Fourthly, a maximum effort should be made to mobilize the private sector and resources in civil society to achieve the MDGs. The potential in these sectors is far from exploited. Good entrepreneurs e.g. must be given better framework conditions and non-governmental organizations (NGOs) and free media must be strengthened to fulfill their roles as watchdogs in democratic societies.

Political and social commitment, macroeconomic stability, peace and safety, fuelled by information and advocacy and the participation and empowerment of women and youth, are key to improved performance. The real challenge will be to ensure programmes that are fully owned by African stakeholders are also interconnected, and respond to Africa's development needs, in a comprehensive, timely, sustainable and realistic manner.

3.1.3 Turkey's experience

Turkey's national development priorities are embedded in the ongoing reform processes and reflect the commitments made by world leaders in the Millennium Declaration adopted at the Millennium Summit in 2000. By pursuing this global framework, Turkey will continue on a firm path toward sustainable and equitable development for all, while successfully acceding to the European Union.

Turkey is on its way to achieving many of the Millennium Development Goals and the targets set by the Government of Turkey for the MDG Report of 2005. There are still pockets of poverty in the country, however, and significant domestic structural inequalities that are largely due to gender and regional disparities. Therefore, the Government of Turkey and the United Nations system in Turkey, particularly UNDP, pay special attention to eradicating extreme poverty and hunger, promoting gender equality and the empowerment of women and reducing child mortality and improving maternal health. Turkey faces challenges in these areas because of the significant gender and regional disparities.

Turkey is on its way to achieving many of the Millennium Development Goals and the targets set by the Government of Turkey for the MDG Report of 2005.

The State Planning Organization attached to the Prime Minister's Office is the overall coordination agency for national planning and development policy instruments, including the formulation of Turkey's MDG Report. The State Planning Organization was also responsible for the ninth National Development Plan which covers the 2007–2013 period. This plan and other current social and economic plans of the country overlap with the MDG-related targets and go even further by incorporating policy plans and instruments for accession to the European Union. In line with the country's upper-middle-income status and relatively high levels of development, targets for MDG 1, for example, are set at higher thresholds.

The most outstanding achievement of Turkey in the past five years in attaining the MDGs has been the reduction of the levels of poverty, using the national poverty line as a yardstick. Applying the local cost of the basic needs basket (including non-food items), the poverty rate, 26.9 per cent in 2002, was reduced to 20.5 per cent in 2006. This figure is no doubt related to the steady growth rates of the economy. Poverty, defined as living on a dollar a day, has practically been eliminated, standing at 0.02 per cent in 2006, down from 0.2 per cent in 2002.

In addition, local social partners formed platforms and developed Local Actions Plans to combat unregistered employment, a major macroeconomic problem for the country. This resulted in an increase in the number of registered workers in pilot provinces.

In summary; Goals 1, 3, 4, and 5 are areas where Turkey appears to face significant challenges and structural barriers. That is why continued efforts to address for the entirety of the Turkish population are necessary. Existing policies of Turkey are in line with the MDGs. MDGs, in general, are overlapping with the current economic and social development plans and programs. The link between the MDGs and Turkish national policies will be more visible in next development plans and programs in which the MDGs will be referred strongly.

3.2 Development aid — are promises being met?

Presentation by Ms. Masoumeh Sahami,
Chief of the Office of the Director,
Division for Africa, Least Developed Countries
and Special Programmes (ALDC), UNCTAD

The subject of development aid and the promises made is vast and complex. There are many different views and positions. To give you one example I would quote Prof. Easterly of New York University. He says, "There is little evidence of benefits from the $2.3 trillion given in foreign aid over the past five decades and all the aid given to Africa over the years has failed to stimulate economic growth on the continent". On the other hand, Sachs and many others believe without major flows of aid the MDGs will not be met. The report by the Commission for Africa urged a doubling of aid to sub-Saharan Africa, amounting to an additional $25 billion per annum by 2010. UNCTAD's 2006 report on the development of Africa talks about the need for "big push" but argues that the "big push" would require a new aid architecture including the provision of much greater policy autonomy to recipients.

3.2.1 ODA

Some believe in development aid, some don't. Some believe there is need for change but others believe the vested interests in aid are so powerful they resist change. How true this is needs to be discussed.

The evidence and arguments presented by aid sceptics is inconclusive. For many least developed countries, ODA remains the only source of financing for a range of developmental and poverty-reduction policies and programmes.

Some call for more, some for less, some for different allocation, some are concerned with the speed, some are concerned with effectiveness, some arc concerned with coordination and harmonization, some with its allocation and timing, and I can go on but I think it would be more productive if I just try to briefly go over some issues and the progress or the lack of it regarding ODA commitments in order to set the stage for a debate that would lead to a useful outcome. An outcome that would address the LDCs' need to harness all the good will and expressions of commitment from the international community into a force for real change in the lives of their people.

The concept of development aid was very much influenced by the success of Marshall Plan after World War II, but during the Cold War it was very much driven by political agendas and misallocated by corrupt regimes and therefore did not translate much into advancing living conditions for the world's poor. Development aid has followed many fads and fashions. For decades, it targeted infrastructure development but failed to deliver and as human development and poverty reduction took the center stage the flow moved to social sectors. The conditionality tied to it moved from structural adjustment to poverty reduction and good governance.

Ever since the 1970 United Nations resolution on 0.7 per cent of GNI to ODA by the industrial countries, the amount of ODA has been fluctuating from a peak of 0.5 per cent in 1960 to a historical low of 0.21 per cent at the turn of the century.

At the last United Nations conference on LDCs in Brussels, the commitment was made to reverse the declining trends of ODA and to meet expeditiously the targets of 0.15 per cent or 0.20 per cent of GNP as ODA to LDCs, implement enhance HIPC together with improving aid effectiveness. This and other commitments were made with the hope that — if implemented — they would change radically for the better the conditions faced by LDCs fighting their way out of desperate poverty and the hope that there may never be the need for a fourth such United Nations conference on LDCs.

The commitment of Brussels has been repeatedly confirmed and under the intensified pressure from ever organized and growing civil society, complemented with the G8's commitment to double the flow of aid and make aid more effective through the adoption of the Paris Declaration and cancellation of multilateral debts of LDCs.

However, seven years later, plans are on the way for a fourth conference! What has gone wrong? Who is not delivering? Again, complex and difficult to say but for you to debate.

The progress with the 0.7 per cent has been slow. According to the OECD/DAC, so far only five countries have been achieving the 0.7 per cent, none from the G8: Norway (0.94 per cent); Sweden (0.94 per cent); Luxembourg (0.82 per cent) the Netherlands (0.82 per cent); and Denmark (0.81 per cent)

In the past two years, a further six countries have committed themselves to specific timetables to achieving the target before 2015, only 2 G8: Belgium (2010); Finland and France (2012); and Ireland, Spain and the United Kingdom (2013).

However, DAC aid in 2005, mainly due to debt relief (mainly Iraq and Nigeria — almost 22 per cent of net ODA) reached a record high of $106.5 billion, representing 0.33 per cent of the member States' GNI, up from 0.26 per cent in 2004.

According to the 2007 DATA Report, which monitors the G8's progress in delivering its commitments to Africa by 2010, "collectively, the G8 are badly off track with their development assistance promise to Africa. In total, G8 assistance to sub-Saharan Africa has increased by only $2.3 billion since 2004, when it should have increased by $5.4 billion over that period. However, some countries are on track; some have increased assistance modestly, but are off track; some have remained virtually static while others have cut aid. DATA's concern is heightened by the small increases in aid that are in the pipeline for many G8 countries for 2007 and 2008.

Given much of debt relief has been included in ODA figures, as debt relief declines, ODA is expected to fall back slightly over 2006 and 2007.

There are improvements in the composition of aid, for example a 13.3 per cent increase from 2003 to 2004 in funds going directly to long-term aid programmes and projects – infrastructure, especially in the transport, communications and energy sectors. However much of the extra aid has been channeled to only a few countries and not necessarily to the poorest.

According to the OECD's Development Cooperation Report, there are improvements in the composition of aid, for example a 13.3 per cent increase from 2003 to 2004 in funds going directly to long-term aid programmes and projects — infrastructure, especially in the transport, communications and energy sectors. However much of the extra aid has been channeled to only a few countries and not necessarily to the poorest.

While ODA flows are likely to fall short of the doubling promise the outlook for future aid flows is relatively positive.

3.2.2 Aid effectiveness

Regarding aid effectiveness, although in 2005 more than 100 countries and donor organizations recognized the imperative of managing aid more rationally and endorsed the Paris Declaration on Aid Effectiveness — a significant amount of aid money has continued to be devalued by donor red tape, duplication, conflicting objectives, intrusive conditions and tying to overpriced goods and services.

Today's aid industry includes many players — more than 200 bilateral and multilateral organizations, in case of some LDCs more than 40 donors financing more than 600 active projects. The many actors have competing objectives, especially in the poorest and most aid-dependent countries, leading to high transaction costs.

There are also overloads of development initiatives. In the fierce competition for donor funding, United Nations agencies and others for that matter have been very creative in designing and marketing development initiatives such as "education for all", "three by five", "basic need"; various kinds of "compacts", etc. These initiatives, however beneficiary, are often short-lived and follow fashion in development circles. This unfortunately has a tendency to divert attention and funds from a balanced, coherent and comprehensive development policy. They are basically benefiting those actors that are the most vocal and aggressive in their marketing efforts.

In addition, there has been an overload of planning frameworks. Not only were LDCs overwhelmed by development initiatives but on top of all this came an avalanche of planning frameworks — UNDAFs, CCAs, CDFs, PRSPs, etc. Many donors continue to have their special design of planning development aid and continue to drive their development aid.

The adoption of the Paris Declaration is expected to progressively address the issues related to ownership: alignment, harmonization, managing results and mutual accountability. However, after a first round of monitoring in 2006 on the basis of activities undertaken in 2005, it was concluded that *in half of the developing countries signing on to the Paris Declaration, partners and donors have a long road ahead to meet the commitments they have undertaken.*

The adoption of the Paris Declaration is expected to progressively address the issues related to ownership: alignment, harmonization, managing results and mutual accountability.

Due to the slow progress with the Paris Declaration, development aid is likely to continue to be both costly and administratively cumbersome for both beneficiaries and donors.

3.2.3 Debt

Regarding debt relief, as for ODA during the Cold War, many loans were given for political reasons, and in many cases were wasted by corrupt and unaccountable regimes. As a result, many African countries ended up spending billions of dollars each year repaying debts to donor countries and international financial institutions. These large debts became a serious impediment to poverty reduction and economic development.

In 1996, the Heavily Indebted Poor Country (HIPC) Initiative was created as the first comprehensive debt relief framework. Criteria and conditions were set and the process was launched which was slow and not comprehensive in terms of including multilateral debt. Driven by the civil society's pressure at Gleneagles, G8 leaders pledged to cancel (100 per cent) the debts of the world's most indebted countries, many of them located in Africa. i.e. the birth of the Multilateral Debt Relief Initiative (MDRI). The agreement provides 100 per cent debt cancellation to countries that have completed the Highly Indebted Poor Country (HIPC) Initiative process. To date, 21 qualified HIPC countries have received debt cancellation through the MDRI, 18 of them in Africa — resulting in close to $2 billion per year in savings that is being directed to health and education rather than paying old debts. In exchange for debt relief, poor countries committed to adopt economic policy reforms and agree to channel the debt savings to poverty reduction activities.

However, debt relief in real cash terms has not meant availability of significant new amounts. In addition, in case of most oil importing African LDCs, the savings has been offset by the increasing oil prices.

With respect to debt relief, progress can be considered good. According to DATA's report, debt cancellation and subsequent targeted aid increases have helped put 20 million more African children into school between 2000 and 2004. Targeted aid increases between 2003 and 2006 have translated directly into a leap in the percentage of people who are receiving life-saving antiretroviral treatment in Africa.

However, debt relief in real cash terms has not meant availability of significant new amounts. In addition, in case of most oil importing African LDCs, the savings has been offset by the increasing oil prices.

Given the limited real, timely and predictable ODA cash flows, in order for the African LDCs to have a realistic chance of achieving the MDGs, access to new grants and low interest loans may need to be considered.

The shortcomings with the flow of the needed financing for meeting the Millennium Development Goals has led to a search for other, innovative sources of financing, both public and private.

A variety of taxes — on air transport, currency transactions, arms or carbon — have been proposed, as has an "International Finance Facility", allowing for the front-loading of aid flows through a bond mechanism guaranteed by participating governments. Further proposals include facilitating the transfer of remittances and using the IMF's currency, special drawing rights (SDR) for development purposes. Much of these initiatives are aimed more funding for particularly the health sector. These new initiatives appear to be promising.

Given the limited real, timely and predictable ODA cash flows, in order for the African LDCs to have a realistic chance of achieving the MDGs, access to new grants and low interest loans may need to be considered. However, presently this type of financing is limited, and in its absence, many countries have started taking on loans from emerging powers such as China.

... growing number of new development partners including emerging economies such as China, the Republic of Korea, Brazil and Turkey promises not only new funding but also relevant experiences, know how, innovation and possibly a constructive competition. However, it is the LDC Governments that have to provide the compass and lead in the best interest of their development.

On the promises of Aid for Trade and the Enhanced Integrated Framework, commitments and significant pledges have been made (over $300 million is available) but additionality, predictability and effectiveness are not as yet proven. The framework has been ongoing for over seven years and it is now slowly beginning to deliver in terms of concrete projects on the ground.

In conclusion, while progress has been made with debt relief, the doubling of ODA by 2010 is off track and way off track if the figures related to debt relief are removed from the reported numbers. In addition, according to funds in the pipeline for 2007–2008, the situation is not likely to improve. The Paris Declaration has definitely raised awareness but has not as yet become effective. More needs to be done — by whom and how needs to be discussed.

To avoid the situation of African countries becoming heavily indebted again or falling victim of unrest and instability because they do not have sufficient funds to deliver on their promises to their people, there is need for timely increases in the volume and predictability of aid. The good news is that there are emerging new players in the field. This includes philanthropists. Socially responsible investors and the growing number of new development partners including emerging economies such as China, the Republic of Korea, Brazil and Turkey. This promises not only new funding but also relevant experiences, know how, innovation and possibly a constructive competition. However, it is the LDC Governments that have to provide the compass and lead in the best interest of their development.

The answer to the question as to whether promises have been made can only be yes and no. The question for you today is can African LDCs live with this yes and no and how?

3.3 Stalled progress on commodities and international trade: Where do we stand? Where can we go? Are there new approaches?*

Presentation by

Mr. Mehmet Arda, Galatasaray University, Istanbul

3.3.1 Introduction

It would not be a gross exaggeration to say that finding a solution to the commodities problem has been one of the principal reasons behind the establishment of UNCTAD, and one of its main areas of activity. In this context, the fundamental manifestation of the commodities problem is the inability of developing countries to turn the commodity sector into an engine of growth, structural transformation and development. There are several aspects of this problem. Among these, perhaps the most visible one is adverse movements in prices (in terms of both excessive fluctuations and long term declining trend in real terms) and the consequent difficulties faced by commodity producers and exporters, particularly those in developing countries. A second aspect is the unequal power relations in the market, leading to developing countries' inability to obtain a "fair share" (however that may be defined) from international commodity trade. A third aspect, particularly over the last quarter of a century, is a lack of political will to accord a specificity to commodity sector problems and to seek solutions on an international policy level. It goes without saying that the least developed countries as a group and most of them individually, are particularly affected by what happens or does not happen in this sector.

It goes without saying that the least developed countries as a group and most of them individually, are particularly affected by what happens or does not happen in this sector.

3.3.2 Commodity prices

Around the time of UNCTAD X, many commodity prices were generally very low and declined further to reach historically low levels between UNCTAD X and UNCTAD XI. At the time of UNCTAD XI, while the prices for some commodities, for example coffee, had barely budged, some commodities, in particular metals and minerals, were starting their vertiginous climb. At the UNCTAD secretariat, we identified this as the advent of a "window of opportunity". Now, the prices of most commodities, both agricultural and mineral, have increased to reach record levels.

What is interesting, though, is that in spite of this reversal in the price situation, we cannot say that the commodity problem is over. Commodity exporting countries

* Notes from the presentation made at the High-Level Workshop: Trade and Development for African LDCs' Prosperity: Actions and Directions, Izmir, Turkey, 4-5 March 2008.

may be obtaining higher foreign exchange receipts, some producers, many traders and most processing firms may be radically increasing their earnings. Nevertheless, there is not much happening on the ground that would allow us to say that the commodity sector has now turned to be the engine of growth and development that developing countries, in particular the LDCs, have been seeking. In fact, what I would venture to say, in terms of the problems and opportunities of the commodity sector, is basically the same as what I would have said when prices were at their lowest.

There is not much happening on the ground that would allow us to say that the commodity sector has now turned to be the engine of growth and development that developing countries, in particular the LDCs, have been seeking.

Before that, however, a few words about the sky-high commodity prices may be in order. The level of prices, most of which are expressed in terms of the United States dollar, reflect not only market fundamentals and speculative activity, but also the loss in the value of the dollar. Thus, for a country that sells its coffee priced in dollars but buys most of its imports from Europe priced in euros, the significance of the price rise is much lower than what appears in price statistics. It needs to be discounted by the decline in the price of the dollar with respect to the euro.

Price rises naturally reflect changes in market fundamentals and if these changes are of a long-term nature as they seem to be, there is an important structural break with the past – at least for a few decades. We have probably come to the end of the upward trend but a reversal of the trend and the resumption of the downward movement in prices are unlikely in the near future. The changes in the fundamentals derive from what is happening in both developing and developed countries, in both demand and supply. Increasing demand in developing countries, particularly in fast growing large countries such as China and India, affects world markets of most commodities. Demand in developed countries, that was stagnant particularly for agricultural products, is also growing thanks to the politically based stimulus given to biofuels. On the supply side, there are two factors affecting markets and leading to increasing prices. One is supply problems caused by a switch to biofuel feedstock that is replacing food and feedstuffs. The other is the limited supply capacity of mines and refineries. Climatic factors and consequences of global warming play havoc with the security of supplies and stability of prices. All these generate a bonanza for commodity exporting countries such as many LDCs.

3.3.3 Commodities, trade and development

Coming to our main topic, “trade and development for African LDCs’ prosperity”, it is necessary to point out at the outset that the LDCs, as a group, are net food and fuel importers and the poor in LDCs are net food purchasers. Thus, probably, the net result of the recent commodity price rises is not all that favourable for LDCs and the poor within them. With this caveat, and looking at the situation from the point of view of exporters, two related questions are in order. First, *whether the poor in African LDCs (or in other countries, for that matter) automatically benefit from rising prices* and, secondly, *whether this price situation leads to economic development and structural transformation*. A natural extension of both of these questions is what to do in order to turn the answers to the affirmative.

The poor producers of export commodities do not automatically benefit from rising prices as we observe in the statistics because the prices we read about are those as quoted in international markets but the prices the poor producers receive, namely farmgate prices or agricultural wages are separately determined and may not follow international prices.

The poor producers of export commodities do not *automatically* benefit from rising prices as we observe in the statistics because the prices we read about are those as quoted in international markets but the prices the poor producers receive, namely farmgate prices or agricultural wages are separately determined and may not follow international prices. For example, agricultural wages are the outcome of rural labour markets. Moreover, the value added that is retained in the country is of much greater significance than the level of prices. Thus, improved productivity, higher levels of local processing and rising gainful employment, for example in processing industries (which also create opportunities for the female workforce), appear more important than higher prices on the international markets.

The political will to tackle the commodity problem is not strong, to say the least. In the words of the former President of France, there is an "embarrassment of silence" and it continues. What may be more fundamental is that the existence of a commodity problem is in doubt. For example, the Report of the Commission on Africa glossed over the issue of commodities. There have been very few visible recent commodity related developments resulting from positive political will. Two that come to mind are the cotton initiative at the WTO and European Union's agricultural diversification and development programme for Africa. The large and special programmes relevant to the development of African countries, such as the Everything but Arms (EBA) and the African Growth and Opportunity Act (AGOA), albeit useful, were not oriented specifically towards commodity development.

Particularly during the period of rock-bottom prices, there was considerable talk, particularly among the civil society, about supply management by producers for providing support to prices. Enthusiasm among concerned governments at various forums, such as the International Commodity Bodies, was not very high, however, and is likely to be even lower given the current price levels. International Commodity Bodies and the Common Fund for Commodities continued to be the principal intergovernmental forums for consultations and work on commodity sector development. Cooperation between the civil society and governments as well as intergovernmental organizations increased. The sense of social and developmental responsibility also rose within the private sector. While all these can be considered positive developments, governments must assume the leading role in the design and implementation of meaningful international action in the commodities area. Without such leadership and the requisite political will actions cannot go much beyond charity.

3.3.4 Answers to the questions in the issues note

The first question asked is "*How can the commodity windfall are used to achieve sustainable development?*" Here there is the conceptual point of *whose* windfall gains are being referred to. It is clear from the discussion above that most LDCs do not have windfall gains as such. What they have had is the good fortune to have some of the adverse effects of rising food and fuel prices offset by the rise in the prices of their own exports. It is also known that while the need for food aid is increasing, partly owing to rising food prices, food aid is in fact declining. Thus, the commodity windfall of the rich commodity exporting countries, which should generate a growing source of assistance, is not being transformed into increasing aid to the needy LDCs.

Governments must assume the leading role in the design and implementation of meaningful international action in the commodities area. Without such leadership and the requisite political will actions cannot go much beyond charity.

Assuming, however, that there are windfall gains for some African LDCs, the problem becomes one of absorptive capacity. When the gains are large, rather than trying to use as much of these resources as possible in the short term, a good long term planning should be followed. Priority should be given areas such health and education which are crucial for the long term transformation of the economy and the society. Investment in these areas help develop not only the commodity sector but establish a generalized development path. Regarding the commodity sector itself, productivity improvement and the provision of services that are necessary for the commodity sector to meet the requirements of world markets should receive priority. It is clear that with globalization and liberalization, the spread and scope of rules to be complied by is not decreasing but increasing. The development of the necessary institutional and physical infrastructure is imperative. Provision of innovative commodity specific finance or the development of commodity exchanges are examples of the former and the establishment of testing laboratories or transport and communication networks exemplify the latter. Investment in non-agricultural rural employment, for example food processing activities would be a much welcome choice, not least because it provides employment for female labour force. In many instances in LDCs, markets do not exist where physical produce can be turned into monetary gain and generate a virtuous cycle of investment, growth and development. The creation of local markets would be a first step in this direction.

The second question in the concept paper asks, "*What measures can further strengthen the participation of African countries in South–South Trade in commodities*?" The simple but correct answer to this is to do whatever needs to be done for South–North trade, that is, to provide good quality, inexpensive and reliable products. This is based on the assumption that South–South trade is not carried out on humanitarian but commercial grounds. Nevertheless, the development of transport links and implementation of trade facilitation projects among developing countries is a particularly important area, especially for landlocked LDCs. Investing in distribution networks in other countries; possibly using some of the "commodity windfall" for this purpose could also help increase South–South trade. Given that developing countries generally have relatively high relatively steeply escalating tariffs, GSTP type measures would also help. However, reduction of agricultural subsidies in developed countries that radically limit the ability of LDCs to compete with the products coming from subsidizing countries in third country markets would be a key policy step.

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The third question is, "*What international commodity initiatives can be envisaged to assist African commodity producers*?" The successful conclusion of the Doha Work Programme of the WTO is an overriding concern. Reduction of agricultural subsidies is a first step, but a real "commodity initiative" can be formulated so that part of the savings achieved by the reduction in subsidies in developed countries is channeled to the development of the commodity sector in LDCs (and other developing countries with needy agricultural sectors). Without such a scheme, it will be more developed countries and not LDCs that will fill the space liberated by the countries whose agriculture will decline as a result of the reduction of subsidies. The programme to assist LDCs should include action to improve not only productivity but also participation in international value chains and meeting market requirements. One area where demand growth is very likely to be rapid and substantial is biofuels. International initiatives can be designed to assist LDCs in two ways. First, biofuel technology that uses actually or potentially abundant feedstock in LDCs for fuel production should be promoted. Secondly, LDCs should be assisted to produce the raw material for biofuels to be used locally or internationally. The creation of regional institutions such as regional commodity exchanges may also help improve commodity trade, both in the South-South and the South-North directions. Supporting the Common Fund for Commodities and the International Commodity Bodies will improve the range of commodity development activities substantively and substantially. In all cases, there are important synergies to be realized by working in concert with governments, NGOs, private sector and international organizations.

3.4 New forms of regional cooperation in Africa

Presentation by
Mr. Charles Gore, Special Coordinator for Cross-Sectoral Issues, Division of Africa, LDCs and Special Programmes, UNCTAD

Regional economic integration is a long-standing goal and concern in Africa and has led to the creation of many important regional agreements and institutional arrangements. A basic insight underlying this process is that there is a major, unrealized potential for increased intra-regional trade. Also, experience shows that African businesses which have broken into world export markets often did so by firstly producing for domestic markets, then breaking into regional markets and finally becoming competitive in global markets. Intraregional trade has therefore been an essential stepping stone in technological learning, the development of entrepreneurial capacities for production and marketing, and becoming globally competitive.

Aspirations towards regional economic integration are very high. Although progress is being made, there remains a major gap between formal agreements and implementation on the ground.

Aspirations towards regional economic integration are very high. Although progress is being made, there remains a major gap between formal agreements and implementation on the ground. I do not have any quick fixes or magic solutions to address this gap. However, I would like to make two basic points which could be useful for African LDCs in thinking about their strategic orientation towards regional cooperation activities.

Firstly, African LDCs can make major gains by participating in regional cooperation arrangements which are focused on specific development tasks which address specific development problems. In this regard, regional infrastructure projects and regional initiatives to promote science, technology and innovation (STI) are two key areas of concern.

A regional approach to infrastructure investment is particularly important for Africa's landlocked LDCs and their transit neighbours, many of whom are also LDCs.

A regional approach to infrastructure investment is particularly important for Africa's landlocked LDCs and their transit neighbours, many of whom are also LDCs. But it is also important for coastal countries. The distance between Accra and Lomé is just 200 km, between Lomé and Cotonou just 150 km, and between Cotonou and Lagos just 80 km. As West Africa rapidly urbanizes in the coming years, is it not possible to imagine the corridor between Accra and Lagos as a metropolitan region similar in form to the corridor in the USA from Boston to Washington?

NEPAD's Spatial Development Programme is working on an indicative framework of development corridors which can be foci for subregional infrastructure development in Africa. The programme is underpinned by a very innovative approach to economic development which seeks to inter-relate physical infrastructure investments with natural resource exploitation, and to maximize the economic linkage effects from natural resource development. The best example of this approach is the Maputo Corridor in Southern Africa, which has supported Mozambique's growth. This development corridor approach is an indigenous African policy innovation which is potentially as significant for Africa as the Asian policy innovation of the export processing zone was for East Asia.

A regional approach to building STI capabilities should be a second key area of concern for African LDCs in a task-focused approach to regional cooperation. In this regard, it there is a need to focus on ecological zones in the development of high-yielding varieties which can underpin a Green Revolution in Africa. Again, NEPAD is taking useful initiatives in relation to supporting the development of STI capabilities, particularly by creating centres of excellence.

It is unrealistic for African LDCs to expect an equal division of the benefits of regional integration and cooperation – indeed, they are likely to gain less than their more economically advanced neighbours.

I would now like to move to the second basic point I wish to make with regard to strategic orientations for regional cooperation. It is this: It is unrealistic for African LDCs to expect an equal division of the benefits of regional integration and cooperation – indeed, they are likely to gain less than their more economically advanced neighbours. It is therefore best to see the benefits of regional cooperation in dynamic terms. In this respect, the metaphor describing development countries as a formation of flying geese is particularly powerful.

This metaphor – which is based on the V-formation of geese flying in the sky – comes from East Asia. There, a pattern has been observed in which as more advanced newly industrializing economies upgraded their production structures, some economic activities which were becoming less competitive and declining in relative terms ("sunset activities") were taken up by less advanced economies. Such a process has been observed from Japan to Taiwan Province of China and the Republic of Korea; from those countries to Thailand, Malaysia and Indonesia; and from those countries to Viet Nam and now to Cambodia and the Lao People's Democratic Republic. In this process, which is not automatic but has been facilitated by informal regional arrangements, there are changing trade and investment linkages between countries which are all part of the overall flying-geese formation.

Within Africa, an example of the Asian-type process is evident in the economic relations between Mauritius and Madagascar. As wage rates rose in Mauritius, entrepreneurs there began to relocate simpler textile and garment production activities to Madagascar, which in consequence got a major kick-start in developing its textiles exports.

If one thinks of regional development processes according to the flying geese formation metaphor, the question which arises is: Is there a lead goose within Africa? The lead goose, I should stress, refers here to a dynamic newly industrializing economy which sustains its process of structural transformation through facilitating the emergence, in follower countries, of economic activities in which the lead country's competitiveness is declining.

Possible answers to this question are South Africa, Tunisia and Egypt. The former indeed has important trade and investment linkages within the region, including with African LDCs. But the Sahara desert seems to have attenuated intensifying economic ties between the more dynamic industrializing economies of North Africa and sub-Saharan Africa.

Another question which is relevant is: Is it possible to see this flying geese process inter-regionally as well as regionally. In this regard, it is worth noting that the European Union has NOT conceptualized its relations with Africa in these dynamic developmental terms. During the recent United Kingdom presidency, the United Kingdom actually had the flying geese logo on its letter head. But this flying geese formation was not related to Africa but rather to Eastern Europe. In effect, the EU has been thinking in terms of the flying geese but looking east to the transition economies rather than south towards Africa.

Is there an opportunity for Turkey to play a role here? As a newly industrializing economy, it can gain if economic upgrading is associated with a filtering down of its own sunset activities to less developed African economies which are potentially competitive in those activities. But at the same time African economies would gain the production experience and capital to kick-start and deepen their own processes of structural transformation. This is a win–win process. Should Turkey envisage its development cooperation with African LDCs in this perspective as triggering the creation of a formation of flying geese?

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3.5 Governance and policy space: from poverty reduction strategies to development strategies

Presentation by

Mr. Kagan Akdogan, State Planning Organization of Turkey

Poverty reduction is a major component of the national policy agenda for many developing countries. In spite of high growth rates in developing countries, economic growth does not appear to have been effective in reducing poverty. Recent findings from developing countries and especially from Africa suggest that in spite of overall steady growth, poverty levels have risen especially in rural areas.

A better understanding of the link between economic growth and poverty is also essential for the design of effective Poverty Reduction Strategies and for reaching the Millennium Development Goals.

This situation raised doubts about the effectiveness of growth-promoting policies in alleviating poverty. Proposals have been made for pro-poor growth policies, which can be broadly understood as growth policies that give special emphasis to the reduction of poverty. A better understanding of the link between economic growth and poverty is also essential for the design of effective Poverty Reduction Strategies and for reaching the Millennium Development Goals.

3.5.1 Increasing the impact of growth on poverty reduction

While growth is an important factor for reducing poverty, it is not sufficient in many cases for a sustained reduction of poverty. This raises the question regarding how growth can be made more effective in reducing poverty. Three major factors have been identified:

- First, the initial income distribution in a country;
- Second, the geographical as well sectoral pattern of growth; and
- Third, public expenditures for human capital, such as health and education,

Regarding the first factor, more unequal countries need to grow faster than countries enjoying a more equal income distribution. This implies that countries with high inequality need high economic growth rates to achieve a significant reduction in poverty. The initial level of income distribution as well as changes in income distribution can therefore become an important impediment for the poor to participate in economic growth.

Regarding the second one, given the high concentration of the poor in specific regions and economic sectors, the geographic and sectoral patterns of economic growth in a country are important factors that determine the impact of growth on poverty. The extent to which economic growth affects the rural sector is often very important.

And lastly, in overall growth theory, public investment in education and health has been found to be very important to foster growth. This is even more accurate for pro-poor growth where the poor are those suffering the most from weak access to education and health.

Therefore, making growth more pro-poor requires:

- High economic growth;
- Success in reducing the initial inequalities; and
- A more pro-poor pattern of growth.

3.5.2 The right policy mix

A more pro poor pattern of growth is a mixture of:

- Macroeconomic policies;
- Sectoral policies;
- Regional policies; and
- Redistributive policies.

Concerning macroeconomic policies special attention should be given to:

- Monetary policy: High inflation hurts especially the poor and hinders growth;
- Budget deficits: High deficits block growth and too much government spending on consumption does usually favour the poor less than proportional – if at all;
- Exchange rate policy: A stable and competitive exchange rate is good for growth; currency crisis hurt very much the poor;
- Trade policy: An open trade regime can be very positive for growth (huge market potential as well as cheaper inputs), but e.g. for controlling distributional effects some form of protectionism might be necessary;
- Macroeconomic stability as a whole: crisis is a disaster for growth and the poor; and
- Domestic investment strategy or foreign direct investment: FDI can favour growth but depends on the scale of FDI and other conditions; the influence on poverty reduction is unclear.

The thrust with sectoral policies lies with channeling attention to sectors where the poor live and work. These include:

- Human Capital: The quality of public spending is central and expenditure should reach the poor; priority should be given to health and education;
- Industrial Policy: Giving preference to industries where poor people work and labour intensive instead of capital intensive modes of production;

- Agricultural reform: The agriculture sector usually has a high extensive. In addition, poor people work in agriculture, but selective protectionism might be necessary;
- Rural development: Investment in infrastructure might be necessary to link rural areas to bigger markets; rural development goes hand in hand with agricultural reform;
- Gender promotion;
- Informal sector: Making start ups of formal business easier, protecting property rights, lowering transactions costs, etc. enhances growth and reduces poverty; and
- Private sector promotion (e.g. small and medium-sized enterprises): The private sector is usually more dynamic which means more growth and the poor profit from more income and employment opportunities.

Concerning regional policies, it is important to identify regional poles for economic development. Although the growth potential around the capital might be the highest, more attention should be brought to poor regions, too. Sectoral as well as macroeconomic policies should therefore be designed to be in support of the regional context as well.

Concerning redistributive policies, the objective of pro poor growth is to reduce poverty sustainably. This means making poor people rich and not making rich and middle class people poor, although this is obviously much easier and faster done as the cases of Zimbabwe and Argentina clearly demonstrate.

Redistribution without growth is practically as well as politically difficult.

Redistribution is clearly one possibility to get people directly out of poverty. But redistribution *without* growth has severe limitations: a transfer to a poor person of $2 a day will lift her immediately out of absolute poverty. Unfortunately, this transfer of income has to be repeated every single day, year after year – and on top of that, the money has to be taken from elsewhere. The amounts necessary for this direct poverty reduction would by far exceed domestic resources as well as official development aid.

Redistribution *without* growth is therefore practically as well as politically difficult. However, redistribution *for* growth is necessary. This means that redistribution has to influence the future asset allocation in a sustainable way enabling poor people to participate in making the cake bigger and to directly retain at least part of the new value added. Some of the above mentioned measures can have redistributive components.

Special attention should be given to:

- Redistribution of wealth rather than current income;
- Access to credit and savings;
- Social security /safety nets;

- Make tax systems less unequal;
- Smart transfers; and
- Promoting women.

3.5.3 Turkey's experience

Turkey officially decided to start combating poverty in the mid-1990s. Following the declaration of the Millennium Development Goals, Turkey's efforts to combat poverty have gained momentum. Plans and programs, prepared by the State Planning Organization, are the main policy formulation instruments that set down the goals, priorities, and strategies of policies aimed at alleviating poverty.

The ninth development plan, which covers 2007–2013, considers the policy priorities for "Improvement of the Income Distribution and Combating Poverty" under the title of "Increasing Social Welfare". Alleviation of poverty by way of improving income distribution, bringing the poor segments of society to the average level of welfare through a sustainable growth rate, destructuralization of income transfer system to the benefit of the poor are the main policy priorities prescribed in the Ninth Plan, together with programs targeting the improvement of labor productivity and diversification of production.

A persistently high inflation rate has been one of the most taxing problems of the Turkish economy for the last 25 years. The lowest income groups have not been able to maintain their purchasing power, and inflation has become a significant factor in the deterioration of income distribution. High inflation, high interest rates, and the consequent instability in public finance have a constricting effect on policies intended to improve income distribution. Turkey experienced a serious economic setback as a consequence of the financial crisis that took place in 2001. The subsequent macroeconomic policies and structural reforms, introduced as a three-year-forward economic program package in the beginning of 2002, marked a significant improvement in the economy.

As a result of the high growth rates achieved following 2001, per capita national income increased and improvements in the indicators for income distribution inequality and poverty were observed. In spite of the tight fiscal policy following the crisis, the share of social expenditures in GDP was increased. Transfers to increase the incomes of the retired, the disabled, widows and orphans and students in particular, as well as those of poor families and families living in rural areas were made. In addition, the minimum wage increased in real terms during this period.

The employment policy is becoming the strongest policy tool for alleviating poverty. However, Turkey has a problematic employment structure. Labour force participation rate was about 48.3 per cent in 2003, compared to the European Union average of 70 per cent. Turkey's unemployment rate for the same period was 10.5 per cent. Inadequate labour force participation of women (26.6 per cent) may be considered one of the main causes of poverty.

Despite the serious challenges that are being faced, Turkey's main objective is to have a social safety net attained an effective structure which minimizes the risk of social exclusion and poverty. This efficient structure is to be achieved through considering all socio-economic and local conditions, encompassing the whole population, integrating the disabled into society, minimizing the risk of poverty by empowering all segments of society, and improving the participation in economic and social life of individuals and groups that are subject or prone to the risk of poverty and social exclusion.

Chapter 4

Role of Turkey in Development Cooperation

4. Role of Turkey in Development Cooperation

Drawn from the presentations by Ms. Ayse Deniz, Representative of the Undersecretariat of Treasury of Turkey; and by Mr. Ali Eybey, TIKA

In recent years, there has been a significant increase in the amount and quality of development assistance disbursed by Turkey. As a non-DAC OECD donor, Turkey is an emerging donor alongside the Republic of Korea and other emerging economies. Turkish ODA is coordinated by the Turkish International Cooperation and Development Agency (TIKA).

The Turkish Government commenced its development cooperation activities in Africa in 1999 within the framework of its "Opening Up to Africa" policy. This was followed by the declaration of 2005 as the year of Africa in Turkey which resulted in the first TIKA office in Africa to be established in Ethiopia in the same year.

Turkey's total ODA flow to Africa reached to $24.79 million in 2006, doubling the 2005 ODA amount of $ 11.76 million.

Regional development banks are also of great importance to Turkey, due to their significant role in promoting global stability and have been one of the highest priorities of Turkey's international economic agenda. In this respect, Turkey focuses its work on taking more active part in the policy development processes in the international finance institutions to enable effective development funding.

Within this framework, Turkey has been preparing to participate in the African Development Fund. This involvement will provide a new channel for further development of the economic and technical cooperation between Turkey and the continent of Africa. Being the main provider of project and program based loans for low income African countries, the African Development Fund aims to reduce poverty across the continent by supporting various activities and giving technical assistance to capacity building efforts. Along with participation in the Fund, Turkey is preparing to be the 78th member and 25th non-regional donor of the African Development Bank; the major regional development organization of the continent. Turkey shares the same vision and targets with the fund and the bank and wishes to move its relations far beyond its current level with the continent.

4.1 Turkish International Cooperation and Development Agency (TIKA)

Turkish International Cooperation and Development Agency (TİKA)

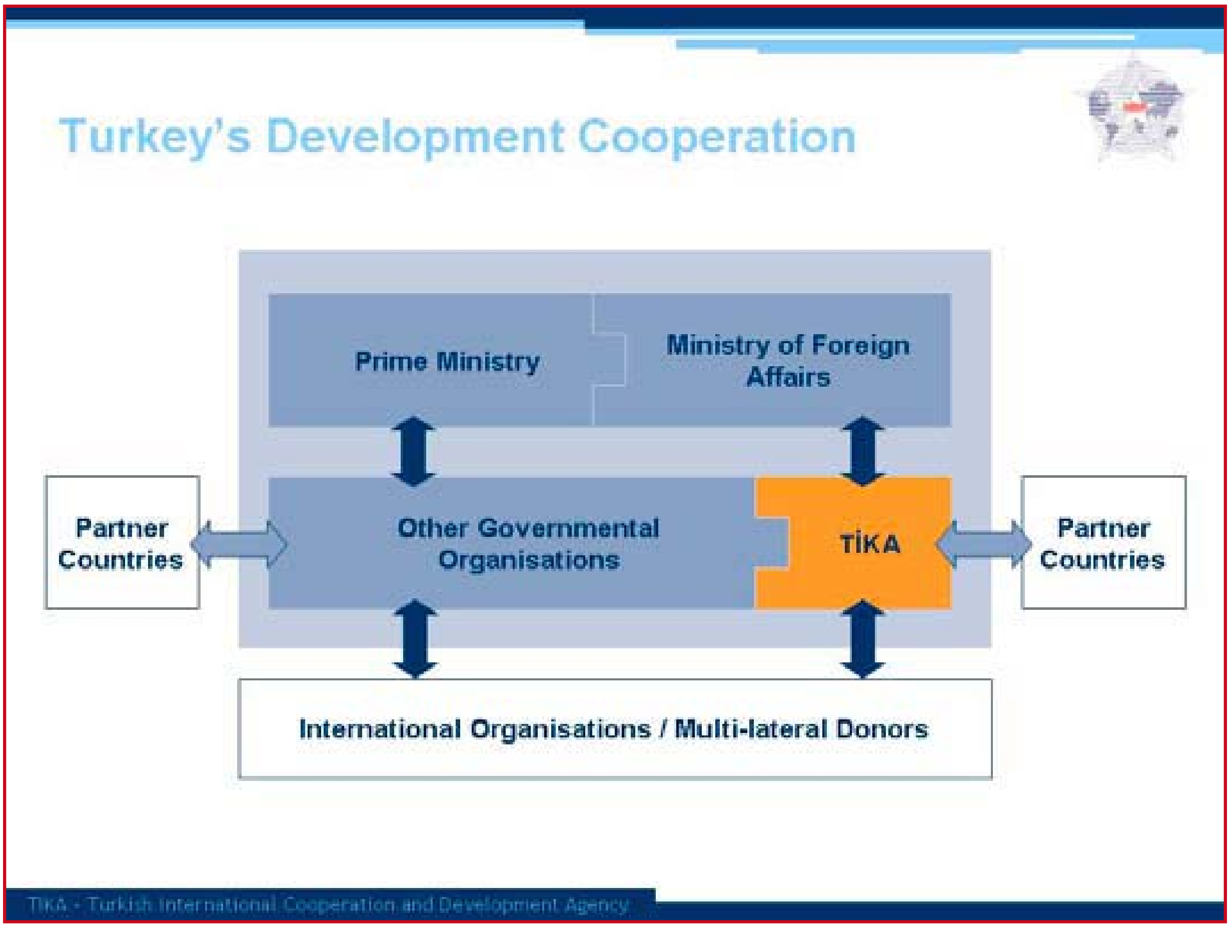
- Official development agency of Turkey
- Established in 1992
- Operates in 20 countries through 22 field offices

Turkey's Development Cooperation

- Experience recently gained
- Development capacity increased
- Turkey as an emerging donor
- Official development assistance (ODA)
  - 2006: $ 714 million
  - 2005: $ 601 million
  - 2004: $ 339 million

TİKA - Turkish International Cooperation and Development Agency


Turkey's Development Cooperation
The Balkans and East Europe
Caucasus and Central Asia
Africa
Middle East
Eastern Asia
TURKEY'S DEVELOPMENT ASSISTANCE GEOGRAPHY
TİKA - Turkish International Cooperation and Development Agency


Turkey's Development Cooperation
Prime Ministry
Ministry of Foreign Affairs
Partner Countries
Other Governmental Organisations
TİKA
Partner Countries
International Organisations / Multi-lateral Donors
TİKA - Turkish International Cooperation and Development Agency

Main Areas of Operation

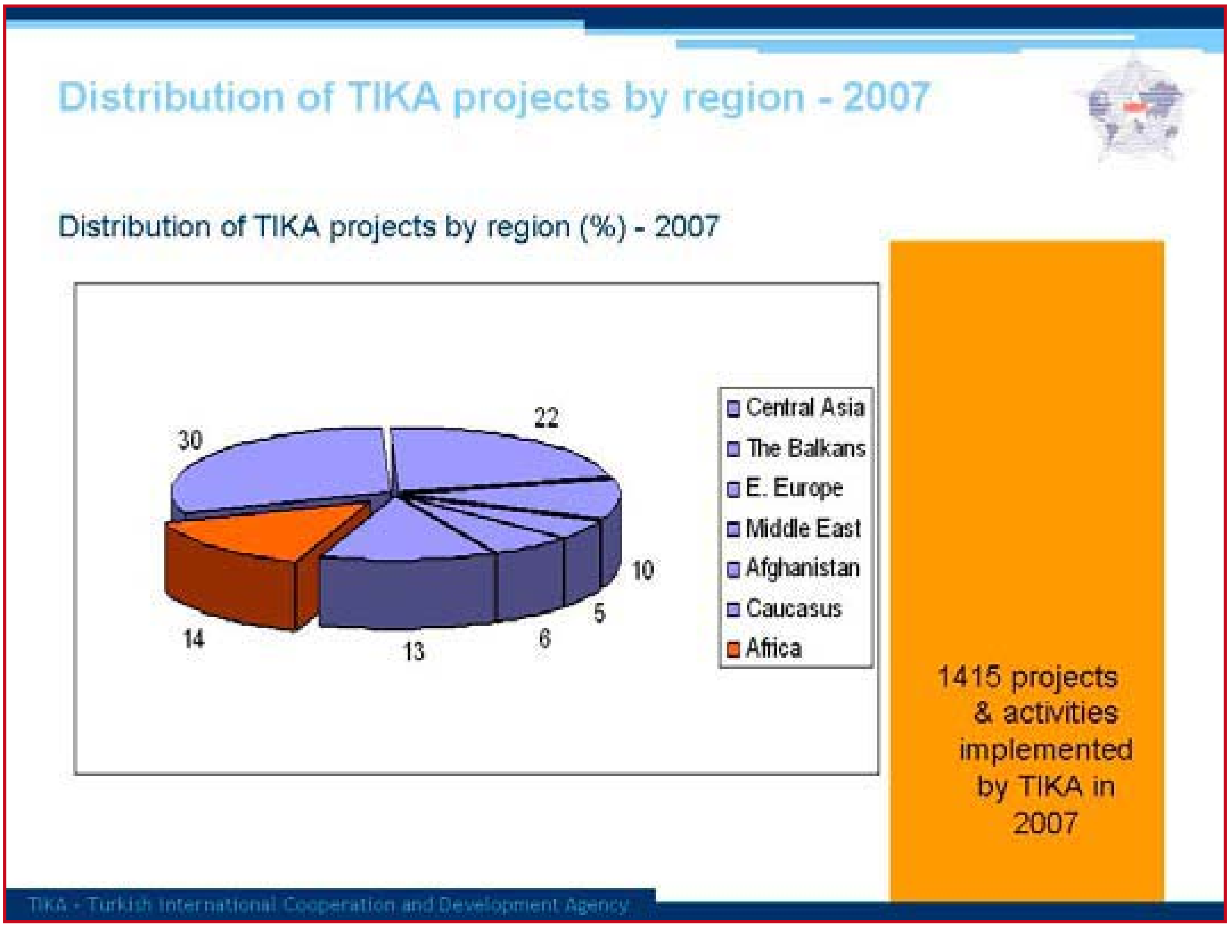
- Development of Social Infrastructures
- Development of Economic Infrastructures
- Development of Production Sectors
- Cultural Cooperation

TIKA - Turkish International Cooperation and Development Agency

Africa

- Low levels of development
- Years-long exploitation
- Need for assistance
- Turkey as a new partner for Africa
- "The Year of Africa" in Turkey (2005)
- Field offices in Ethiopia, Sudan and Senegal
- Turkey's hand reached to 17 African countries

TIKA - Turkish International Cooperation and Development Agency


Distribution of TIKA projects by region - 2007
Distribution of TIKA projects by region (%) - 2007
30
22
10
5
6
13
14
Central Asia
The Balkans
E. Europe
Middle East
Afghanistan
Caucasus
Africa
1415 projects & activities implemented by TIKA in 2007
TIKA - Turkish International Cooperation and Development Agency

4.2 Turkey's assistance toAfrican LDCs

Presentation by Mr. Asım Arar,
Deputy Director General for Multilateral Economic Affaires,
Ministry of Foreign Affairs of Turkey

In an ever-globalizing world, all aspects of life have become interconnected. Security, prosperity, culture, science and technology have all become inseparable as we search for peace and stability across the globe. As events have clearly shown, incidents that transpire in one part of the world have the potential to trigger instability on a global scale.

In this difficult context, by trying to generate and project peace, stability and prosperity, Turkey attracts increasing attention as an agent for positive change.

As regards the multilateral action in this field, we have to focus our attention on strengthening and accelerating the effective implementation of the United Nations development agenda, in particular, the pursuit of the millennium development goals.

The United Nations Millennium Summit decisions have called member States to address the special needs of the LDCs and urged them to increase efforts towards the achievement of the Millennium Development Goals by 2015.

The international community must also fulfill the commitments and objectives of the Monterrey Consensus with respect to official development assistance for the least developed countries and towards other financial measures including the cancellation of bilateral and multilateral debts of the least developed countries.

Turkey, a donor country for the Poverty Reduction and Growth Facility, established by the International Monetary Fund in 1999, is committed to do her share in addressing the needs of the least developed countries.

It is within this general framework that we are looking to foster ever-deepening relations with LDC countries. In this regard, I would like to refer to Turkey's relations with Africa.

Following the implementation of a series of effective initiatives since 1998 and after the declaration of 2005 as the Year of Africa in Turkey, we have started a process of completing the legal framework of our relations in political, economic, commercial, military and cultural fields with African countries.

Turkey has obtained observer status in the African Union and accredited her embassy in Addis Ababa to the Union in 2005.

Several meetings, including mutual high-level visits between African countries and Turkey, were held to determine possible areas of cooperation. During these visits, comprehensive consultations were held with regard to Turkish–African relations and possible Turkish contributions to bring about solutions to the problems faced by African countries and ways of assisting development in Africa. We have agreed that working together in enhancing Turkey's relations with African countries will be of common benefit to all sides.

As international trade is vital for the development of LDCs in general and the eradication of poverty in Africa in particular, Turkey attaches great importance to the development of its bilateral commercial relations with the African LDCs. We are ready to extend assistance and cooperate in the fields of agriculture, health, environment and good-governance. It is true that our relations in this field with most of the LDCs in Africa are far from satisfactory. But I am sure that we will find the means to remedy this situation, through common efforts.

We believe that foreign direct investment has a critical role in achieving sustainable development by increasing job opportunities. Therefore, attracting Turkish investors to Africa is also among our policies. Furthermore, we promote the idea of establishing joint business councils or chambers of commerce.

In this framework, the establishment of the first Programme Coordination Office of the Turkish International Cooperation and Development Agency (TİKA) in Addis Ababa, in 2005 was a milestone. TİKA Offices in Khartoum and Dakar have become operational in 2006 and in 2007 respectively. TİKA's support for development projects in Africa and its contribution to local economies are highly valued.

I believe that the increase of the development assistance of the Turkish International Cooperation Agency (TİKA) to African countries in the upcoming period will also contribute to our bilateral relations. A fund of 15 million US Dollars has already been allocated for the implementation of projects through TİKA in the LDCs, landlocked LDCs and Small Island Developing States in Africa, Asia-Pacific, Latin America and the Caribbean.

The significant increase in the humanitarian assistance of Turkey to the Continent in recent years is a concrete indicator of the importance we attach to Africa and its pressing problems. Turkey's humanitarian assistance to Africa since 2005 is now over $7 million. This amount does not include contributions by the NGOs, which in fact exceed those made by the Government.

Turkey provides humanitarian assistance to Africa in the struggle against socio-economic collapse in sub-Saharan Africa due to HIV/AIDS as well as to low agricultural production, lack of drinking water, famine and poverty caused by drought.

It is also my pleasure to point out that Turkish humanitarian assistance has diversified and increased in recent years. Turkey's humanitarian assistance has increased considerably in 2005 and the following years. During that period, Turkey has reached out to 17 African countries, mainly through World Food Programme.

We are proud to be referred to as being one of the major donors in the efforts to resolve the food crisis in Africa by the World Food Programme authorities. We are determined to continue our assistance in the future.

We attach particular importance to ensuring peace and stability in Africa. In the past, Turkey made important contributions to the United Nations missions deployed in the continent. We are planning to undertake joint efforts with the African Union in the field of peace and security building in the continent.

I would also like to add some words on our cooperation with South Asia, which is home to approximately 1.4 billion people, and has increasingly become a region of particular importance for the Turkish Foreign Policy.

South Asia has become an economic powerhouse in recent years. While there is major stagnation in some other regions of the world, according to the latest World Bank figures, the annual growth of this region as a whole is more than 6 per cent. This potential should be duly utilized to the benefit of all. On our part, we consider South Asia as an important region for trade and economic cooperation.

As to our relations with the Pacific Region, in today's globalized world, the security of each region is closely connected with that of the others. Therefore, we attach importance to the stability, peace and security of the Asia–Pacific region as well. Accumulated and increasing wealth is a must for a safe and secure world in peace. All nations in the world should join hands to achieve this aim.

Turkey attaches special importance to developing its relations with the Pacific countries.

We believe that we could simultaneously develop our bilateral economic and political relations which do not reflect the real potential of our countries. Hence, since 1999, Turkey has been following an "opening up policy to South Asia, the Far East and the Pacific Regions". In this context, we are ready to explore ways and means of developing our cooperation in all fields and in the international forums, which we believe will be to our mutual benefit.

As a candidate for Security Council membership, we are aware of the problems, such as global warming, that the countries of the Pacific are facing. Parallel to preparations for our Security Council membership, we are working to develop a more global perspective. In that regard, we are following the work of the Pacific Islands Forum with keen interest. We believe that we could open a more formal dialogue avenue with the countries of the Pacific region through the "Dialogue Partners" mechanism of the said Forum. We desire to join this mechanism in the near future and would appreciate and count on your valuable support on this matter.

As a developing country itself, Turkey is well acquainted with the adverse effects that globalization creates for countries in the process of development, particularly for the least developed world. We believe that we have a lot to learn from each other. Our common experiences as well as our specificities provide a strong foundation for establishing closer and stronger relations among all developing countries. In line with expanding the global partnership for development, our country will continue to strive for the enhancement of “human development” at the global level. We remain committed to doing our share in this respect, and more particularly in addressing the needs of the least developed.

I hope that our deliberations will help strengthen our partnership to address the needs and chronic problems of the LDCs. Before concluding, let me express my sincere thanks to the UNCTAD secretariat and all participants for their close collaboration in the organization of this workshop.

4.3 Strategy for developing economic relations with Africa

Presentation by Mr. Ziya Demirduzen,
Under-secretariat for Foreign Trade of Turkey

This presentation is based on the "Strategy for Developing Economic Relations with Africa", initiated by the Under-secretariat for Foreign Trade, which, I believe, represents a perfect example of "aid through trade". The basic underlying motive of this strategy is to contribute to the diversification and structural transformation of the African economy through embarking on trade-creating mechanisms.

As you would acknowledge, boosting trade with our African partners necessitates first and foremost their economic well-being and development. Thus, we believe it is now the time of mutual development through trade and investment and not aid in and of itself.

I think we would all agree that globalization today offers great opportunities. Yet its benefits are unevenly shared and its costs unevenly distributed. Therefore, the developing and least-developed countries face special difficulties in responding to this central challenge. Thus, globalization can be made fully inclusive and equitable only through broad and sustained effort, that is, by spreading success.

The African continent, with its population of 905 million and a GNP of $811 billion, possesses an underutilized trade and investment potential. It has a share of just 2.4 per cent in overall world trade.

These point to the continued marginalization of Africa from the globalization process and hence, the social exclusion of the vast majority of its peoples, constituting a serious threat to global stability.

Several international efforts have been made to address these problems. Such international organizations as the United Nations and new initiatives like the New Partnership for Africa's Development (NEPAD) have been working for the achievement of sustainable economic development in Africa.

Turkey also welcomes the result-oriented approach of the "Africa Action Plan" and the "G8 Debt Relief Proposal", which are supposed to serve as tools for the development of Africa and especially the realization of the Millennium Development Goals.

We are of the opinion that these initiatives should be accompanied by responsible and coherent economic policies tailored to meet the specific needs of African countries, respecting their peculiar economic and social conditions. Hence, we consider it an important task for the international community to work towards the welfare of the African people, and Turkey will try to do its most to this end.

It is our sincere belief that Turkey is one of the best-suited countries to help African countries break the vicious cycle of poverty with its "fair trade through free trade" vision. The Turkish industry and foreign trade structure have features that are quite complementary to those of the African economies.

Turkey, with its advanced economy and foreign trade, skilled labor force and experience in international markets, is committed to further increasing its existing economic and commercial relations with African countries. Turkey's geographical proximity and its historical relations with some African countries are significant factors to realize this commitment.

This determination has led us to devise and implement a new "Strategy for Developing Economic Relations with Africa" which we initiated back in early 2003. It is one of the best examples of public-private sector cooperation.

The main objectives of this strategy are, in a nutshell, to increase the total trade volume between Turkey and African countries on a mutual basis; to facilitate the expansion of Turkish small and medium scale enterprises to Africa; to acquire raw materials and intermediate products for the Turkish industries directly from Africa; to raise the amount and magnitude of Turkish direct investments in Africa; to provide technology transfer from Turkey to African countries; and to avail the African continent of the experiences of Turkish construction and consultancy companies in a way that is conducive to the development of Africa.

As you would acknowledge, Turkey does not chase solely its own interests in the scope of this strategy, but tries to improve trade mutually. It is obvious that if we are to boost our trade with African countries, we first have to embark upon new "trade-creating mechanisms" that would increase the purchasing power of our partners in Africa. This means investment, the creation of new employment opportunities and a concerted effort to contribute to the economic well-being and development of African countries. As a result of these efforts, Turkish investment, which was virtually nonexistent a few years ago, has passed 500 million dollars by the end of 2006.

In addition, Turkey has necessary know-how and technology to contribute to the industrialization of the African countries and is ready to share its expertise in the fields of agro-industry, food processing, textiles and clothing, construction materials, automotives, electronics, durable consumer goods and medical and pharmaceutical products. In this respect, Turkey offers various mechanisms for technological advance for various African countries, which correspond to the differing structures of their economies.

In this connection, I should note with satisfaction that Turkey's trade volume with Africa reached from around $5.5 billion in 2003 to some $12 billion in 2006 as a natural result of this strategy (our exports to the region, $5.4 billion in the period of January-November 2007/imports from the region $1 billion in the same period). Moreover, construction projects undertaken by Turkish companies in African countries were realized as $2.5 billion in 2006. In this sense, the amount of construction projects has increased by a percentage of 309 between 2003 and 2006.

To conclude my remarks, I would like to reiterate that Turkey is ready to do its best to be able to contribute to the eradication of poverty in Africa, to place African countries, both individually and collectively, on a path of sustainable growth and development and to help them integrate into the globalization process and enhance their full and beneficial integration into the global economy.

Chapter 5

Izmir Recommendations

Trade and Development for African LDCs' Prosperity: Actions and Directions

(4–5 March 2008, Izmir, Turkey)

The Izmir Recommendations are the outcome of a high-level meeting, organized by the Government of Turkey and supported by UNCTAD. It was attended by the Minister of Foreign Affairs of Ghana, the Secretary-General of UNCTAD, representatives from 21 African LDCs, the Chairman of the LDC Coordination Council, representative of the Office of the High Representative for LDCs, LLDCs and SIDs and Undersecretary of the Ministry of Foreign Affairs and high officials from the Government of Turkey. The Government of Turkey actively participated and guided the meeting, drawing on its own experience and building on the Istanbul Declaration on Least Developed Countries: Time for Action, which was the outcome of the Ministerial Conference of Least Developed Countries "Making Globalization Work for LDCs", held in Istanbul, Turkey 9–10 July 2007.

The discussion took stock of where African LDCs are and where they are going, in order to examine policies and support measures that would build on success or identify new approaches. The issues debated were those on the agenda of the UNCTAD XII High-level Segment of Heads of State and Government on Trade and Development for Africa's prosperity: Action and Direction including, Investment, ODA, Trade, Commodities and Migration. It was pointed out that these issues are also relevant to non-African LDCs.

The participants share the view that UNCTAD XII will constitute an opportunity to promote a New Agenda for Development Cooperation for developing countries in general and Africa in particular.

The debates drew from the findings of UNCTAD's research work, independent views and exchanges of national experiences leading to the following main recommendations:

1. Economic growth in most African LDCs has been more robust in recent years. It remains necessary to sustain this process and to broaden improvements in human well-being and accelerate progress towards the achievement of MDGs. Substantial poverty reduction requires the creation of more income generating opportunities for a rapidly growing population. To gain benefits from globalization, African LDCs must be able to compete in a global environment which is characterized by an increasing importance for knowledge based assets;
2. There are many positive elements in the current situation which African LDCs can take advantage of. These include better national governance,

increasing commodity prices, possible positive outcomes in the Doha Round, growing South–South cooperation opportunities, a growing flow of private and public sector funds to infrastructure development, the emergence of new partners such as Turkey, China, India, Brazil and South Africa, as well as new sources of development assistance from philanthropy;

3. It is necessary to build on success through consolidating and spreading progress towards nationally-driven development strategies. Donors should actively support such strategies and consider new international support measures which go beyond market access and support developing productive capacities in LDCs;
4. Critical issues for both African LDCs and their development partners are:
   - FDI inflows are increasing but are concentrated on extractive sectors and efforts should be made to broaden this sectoral concentration and increase its developmental and poverty reduction impact. It is equally important to foster domestic investment which can also serve as a catalyst for FDI;
   - At the international level, there is a need not only for more aid but also to re-balance the sectoral composition of ODA. Progress with regard to improving the delivery of aid has been disappointing. It is necessary to increase the share of development aid for development programmes and direct support for programmes run by LDCs themselves. It is also necessary to increase the share of ODA to economic infrastructure and productive sectors. Improvements in both the quantity and quality of aid need to be addressed in the context of the forthcoming reviews of the Paris Declaration in Accra and the Monterey Consensus on Financing for Development as well as progress towards MDGs;
   - Trade facilitates sustained growth, employment and development. The benefits of duty and quota free market access are being undermined by new kinds of non-tariff barriers. The "Aid for Trade" initiative is important and should be rapidly operationalized by the international community since it would enable LDCs to enhance their productive capacities and thus substantially improve living standards;
   - High commodity prices do not automatically translate into development and poverty reduction in LDCs owing to limits to their pass-through to producers and workers, low value added, and the fact that many LDCs are net food and oil importers. There is therefore an important role for national and international policies to strengthen research and development, quality control and market information. The role of the international community is particularly important in addressing price distortions, such as cotton subsidies, and to provide assistance for the commodity sector;

- Remittances are becoming an important source of revenue for LDCs. Nevertheless solutions need to be identified by both African LDCs and their development partners to adverse effects of the brain drain;
- The international community should urgently address the impact of climate change on development and poverty reduction prospects of African LDCs and there is a need for special assistance to mitigate adverse consequences;

5. Turkey provides a good example of an emerging development partner for LDCs. Its ODA to LDCs has been progressively increased to $750 million in 2006. In addition, Turkey is providing duty-free and quota-free market access for all industrial goods originating from all LDCs since January 2006. Other emerging economies should consider following the lead of Turkey as a non-Development Assistance Committee (DAC) OECD country and increase their development assistance to the African LDCs. Turkey supports the efforts of LDCs through unilateral as well as multilateral policies. In this context, Turkey's pledges at the Ministerial Conference of Least developed Countries "Making Globalization Work for LDCs" and its emphasis on supporting more income generating employment opportunities are welcome. The African LDCs also commended Turkey for their approach to development cooperation which is based on mutual benefits and the sharing of experience, and look forward to intensifying their cooperation;
6. African LDCs welcome the increasing South-South cooperation and notes that there has been important progress in regional cooperation in Africa. The New Partnership for Africa's Development (NEPAD) priority activities in supporting science and technology in Africa and mobilizing infrastructure investment in spatial development corridors are highly relevant to African LDCs and the achievement of MDGs and should be fully supported;
7. African LDCs look forward to the outcome of UNCTAD XII and expect that the outcome will take account of the Izmir recommendations.

Annexes

Annex I:
Agenda of the Workshop

Annex II:
List of Participants

Annex I:

Agenda of the Workshop

04 March 2008 - Tuesday Morning

10.00-10.20: Opening statements

Address by Honourable Akwasi Osei-Adjei Minister of Foreign Affairs, Regional Integration and NEPAD of the Republic of Ghana

Address by HE Debapriya Bhattacharya, Ambassador, Permanent Representative of Bangladesh to the United Nations Office at Geneva and the Chairman of the LDC Coordination Council

Address by Mr. Musa Kulaklıkaya, President of the Turkish International Cooperation and Development Agency

Session 1: The new Africa - Where are we now and where are we going?

Moderator: HE Bozkurt Aran, Ambassador, Turkish Permanent Representative to WTO

10.20-10.30	Presentation on UNCTAD XII (20-25 April 2008, Accra) by Mr. Awni Benham, Senior Advisor, UNCTAD
10.30-10.50	Global Coalition paper. Presentation by Mr. Tesfaye Dinka, Senior Advisor to the Global Coalition for Africa
10.50-11.10	Policy analysis in UNCTAD's LDC Report and Economic Development in Africa Report. Presentation by Mr. Charles Gore, Special coordinator for Cross-Sectoral Issues, Division of Africa, LDCs and Special Programmes, UNCTAD
11.10-11.30	Coffee break
11.30- 12.30	Discussion: What's new? What are the key emerging trends?
	Lead Discussant: Ms Harriet Schmidt, Director, UN Office of the High Representative for LDCs, Landlocked Developing Countries and Small Island Developing States
12.30-14.00	Lunch Break

04 March 2008 - Tuesday Afternoon

Session 2: National policies – building on and spreading success

Moderator: HE Kenan Tepedelen, Ambassador, Coordinator for the LDCs at the Ministry of Foreign Affairs of Turkey.

14.00-14.20	Economic development and the MDGs: getting the balance right. Presentation by State Planning Organization of Turkey
14.20-14.40	Comments and discussion
14.40-15.00	The importance of diversification and structural transformation. Presentation by Under-secretariat for Foreign Trade of Turkey
15.00-15.20	Comments and discussion
15.20-15.40	Governance and policy space: from poverty reduction strategies to development strategies. Presentation by State Planning Organization of Turkey
15.40- 16.00	Comments and discussion
16.00-16.15	Coffee break

Session 3: International policies – systemic issues, international commitments, new approaches

Moderator: HE Debapriya Bhattacharya, Ambassador, Permanent Representative of Bangladesh to the United Nations Office at Geneva and the Chairman of the LDC Coordination Council

Fulfillment of the commitments: doubling aid from 2004 to 2010; debt write-off; new aid practices (Paris Declaration). Are promises being met? Presentation by Ms. Masoumeh Sahami, Chief of the Office of the Director, Division of Africa, LDCs and Special Programmes – UNCTAD, and Representative of the Under-secretariat of Treasury of Turkey

16.35-17.05	Comments and discussion
17.05- 17.25	Stalled progress on commodities and international trade: Where do we stand? Where can we go? Are there new approaches? Presentation by Mr. Mehmet Arda
17.25-18.00	Comments and discussion
20.00-22.00	Dinner, Tuval Restaurant, Alaçatı

05 March 2008 - Wednesday Morning

09.30-09.45	Address by HE Ertuğrul Apakan, Undersecretary of Ministry of Foreign Affaires of the Republic of Turkey
09.45-10.00	Address by Mr. Supachai Panitchpakdi , Secretary-General of UNCTAD

Session 4: South-South Cooperation

Moderator: HE Mr. Arsene M. BALIHUTA, Ambassador, Permanent Representative of Uganda to the United Nations Office and Other International Organizations at Geneva

10.00-10.20	The role of new development partners (e.g. Turkey, China). Presentation by Mr. Asım Arar, Deputy Director General for Multilateral Economic Affaires, Ministry of Foreign Affaires of Turkey
10.20-10.40	Comments and discussion
10.40-11.00	Africa–new forms of regional cooperation (e.g. infrastructure development corridors, STI, intra-African flying geese between North Africa and SSA). Presentation by TIKA and Mr. Charles Gore, Special coordinator for Cross-Sectoral Issues, Division of Africa, LDCs and Special Programmes-UNCTAD
11.15-11.30	Coffee break

Session 5: Wrap-up and adoption of policy statement

Chairman: Honourable Akwasi Osei-Adjei, Minister of Foreign Affairs, Regional Integration and NEPAD of the of the Republic of Ghana

11.30-12.30	Finalization and adoption of the policy statement of the high-level workshop
	Vote of thanks
12.30-14.00	Lunch

05 March 2008 - Wednesday afternoon

14.00-18.00	Virgin Mary museum and Ephesus antique city tour

Annex II:

List of participants
High-level Workshop in Preparation for UNCTAD XII

"Trade and Development for Africa's Prosperity: Action and Direction"

Izmir, 4–5 March 2008

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