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Trade and Development Board
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High-level segment of the Trade and Development Board

Trade and productive capacities for achieving internationally agreed development goals, including the Millennium Development Goals[1]

President's summary

1. Highlights

1. The current global economic environment, characterized by recurrent food, energy and financial crises, gives cause for serious concern, and as a result development challenges have become even more daunting. In this context, trade has an essential role to play. It is an engine of growth, and growth underpins development. Enhanced market access for developing countries remains crucial, but in order to engage in trade successfully, each country must also have the productive capacity to do so. Many developing countries will need assistance in this connection, and there is a need to redress the imbalance that has grown between assistance for social development and assistance aimed at the development of economic infrastructure and productive activities, including agriculture. The development effectiveness of aid must also be improved through improved transparency, an enhanced global development partnership and greater country ownership of national development strategies. Policies that promote economic growth are more likely to reach the objectives set out in the Millennium Development Goals (MDGs). These policies will be more effective in an "enabling State" – that is, a facilitating State, not an inert or interfering one – and even more

[1] The following keynote speakers made presentations and took part in the interactive debate:
H.E. Ms. Monique Nsanzabaganwa, Minister of Trade and Industry, Rwanda
H.E. Mr. Temístocles Montás, Minister of Economy, Planning and Development, Dominican Republic
Mr. Yasuo Hayashi, Chairman and Chief Executive Officer, Japanese External Trade Organization
H.E. Mr. Enrique A. Manalo, Vice-Minister for Foreign Affairs, Philippines
H.E. Ms. Lineo Molise, Assistant Minister of Home Affairs, Lesotho
Ms. Alicia Bárcena, Executive Secretary, Economic Commission for Latin America and the Caribbean
Ms. Mia Horn af Rantzien, Deputy Director-General, Swedish International Development Cooperation

so where the private sector is a full partner in development. An enhanced multilateral approach will also be essential.

2. Recommendations put forward by participants

2. If there is to be a realistic chance of achieving the MDGs, action is needed now. With this in mind, participants in the high-level segment of the fifty-fifth session of the Trade and Development Board put forward the following suggestions for the consideration of the international community:

(a) Integrate efforts to achieve the MDGs within a broader economic development strategy, as focusing on specific MDG targets in a compartmentalized way is unlikely to be sustainable. There should be a greater emphasis on production, improvement of productivity and productive capacities in agriculture, manufacturing and services, and infrastructure development in efforts to achieve the MDGs, as their achievement will require a combination of rising private incomes (based on productive employment) and improved access to public services (e.g. education, health, water and sanitation);

(b) Strengthen the global partnership for development in ways that reflect current global realities, including the growing presence of new donors and philanthropic actors. The need for strengthened partnership has been heightened by the worsening global outlook;

(c) Reorient the role of the State so that it can act as an enabling State that not only corrects market failures but also proactively delivers development objectives, including the MDGs, and also responds effectively to shocks;

(d) Promote genuine country ownership of national development strategies in order to increase the developmental effectiveness of aid;

(e) Approach the food crisis, which is adversely affecting progress towards the MDGs, as a long-term development failure and not simply as a short-term emergency problem;

(f) Approach climate change and energy security problems as critical cross-cutting issues in the context of developing productive capacities and achieving the MDGs. Vulnerability to energy shortages and natural disasters is growing and could significantly set back progress towards MDGs;

(g) Continue to pursue the successful conclusion of the Doha Round of trade talks with a significant development package. Greater market access opportunities and the resulting trade can be a powerful mechanism for generating resources to achieve the MDGs, and can have direct effects on employment and poverty. Duty-free and quota-free access for all LDCs must be implemented expeditiously;

(h) Implement Aid for Trade without delay and regardless of the outcome of the Doha Round;

(i) Scale up official development assistance (ODA) to meet the MDGs in line with existing commitments, but also rebalance the composition of aid so that a greater share goes to productive sectors and economic infrastructure;

(j) Reverse the decline in ODA for the agriculture sector;

(k) Introduce new policies and collaborative schemes in both home and recipient countries to harness the role of remittances, both as a potential form of productive investment and a source of income security, through cash transfer programmes or through matching funds from the State;

(l) Make full use of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, due to be held in Doha in November/December 2008, to address financing for development needs in the light of the new global realities, including the credit crunch;

(m) Encourage donor countries to ensure that their domestic policies in such areas as trade, finance and technology are supportive of productive capacity-building in developing countries;

(n) Improve coordination among international organizations, including through the Trade and Productive Capacities Cluster of the Chief Executives Board; donors are encouraged to support the further operationalization of this cluster.

3. Summary of discussions

3. Progress towards the achievement of the MDGs has been uneven. Sub-Saharan Africa, in particular, has underperformed so far. Multiple crises in the fields of energy, food and finance are currently threatening to undermine or reverse the gains which have been made. Economic development is essential for the successful achievement of the MDGs, and the best way to achieve them – particularly the goal of reducing poverty – is to integrate efforts to achieve them into a broad economic development strategy. Such an approach would address the opportunities and challenges of globalization by means of comprehensive development programmes covering, among other things, productive capacities, physical infrastructure and the generation of employment opportunities. It would also take into account the new emerging issues that have had a positive or negative effect on the achievement of internationally agreed development goals, such as climate change or the potential contribution of migrants to the development of their countries of origin through remittances. In all these efforts, an enhanced multilateral approach will be essential.

4. The State has an enabling role to play not only in creating the conditions for a vibrant private sector but also in ensuring that it has in place policies that focus on appropriate development priorities. In times of crisis, the State needs to maintain stable and sustainable market structures by promoting good governance at all levels. State policy should be balanced in such a way that operational space for private enterprises and investors is matched by appropriate regulatory policies to safeguard sustainable development.

5. The private sector also has a vital role to play in the development process. Public-private partnerships between the State and the private sector can be very effective in this respect. An enabling environment needs to be created that helps build productive capacity by offering the private sector greater opportunities to invest and undertake new activities. Greater access to the markets of the developed countries is a key aspect of an enabling environment. New ways need to be explored to increase the involvement of the private sector in the development agenda. These could include the exchange of knowledge and experience between business people, investors and small and medium-sized enterprises, on the one hand, and development experts, on the other. Evidence from Latin America has shown that many companies that have incorporated corporate social responsibility in their business models have contributed to the environmental and social dimensions of the development process. A multi-stakeholder approach in which all national actors are involved can also have benefits at the multilateral level, as each stakeholder’s interests have already been taken on board by the time the Government reaches the negotiating table.

6. As far as financing for development is concerned, there is agreement that the quality and quantity of ODA should be improved. There is a widespread belief in developing countries that more debt relief is needed and that innovative sources of financing need to be found. These countries have had varying degrees of success in their efforts to attract investment from abroad; sometimes investors are deterred by

poor ratings from influential rating agencies, which the countries concerned feel are lacking in objectivity.

7. There is a need to reverse the declining trend in ODA to the agricultural sector in developing countries: this trend has led to a reduction in public investment in support of agriculture. The neglect of agricultural productivity growth can be considered as one of the factors that have contributed to the ongoing food crisis.

8. Efficient coordination within the international community, particularly among intergovernmental organizations, is essential in building the productive capacities of developing countries. There should certainly be no harmful competition among donors or development agencies. Coordination should be backed up by efforts by donor countries to reach their declared targets for official development assistance, which should be focused on the needs and priorities identified by recipient countries.

9. With a view to effectively redirecting development assistance towards building productive capacities, UNCTAD, in its analytical work, should examine the broader developmental impact of strengthening the business sector, especially at the level of small and medium-sized enterprises. The United Nations system as a whole should also identify the sectors in which development would best benefit individual countries. In its various forums it should also provide a space where development-related norms can be developed, while at the same time taking into consideration the needs and concerns of all development stakeholders.

10. The Aid for Trade initiative, the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries and similar tools are all useful for supporting development, but development assistance in general needs to be better focused, especially on the specific needs of the least developed countries, which are marginalized in global trade and face acute economic and other problems on the domestic front.

11. A word of caution needs to be sounded on the economic partnership agreements that developing countries are signing with developed countries. Developing countries' trade partners are requested to continue to work on ensuring effective access to their markets by addressing the rules-of-origin constraints in such agreements. On a positive note, under the Accra Accord, UNCTAD has a mandate that allows it to direct its technical assistance towards building the productive capacities of developing countries while taking into account the impact on economic development of emerging issues such as climate change, rising food and energy prices, the financial crisis and remittances.