

UNCTAD Trade and Development Board

Forty-ninth executive session, Geneva, 8-9 June 2010

President's summary: Follow-up to the Millennium Summit and preparations for the high-level plenary meeting of the General Assembly on the Millennium Development Goals: New development paths

(Agenda item 2 (b))

Highlights. Towards a consensus on moving the MDG agenda forward

1. On Wednesday, 9 June, a High-level Panel met to discuss agenda item 2(b), "Follow-up to the Millennium Summit and preparations for the high-level plenary meeting of the General Assembly on the Millennium Development Goals: New development paths". The session heard a series of high-level presentations and contributions from Geneva delegations. A number of broadly shared themes emerged from the discussion:

(a) MDGs represented the very best of United Nations ideals, ambitions and efforts to establish a fair, prosperous and secure world;

(b) The picture in terms of meeting the MDGs was, however, a mixed one. Regional variations were quite significant, with East and South-East Asia making the strongest advances;

(c) In terms of the 2015 target, because the international economic context over the coming 5 years was likely to be less favourable than during the previous 10 years, more ambition and creative effort would be needed, by both developed and developing countries, if progress were to accelerate over that period;

(d) Heightened ambition and creative effort would need to translate into new development paths. Given the unfavourable turn in global economic conditions, a return to "business as usual" policies to support the MDGs was undesirable. Rather, a forward-looking agenda in support of the MDGs would need to promote new and more inclusive sources of growth and development;

(e) Growth was a necessary but not sufficient condition for meeting the MDGs. Rising levels of employment and decent working conditions had to accompany the resumption of economic growth if poverty targets were to be met;

(f) Tackling relative as well as absolute levels of deprivation was needed to meet the MDGs; particularly as inequalities were rising, greater emphasis should be given to social and economic policies that ensured a fairer distribution of the gains from economic growth

(g) In general, production conditions had, to date, been unduly neglected in the discussion of MDGs. Investment in productive capacities, including human capital, needed to be given much greater prominence on the MDG agenda. Indeed, targets in that regard could be usefully added to the MDGs;

(h) A fair and open trading system could contribute significantly to meeting the MDGs; however, particularly among poorer countries, trade

rules should be managed in a way that supported efforts to build productive capacities;

(i) For many developing countries, where poverty was linked to underinvestment in the rural economy, strengthening the agricultural sector was key to advancing the MDGs;

(j) Mobilizing resources to raise productive investment levels was still the biggest policy challenge in establishing a more inclusive development path;

(k) In that respect, macroeconomic policies would need to become more broadly supportive of productive investments, but more strategic policies at the sectoral level also needed to be added to the inclusive development toolkit;

(l) The re-regulation of finance was likely to mark a significant step in many countries towards expanding the available policy space, but attention also had to be given to establishing an integrated framework which could more effectively combine economic and social measures in support of inclusive growth;

(m) A renewed focus on production conditions, distributional issues, and domestic resource mobilisation implied that an active state with an inclusive developmental vision was needed to establish a new growth path consistent with meeting the MDGs;

(n) Strong and participatory institutions were considered essential to achieving the MDGs; this implied that, markets needed to be properly regulated but also that States needed to be open, accountable and transparent;

(o) States also needed a degree of political authority to make policy trade-offs in line with the wider national interest and to change when things were not working as expected. There was no one size to fit all countries and occasions;

(p) Strong partnerships between donors and recipients offered an important means for meeting the MDGs. Those needed to be broadened, including through South–South cooperation. Those partnerships should be based on mutual respect, trust and accountability;

(q) Multilateral solutions remained essential to meeting the MDGs by scaling up available resources, ensuring coherence and balance in international economic relations and avoiding duplication of efforts.

Annex Summary of the discussion on the MDGs

1. On 9 June 2010, the forty-ninth executive session of the Trade and Development Board held a High-level Panel to discuss “new development paths” to advance efforts to meet the Millennium Development Goals (MDGs). Opening statements were made by Mr. Supachai Panitchpakdi, UNCTAD Secretary-General, and Mr. Jean Feyder, President of the Trade and Development Board. Panellists included Mr. Rob Davies, Minister of Trade and Industry, South Africa; Mr. Philippe Egger of the International Labour Organization (ILO); Ms. Nila Moeloek, Special Envoy on MDGs of the President of the Republic of Indonesia; Mr. Richard Kozul-Wright, Officer-in-Charge of UNCTAD’s Economic Cooperation and Integration Unit; Mr. Talal Abu-Ghazaleh, Chair of the United Nations Global Alliance for ICT and Development (GAID); Mr. David Nabarro, United Nations Secretary-General’s Special Representative on Food Security and Nutrition; and Mr. Martin Khor, Executive Director of the South Centre. Additional

statements were made by the representative of Cuba, speaking on behalf of G-77 and China; the representative of Egypt, speaking on behalf of the African Group; the representative of Bangladesh, speaking on behalf of the Asian Group; the representative of Costa Rica, speaking on behalf of the Group of Latin American and Caribbean Countries (GRULAC); the representative of Spain, speaking on behalf of the European Union (EU); the representative of Nepal, speaking on behalf of the Least Developed Countries (LDCs); the representative of Paraguay, speaking on behalf of Landlocked Developing Countries (LLDCs); the representative of China; the representative of Thailand; the representative of the United States; the representative of Malaysia; the representative of India; the representative of Yemen (which currently chaired the G-77 and China in New York); the representative of Ethiopia; and the representative of Zimbabwe.

2. In his introductory remarks, UNCTAD's Secretary-General, Mr. Supachai Panitchpakdi, commended the MDGs as the best effort of the United Nations system to address global gaps, inequities and asymmetries. He acknowledged that results had, to date, been mixed and more effort would be needed up to 2015 and beyond. He outlined a four-fold, forward-looking agenda comprising a growth-oriented macro framework, increased emphasis on domestic resource mobilization, the integrated treatment of social and economic issues, and greater coherence across the international economic architecture. Such an agenda would, Mr. Supachai suggested, require more direct intervention by the State along with a rebalancing and multilateralizing of ODA.

3. In his opening remarks, the President of the Trade and Development Board also noted that the MDGs occupied a central place in the United Nations development system. However, seven of the eight goals dealt primarily with the social sector while Goal 8 was more process-oriented, focusing on global partnership dealing with aid, trade and debt relief in particular. This, he suggested, left a large gap around economic development. He hoped that the Board membership could send a clear message to New York on the importance of including productive capacity as part of the MDGs, with a complementary emphasis on sectoral development, particularly agriculture but also industry. This would, he suggested, imply a greater role for an active and dynamic State to provide support and guidance for the establishment of those productive capacities. The State would also have to promote justice, responsibility, transparency and efficiency,.

4. Mr. Rob Davies, Minister of Trade and Industry of South Africa, linked the MDGs to the poverty and employment challenge in his own country, where an official unemployment rate persistently in excess of 20 per cent was among the principal causes of poverty and deprivation. In that context, he insisted that the nature as well as the pace of growth mattered, that the right kind of growth could not be left to market forces alone, and that active policies should directly tackle existing inequalities and promote structural change. The implication of this was the need for much more active industrial policies, as well as a different approach to trade policy, which would promote productive capacity. A strong regional dynamic, building on complementarities across countries rather than static comparative advantages, could also help strengthen more inclusive growth paths.

5. Ms. Nila Moeloek, Special Envoy on the MDGs of the President of Indonesia, reported a "mixed level" of progress on MDGs in her country. The first MDG – halving extreme poverty – had already been met. But challenges involved in reducing child mortality and improving maternal health had proved more difficult. The Government had included strategies

for meeting the MDGs in its medium- and long-term economic development plans, she said. Such plans included community-based strategies and efforts to spur the development of small- and medium-sized firms – enterprises vital for broad economic growth and job creation, especially among the poor. She noted the role of wider regional efforts through the Asia–Pacific Economic Cooperation Forum (APEC), but also acknowledged the importance of strengthening partnerships with traditional donors.

6. Mr. Phillipe Egger of the International Labour Organization (ILO) backed the MDGs but also called for a rethink of the underlying strategy. He highlighted three key elements of any successful development path: faster growth, increased employment in labour-intensive sectors and an expansion of social policy. In light of the recent economic crisis and the threat of a jobless recovery, he argued that there needed to be an increased focus on a broader pro-investment macro policy, new financial arrangements and a basic floor of social protection. Such measures would, he suggested, directly address existing inequalities and bring about a more balanced recovery.

7. At the afternoon panel discussion, Mr. David Nabarro, Special Representative of the United Nations Secretary-General on Food Security and Nutrition, insisted that food security was a prerequisite for meeting all the MDGs. Long-term solutions to the food crisis that erupted two years previously would require structural change in the world’s poorer countries, including significant long-term investment in agriculture. Governments needed more “policy space” to take the steps needed, Mr. Nabarro said. Mr. Talal Abu-Ghazaleh, Chair of the United Nations Global Alliance for Information and Communication Technology and Development, explained how information and communications technology (ICT) could play a great role in development, including economic development, through its ability to spread knowledge and technology and provide borderless business opportunities, he said.

8. Mr. Martin Khor, Executive Director of the South Centre, suggested that the MDGs were a destination, not a road map. Economic growth and international factors affecting developing countries should be part of the road map, Mr. Khor added. There needed to be a mix between free markets and government participation in domestic economies to ensure sustainable rises in living standards. Stress should be placed on improving productive capacities and creating jobs. Trade could help in that respect, but tariffs would have to be calibrated carefully in accordance with a country’s development phase. In the WTO it had been recognized that excessively rapid liberalization was harmful, but North-South free trade agreements such as the EPAs tended to impose radical tariff reductions, forcing countries to choose between sectors in terms of exposing them to foreign competition. The contradictions between WTO rules and free trade agreements should be examined.

9. Mr. Richard Kozul-Wright, Officer-in-Charge of UNCTAD’s Unit for Economic Cooperation and Integration among Developing Countries, said the recent financial crisis reconnected the developed world to the challenges facing developing countries: sovereign indebtedness, the challenge of diversifying into higher value added industries, and resisting the capture of the State by narrow (financial) interests. The way forward was similar for both categories of countries, he said, and suggested that it was important that a forward-looking MDG agenda build on these shared challenges.

10. A broad range of issues were discussed in the interactive debate following the presentations of the panellists with points of both consensus

and disagreement. The importance of the MDGs and the efforts of the international development community to promote these goals were broadly commended and supported. However, there was also a general recognition that the MDGs were not on track and that this had been true even prior to the financial and economic crisis which began in 2008.

11. For many developing countries, getting the goals back on track would require reform of the global institutional architecture to better promote international development goals in the face of current economic and financial realities, and in a more inclusive, coherent and transparent manner. A range of systemic issues were highlighted which would require effective multilateral responses, including, inter alia, market access, the transfer of technology on affordable terms, the promotion of knowledge flows, and greater and more predictable financial flows.

12. In examining these issues, there was also a recognition that development went beyond the MDGs and that new challenges, including climate change, sustainable development, and food security should be included on the international cooperation agenda, and in a more integrated manner.

13. Different delegations highlighted specific vulnerabilities that threatened their efforts to meet the MDGs. Doing so highlighted a more general point, which met with broad agreement, that there was no one-size-fits-all approach to economic and human development. A number of countries did, however, try to draw on their own experience to distil lessons that might help other countries in fashioning their own development strategy. Four such lessons were highlighted by different delegations: (a) that economic growth is a prerequisite and basis for overall development of productivity capacity and sustainable growth; (b) developing infrastructure services and building links across sectors were persistent challenges for countries at all levels of development; (c) harmonious social and economic development required well-designed and effective policy pursued in a pragmatic fashion; (d) opening up to international economic forces posed both opportunities and challenges which necessitated effective international cooperation but that countries also needed sufficient policy space to effectively manage the integration process.

14. While many delegations recognised that there was a positive correlation between growth and poverty, establishing a “virtuous circle” of economic growth, economic diversification, job creation, technological upgrading and human development was not automatic. At the international level, a variety of support measures were needed, including measures specifically tailored to the needs of vulnerable countries. At the domestic level, many countries recognised the important role of a strong developmental State in overcoming the constraints on inclusive growth and meeting new and interrelated challenges.

15. A shortage of financial resources was seen as a major constraint for many developing countries in their efforts to meet the MDGs. There was a broad recognition that the financial crisis was a setback to efforts to meet the MDGs precisely because of the resulting constraints on external resource mobilisation. However, the crisis did provide an opportunity for refocusing attention on some important gaps in the workings of the international financial architecture, including the lack of an effective debt workout mechanism and the weakness of financial surveillance and regulation. According to some, financial liberalisation without effective regulation had been a major source of instability, though there was less agreement on whether the costs of financial liberalization had outweighed the benefits.

16. It was felt that the international community – particularly developed countries – should do more to further increase assistance and honour commitments in terms of trade and flows of FDI. There was general agreement that ODA was still essential to making tangible progress in areas such as education, poverty, gender equality and health.

17. South–South cooperation could complement North–South assistance in a variety of areas. This was true not only in terms of hard economic flows but also in terms of sharing experiences and technical assistance. Indeed, a number of delegations suggested that South-South cooperation offered a more integrated approach to development cooperation, although this could not compensate for the resource shortfall from traditional ODA sources.

18. A number of delegations called for much greater attention to MDG 8, as key to a more comprehensive development approach. There was a general agreement on the positive role of partnerships based, in particular, on a more equal relationship between donors and recipients. Bringing in the private sector was also seen as key in promoting development enhancing partnerships and that gender equality must be given an important place in any encompassing development strategy. However, developing countries insisted that partnerships were not a substitute for increased ODA but a way to make more aid more effective.

19. The important role of governance for an effective development strategy were raised in a number of the contributions and advances in this respect were seen as a contributory factor to recent successes in meeting MDGs. Some delegations insisted that this was a prerequisite for successful development given the inherent dangers of state failure, emphasising the importance of transparency, the fight against corruption, a robust judicial system and the role of mutual accountability. A number of delegations recognized that the addition of these elements to development cooperation had had a generally positive impact on the functioning of the governmental machinery in some developing countries.

20. Many delegations insisted that wider development benefits would come only with the provision of more resources to productive economic sectors and for developing social and physical infrastructure. Agriculture, which was recognised as having been neglected over the past twenty years or more, received a considerable amount of attention in the discussion. In this context there was also an emphasis on the importance of leveraging innovation and technological development. It was generally recognised that partial success in some sectors, including the social sectors, would not be durable.

21. A non-discriminatory and transparent multilateral trading system was generally recognised to be key to sustainable growth and development, but it was argued that this had not yet been realised. Aid for Trade was seen as an important instrument to support productive capacity-building to ensure that the potential development gains from increased trade would be realised, and the EU had been a major contributor to this framework.

22. An exchange of views took place, on the pros and cons of rapid trade liberalisation in general and in the context of EPAs, in particular. Some delegations insisted that the benefits were clear and durable, particularly when compared with unilateral preference arrangements, and that there were minimal restriction from these arrangements on policy space. Others worried about the costs of trade liberalization under these arrangements in terms of lost tariff revenues, which could undermine the effectiveness of the public sector in participating developing countries, as well as considerable job losses and diminished policy space.