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Report of the Trade and Development Board on its forty-ninth executive session

Held at the Palais des Nations, Geneva, 8–9 June 2010

I. Opening of the session

1. The session was opened by Mr. Jean Feyder (Luxembourg), President of the Trade and Development Board.

II. Adoption of the agenda and organization of work

(Agenda item 1)

2. At its opening plenary meeting, on 8 June 2010, the Board adopted the provisional agenda contained in document TD/B/EX(49)/1. Accordingly, the agenda for the executive session was as follows:

1. Adoption of the agenda and organization of work
2. UNCTAD’s contribution to the implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields
   (a) Follow-up to the Third United Nations Conference on the Least Developed Countries and preparations for the Fourth United Nations Conference on the Least Developed Countries: Key development challenges facing the LDCs
   (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
3. Report of the Board on its forty-ninth executive session

III. President's summary: Follow-up to the Third United Nations Conference on the Least Developed Countries and preparations for the Fourth United Nations Conference on the Least Developed Countries: Key development challenges facing the LDCs

(Agenda item 2 (a))

A. Highlights of the session

3. The first day of the forty-ninth executive session of the Trade and Development Board was held on 8 June 2010 with the objectives of (a) assessing the performance of the least developed countries (LDCs) since the adoption of the Brussels Programme of Action in 2001 in areas covered by UNCTAD's mandate; (b) determining the key development challenges facing the LDCs in the coming period; and (c) looking ahead at how to promote structural transformation in LDCs. It comprised two sessions – one high-level segment and one round table. In the high-level segment, the Secretary-General of UNCTAD made the inaugural intervention, followed by statements from the Ambassador of Nepal (Coordinator of the LDC Group), the Ambassador of Turkey (representing the host country of the Fourth United Nations Conference on the Least Developed Countries (LDC-IV)) and the representative of the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS). The key speakers at the round table were the Ambassadors of Lesotho and Zambia, and experts from the Overseas Development Institute (ODI) of London, and the Centre for Global Development (CGD) of Washington, DC. Representatives of different country groups and a large number of country delegations made statements and interactive interventions in both the sessions. The sessions were chaired by the President of the Trade and Development Board, Mr. Jean Feyder of Luxembourg.

4. The session considered the document "In Quest of Structural Progress: Revisiting the Performance of the Least Developed Countries" (TD/B/EX(49)/2, TD/B/EX(49)/2/Corr.1 and 2). The document, an abridged version of the report of UNCTAD's Inter-divisional Task Force on LDC-IV, provided an evidence-based retrospective analysis of the performance of the LDCs during the previous decade with a view to generate a collaborative development vision for an accelerated structural transformation of the LDCs. Endorsing the findings presented in the document, the speakers appreciated UNCTAD's systematic contributions in providing substantive inputs, in areas of its competence, to the preparation of LDC-IV. They noted in particular the scheduling of a pre-LDC IV event to discuss productive capacities in LDCs (27–29 October 2010) and the fifty-first executive session of the Trade and Development Board to discuss the role of international support mechanisms (29–30 November 2010).

5. Reflecting on the recent performance of the LDCs, it was observed that, prior to the crisis, those countries had experienced relatively high economic growth, certain improvements in macroeconomic indicators, trade expansion with both developed and developing countries, enhanced foreign investment inflows, higher off-take of foreign aid and advances in physical infrastructural and telecommunication connectivity. However, these high overall growth rates were also characterized by highly skewed and fragile intra-group performance.

6. It was pointed out that, although the LDCs faced a set of common structural handicaps, they were increasingly becoming heterogeneous. The nature of their growth, coupled with their geophysical attributes, had led to their varying specialization, dominated

by greater dependence on traditional commodity export and, in some cases, on tourism and a narrow basket of manufactured goods (e.g. textiles).

7. It was noted that the growth process in the LDCs, which was largely externally propelled, did not precipitate any progressive changes in the composition of gross domestic product (GDP), diversification of exports, reduction in commodity dependence, broad-based investment flow, substantial strengthening of trade-related infrastructure, and development of science, technological and innovation capability. Development of agriculture and food security remained one of the neglected areas of investment and policy attention. Most of the LDCs remained far from achieving the Millennium Development Goals (MDGs) and graduation from the LDC Group.

8. It was regretted that the improved macroeconomic position of the LDCs had not led to allocation of resources to the productive sectors conducive to more sustained economic growth. The limited deployment of strategic tools relating to trade and industrial policies inhibited channelling of resources to productive capacity-building that would have facilitated structural change of the LDC economies. Flow of foreign direct investment (FDI) remained concentrated in a few extractive industries, particularly petroleum. Official development assistance (ODA) also shied away from financing a productive base in the LDCs, including infrastructure and manufacturing. Investment in agriculture was also inadequate for greater value addition in the sector. Due to these obstacles, the governments in these countries were usually inhibited from effectively utilizing the policy space notionally available to them.

9. Emphasizing the need for revisiting the conventional development strategies, it was underscored that innovative strategic approaches had to be adopted in the future to make more effective contributions towards fostering structural transformation of LDC economies. In that connection, it was maintained that the strategic policy-oriented role of the developmental State had to be strengthened to create a domestic industrial base and business development services. The traditional approach towards macroeconomic adjustment had to be redefined to enable sustained and inclusive growth.

10. The session underscored the changed global and regional context within which the LDCs now had to deal with their national development challenges. Elements of that new context presented for the LDCs both opportunities (e.g. the rise of the global South) and threats (e.g. adverse implications of climate change). The emerging context had also been underpinned by the aftermath of the global economic and financial crisis, including the recent initiatives in the areas of recovery of global growth and reform of global economic governance.

11. The opinion was expressed that the role of the LDCs needed to be enhanced in global economic governance so as to reflect their interests more substantively on systemic issues, particularly relating to trade, investment and development finance.

12. There was general consensus that the outcomes of LDC-IV should herald a departure from the "business-as-usual" approach towards addressing the development challenges of this group of countries. The outcome of LDC-IV should be smart and strategic in its approach, with specific measurable targets supported by adequate resources. The outcome should be integrated with other ongoing international development initiatives in favour of the LDCs, including the MDGs, the Paris Declaration on Aid Effectiveness, and the Enhanced Integrated Framework (EIF).

13. The participants were categorical in their expectation to have in place a more effective follow-up and monitoring mechanism of the internationally agreed targets for the LDCs. It was further pointed out that – for a more objective assessment of the efficacy of the performance of the LDCs, as well as that of the international support measures adopted

in their favour – there was an urgent need to strengthen the relevant information and database.

B. Major issues discussed at the session

14. The point that was most frequently emphasized during the session was that, during the decade following the adoption of the Brussels Programme of Action, the fundamental conditions of the LDCs had not changed much. Although there had been overall gains in the aggregate, those of LDCs as a group had been limited to a handful of countries, mostly experiencing temporary booms due to high commodity prices. In fact, even those countries were confronting serious problems due to increased price volatility in the international markets. The vulnerabilities of the LDCs to exogenous shocks were most tragically demonstrated by the recent earthquakes in Haiti.

15. It was further argued by some that most of the problems of the LDCs were well known, and thus the emphasis should be on steadfast actions. However, it was generally contended that, in the backdrop of the disappointing development experience and given the new challenges, there was a need for articulating innovative ideas to chart a new development path for inclusive and participatory growth for the LDCs leading to structural transformation of their economies. The importance of commitment on the part of leadership was emphasized in that respect.

16. Reflecting on the nature of the growth in LDCs, it was observed that there was a need to rebalance and diversify the sources of growth through incremental domestic demand. The other structural factors inhibiting sustainable growth in those countries were low productivity, lack of competitiveness, unfavourable business environment, underdeveloped infrastructural services, limited private entrepreneurship and lack of skilled human resources. Accordingly, the need for transformative growth had become more important than ever.

17. The need for structural transformation of the LDC economies was the common thread of almost all interventions. The central point in that regard was the challenge of creating a developmental State that could take policy initiatives and make institutional interventions to create new competitive advantages for the LDCs. The participants highlighted that the envisaged strategic developmental role of the State entailed the formulation and implementation of targeted engagements for enhancing productive capacity, productivity, diversification and value addition.

18. The need to prioritize agricultural development was a consensus view. Many participants regretted the neglect of agriculture in investment decisions and underscored the need to channel more resources to that sector for a number of fundamental reasons, including employment and income generation for the poor, ensuring food security at the national and household level, and promoting diversification of value addition to exportables. That need was further accentuated by the fact that an increasing number of LDCs were experiencing rapidly rising deficits in food products.

19. A significant number of interventions highlighted the critical importance of diversification and specialization of LDCs' exports. The basis of sustained diversification and specialization was considered to be compositional change of the GDP in favour of manufacturing and/or the modern service sector. However, the need for having more tradable products and reduction of dependence on a couple of export markets was also deemed necessary. It was further underscored that LDCs should develop their exports in services, particularly through high-value tourism and temporary movement of natural persons as service providers. Delegates were, however, alerted to the fact that the tourism

industry often necessitated a considerable amount of imports, reducing the net foreign exchange earning potential of the industry.

20. Many participants recalled that structural adjustment programmes and across-the-board liberalization had affected the food and manufacturing sectors badly, and urged that caution be exercised in the future with respect to new trade liberalization obligations.

21. The problems of entrenched commodity dependence of a large number of LDCs received special attention during the discussion. The major emphasis was on developing backward and forward linkages of the commodity sector in the national economy. The food-processing sector was singled out as having the most potential in that regard. The macroeconomic challenges of dealing with the boom-and-bust cycle of commodity prices were also discussed. Sudden upward-moving price shocks could appreciate the currency of the commodity-exporting country, making all other exports lose competitiveness.

22. Some participants pointed out the important role that a wide range of informal sector activities played in providing employment and income to the poor in LDCs.

23. The concern about the lack of breadth in the industrial development of LDCs was reflected in the discussion on FDI. It was noted that, despite the rapid increase in FDI flows to LDCs up to the onset of the economic crisis, they were mostly concentrated in the extraction of natural resources, in particular petroleum. Several participants noted the limited opportunity for linkage creation associated with extractive industries. Agriculture, food processing, telecommunications and tourism were mentioned by the participants as promising sectors which could attract FDI.

24. There was broad agreement that a substantial amount of investment was necessary in LDCs to develop infrastructure, such as transport and telecommunications, in order to make industrial diversification possible. The paramount necessity to develop the energy sector was also mentioned.

25. The participants maintained that access to technology was an important development component complementary to trade and financial factors. Technology and know-how were critical to enabling a diversification of LDC economies. Raising the level of science, technology and knowledge capacities was also important in order to reduce vulnerabilities of LDCs to natural disasters and mitigate climate change. It was noted that, to put this into practice, leadership, development governance and an enabling environment were required.

26. The role of South–South cooperation in facilitating structural transformation in LDCs was widely discussed. It was mentioned that LDC exports to the South were currently almost equal to those going to Organization for Economic Cooperation and Development (OECD) countries, although the South was essentially importing primary commodities from LDCs. In that context, it was noted that certain developing countries had initiated duty-free quota-free preference schemes for LDCs. FDI from the South was also increasing, and it had shown more resilience during the crisis. The South could be a major source of transfer of technology and know-how. Regional integration based on better connectivity was also emphasized in that connection.

27. The growing diversity of the LDC Group came up for discussion a number of times. For example, it was pointed out that some were landlocked while some others were island States. LDCs varied quite a bit in terms of resource endowments, including demographic and natural resources. A number of the LDCs were post-conflict countries. All those attributes pointed to the need to address specific concerns within an integrated international support framework for the LDCs.

28. It was further pointed out that, while addressing the country-level challenges, one should not miss targeting the most vulnerable sections of the LDCs. Besides the hardcore poor, the need to target women and youth was also mentioned.

29. While ODA flow to LDCs had increased perceptibly in the recent past, it fell short of commitments and the picture was not uniform across the group. As developed countries were likely to enter a phase of physical consolidation, the level of future ODA remained uncertain. As such, the issue of type and quality of aid would become more important for LDCs.

30. The session witnessed a debate on the desirable composition of disbursed foreign aid to LDCs. A large group of participants favoured more targeting of productive capacity-building, including infrastructure and manufacturing. Meanwhile, a number of participants also pointed out that, in most LDCs, social sectors remained underfinanced. As a result, they were failing to meet MDGs and failing to develop the skilled labour force necessary for diversification of the economy. Differing views were also mentioned regarding the advantages of having sectorally dedicated foreign aid as compared to budget support.

31. Issues relating to development finance, other than ODA, were also raised at the session. The role of remittances in LDCs – ranging from providing a cushion to current account balance to the government to supplying poverty alleviating income to rural households – was highlighted. It was opined that the national development finance institutions (DFIs) needed to play a more energetic role to enhance productive investment in LDCs. LDCs also needed to increasingly tap into the funds available with the regional development banks. The Group of Twenty (G20) could also design support measures for LDCs through monetary and fiscal stimuli.

32. Some participants stressed the ways in which the world had changed over the previous 10 years, with greater focus on climate change, the increasing role of South–South cooperation, and the three crises (food, fuel, and global economic and financial) being among the issues mentioned. The importance of food security was raised a few times and several of the interventions highlighted the negative impact of the crises on LDCs.

33. A number of interventions raised the issue of implications of recent crises on LDC economies. It was particularly mentioned that the LDCs were innocent victims of the recent financial and economic crisis. Adverse consequences of the crisis continued to be felt by LDCs in areas such as exports, investment, remittances, tourism income and development finance. Ways and means to build economic resilience to mitigate future shocks were also discussed.

34. The issue of the adverse impact of climate change in LDCs figured prominently in a number of interventions. It was mentioned that vulnerabilities of LDC economies had increased further due to, inter alia, climate change-induced frequent natural disasters, water stress, negative effects on crop cultivation and fisheries, loss of habitation and the emergence of environmental refuges. Emphasizing the need to undertake climate change mitigation measures in greenhouse gas-emitting major countries, adequate finance for underwriting adaptation measures in LDCs was stressed.

35. The importance of improving developmental governance in LDCs was also highlighted by some participants. It was pointed out that issues relating to governance had become more critical over time, and systematic and sincere efforts were required to deal with inefficiency and corruption to enhance the developmental impact of scarce investible resources. As complete overnight modernization of the public administration was not possible in LDCs, it was suggested that a modest but concrete beginning could be made at a key nodal institution of economic management, e.g. finance or trade ministry, planning commission or central bank.

36. Referring to United Nations General Assembly resolution 43/178, dated 20 December 1988, entitled “Assistance to the Palestinian People”, it was recalled that there was a decision to extend to the occupied Palestinian territory the same preferential treatment accorded to the LDCs.

37. The participants were briefed about the ongoing preparations for LDC-IV. It was mentioned that the national and regional reviews of the Brussels Programme of Action were already completed. The preparatory process had four interlinked tracks: intergovernmental, parliamentary, business and non-government organizations (NGOs). Pre-conference events were being organized by a number of organizations and agencies. Informal meetings to give shape to the outcome document were to begin in New York in September 2010, and the Preparatory Committee for the Conference would meet in January and April 2011, with the conference itself expected to be held in May. The slogan of the conference was "Global Commitment to Partnership", signifying the need to rebuild solidarity – morally and substantially – based on the enlightened self-interest of the global economy.

38. Expressing their expectations about LDC-IV, the delegates were unanimous in their view that the outcomes should provide concrete and integrated measures to address the real problems of LDCs in the changed global environment. Most of them called upon the international development community to engage in the LDC-IV process in earnest.

C. Recommendations put forward by the participants

1. New development approach

39. In view of their past experiences, and taking note of the new global and regional context, the development approaches pursued in the LDCs have to be revisited and put on a more pragmatic basis.

40. In the efforts to promote structural transformation of their economies, the LDCs have to be supported in making greater and more effective use of developmental policy space.

41. In designing their national development paths, LDCs have to strengthen and operationalize the strategic and enabling role of the State in leading structural transformation of the economies.

42. At the same time, in designing the implementation of public policies, the State should respect the principles of transparency, accountability, equity and participation.

2. Reconsidering macroeconomic framework

43. The macroeconomic framework in the LDCs needs to be reconsidered, putting more emphasis on inclusive growth and employment than on exclusive preoccupation with balancing accounts.

44. Taking note of specific circumstances, the LDCs have to rebalance and diversify their sources of growth, promoting a greater role for domestic demand.

45. LDCs need to develop and deploy strategic trade and industrial policies to accelerate structural change of their economies.

3. Addressing specific vulnerabilities

46. While designing international support measures in favour of LDCs, the heterogeneity of the group has to be recognized and accommodated, particularly addressing the specific development needs of landlocked countries, island States, climate change-affected economies and post-conflict societies.

4. Agriculture and food security

47. Fostering “agri-renaissance” through higher allocation of public expenditures has to be a primary objective of LDCs for alleviating rural poverty as well as for ensuring food security.

48. In efforts to revitalize and develop the agricultural sector, there must be a special focus on small-scale farming.

49. Promoting agri-processing activities has to get greater policy attention.

50. New technologies have to be made available to LDCs for enhancing productivity growth in the agriculture sector, as well as to allow them to take advantage of “green growth” opportunities.

5. Trade diversification and market access

51. A major thrust of trade-related measures for LDCs has to be the diversification of the export basket, adding value to export items by developing backward and forward linkages, and through accessing new markets.

52. Sustainable tourism should be actively promoted to maximize beneficial development impacts;

53. LDCs should be able to use all the flexibilities provided under World Trade Organization (WTO) rules to foster the development of productive capacities.

54. The Doha Round of WTO trade negotiations must be concluded as soon as possible, and must address the development concerns of LDCs.

55. An interim outcome (early harvest) from the Doha Round addressing the trade interests of the LDCs needs to be delivered. Some of the elements of such an interim LDC package may include the following provisions:

(a) Duty-free quota-free market access by the developed countries and emerging economies for all products from all LDCs;

(b) Doing away with all non-tariff measures affecting exports from LDCs;

(c) Improving the Rules of Origin provisions to enhance effectiveness of preferential market access schemes;

(d) Comprehensive and effective implementation of existing guidelines for fast-track accession of the LDCs to WTO;

(e) Elimination of trade-distorting domestic support measures and export subsidies in cotton production;

(f) Support for Mode 4 for promoting trade in services in the sectors where LDCs have supply capacity;

(g) More resource commitment for Aid for Trade, particularly for broader and deeper use of the EIF facility.

56. MDG 8 on international partnership, which deals with trade issues, should also be used to deliver the interim package.

57. Participation of LDCs in bilateral trade agreements should not jeopardize their rights and entitlements under the multilateral trading system.

6. Reducing commodity dependence

58. Multilateral level actions have to be taken to deal with internal and external factors inhibiting reduction of singular dependence of LDCs on primarily commodities export.

59. Both horizontal and vertical diversification have to be pursued in commodity-dependent LDCs.

60. Enabling mechanisms and tools for pre-empting price volatility in commodity markets as well as for the smooth flow of commodity market information have to be operationalized.

61. Policy measures to counter-balance effects of private standards in commodity markets have to be instituted.

7. Investment promotion

62. Promotion of domestic investment that boost domestic demand as well as support export expansion should be a fundamental policy objective in LDCs.

63. Both home and host country measures are to be put in place to guide FDI away from extractive industries to productive sectors in LDCs.

64. Inflow of FDI has to be refocused on basic infrastructure development, such as building and upgrading roads, ports, communication facilities and production of electricity.

65. Public policies and incentives have to be designed and implemented to promote productive association between foreign and domestic capitals with a view to promote in-country backward and forward linkages.

66. A synergy between private investment and ODA has to be sought, including through public–private partnership (PPP), so as to promote productive transformation of LDC economies.

67. Local financial institutions have to be developed by LDCs to support both domestic and foreign investors.

8. Infrastructure development

68. As a prerequisite for structural change, infrastructure should be given greater priority in public investment programmes.

69. Significant amounts of ODA have to be earmarked for infrastructure development in LDCs, desirably by creating dedicated funds.

70. Domestic capital and inflows of FDI have to be guided to development of physical infrastructures in LDCs.

71. Different forms of PPP, such as build–operate–transfer (BOT) may be more purposefully practised to expedite development of physical infrastructure.

9. Science, technology and innovation capacity-building

72. The national science, technology and innovation (STI) system in LDCs should receive greater public policy support.

73. The STI system in LDCs has to be linked to public service and business activities.

74. A dedicated capacity-building fund, supported by earmarked ODA, has to be created to develop national STI systems in LDCs.

75. To utilize the full potential of information and communications technology (ICT) and to overcome the “digital divide”, the infrastructural backbone of ICT systems in LDCs has to be developed.

10. Access to technology

76. There should be immediate implementation of the flexibilities and preferential provisions related to WTO and World Intellectual Property Organization (WIPO) rules on intellectual property, which promise technology transfer flows to LDCs. For example, article 66 of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, which requires developed countries to provide incentives to their companies that transfer technology to LDCs, has to be operationalized.

77. A “technology bank” may be created to facilitate transfer of technology to LDCs.

11. Official development assistance

78. International commitments have to be fulfilled by the development partners by providing long-term concessional aid in a predictable fashion.

79. The quality of the foreign aid delivered has to improve and be in line with the Paris principle of aid effectiveness.

80. Foreign aid must give stronger support to productive capacity-building efforts in LDCs, including financing physical infrastructure and manufacturing industries.

81. More predictable and additional resource availability for trade-related capacity-building, particularly for EIF, has to be ensured.

12. Other forms of development finance

82. Greater efforts to mobilize domestic resources in LDCs, particularly taxes, have to be undertaken to have additional resources to underwrite development expenditures.

83. Remittances from expatriate workers have to be more effectively utilized to spur investments.

84. LDCs have to have greater access to the facilities of the regional development banks.

85. LDCs need to explore new and innovative sources of development finance, including sovereign wealth funds.

13. South–South and triangular cooperation

86. LDCs need to approach economic interactions with the emerging economies and other advanced developing countries as a vehicle for structural transformation of their economy.

87. The emerging economies need to, among others, provide the LDCs with improved market access without any tariff or non-tariff barriers, encourage FDI flow to productive sectors in LDCs, support transfer of own technologies to LDCs and allocate concessional development finance to underwrite structural change of LDC economies.

88. LDCs should fruitfully engage in triangular cooperation, involving the developed countries along with the developing countries.

89. Participation of LDCs in regional integration schemes has to be strengthened in order to scale up productive capacity and improve economic efficiency, particularly through greater connectivity and other trade-related measures. In this connection,

participation of LDCs in numerous regional integration schemes has to be consolidated and streamlined to reduce stress on government as well as on business people and entrepreneurs.

14. Global financial crisis

90. Any specific measure undertaken as a part of stimulus and other policy packages to deal with post-global crisis circumstances in any country, but affecting the competitiveness of the LDCs, should be discontinued.

91. Special measures have to be designed to protect LDCs from the adverse impact of global economic and financial crises in the future.

15. Climate change

92. Mitigation measures have to be put in place to reduce the disproportionate effects of climate change on LDCs.

93. Adequate financing has to be made available for undertaking necessary adaptation measures in LDCs.

94. Access of LDCs to environmentally-friendly technology has to be ensured.

95. Removal of fossil fuel subsidies has to be encouraged.

16. Occupied Palestinian territory

96. Facilities and preferences to which the LDCs are entitled must be made available to the occupied Palestinian territory.

17. Information base

97. The informational and statistical bases pertaining to LDCs have to be significantly strengthened to help achieve an effective, reliable and informed policymaking process, a deeper understanding of the performance of LDCs, and a better assessment of the state of delivery of international commitments.

18. Representation and participation

98. Access, representation and participation of the LDCs have to be effectively increased in all international and regional platforms – formal and informal – so as to reflect the concerns and interests of the group. When designing approaches and measures to reform global financial architecture and other areas of economic governance, implications of such measures for economic development of the LDCs have to be taken into account.

19. LDCs and the MDGs

99. In the MDG review exercise, the importance of developing productive capacity and gainful employment should be fully recognized.

20. Outcomes of LDC-IV

100. The outcomes of LDC-IV have to be substantive with specific and prioritized targets that will promote accelerated structural transformation of the LDC economies.

101. The measures and targets to be set by LDC-IV have to be owned genuinely by all concerned partners and confirmed through firm resource commitments, and they should not lead to an excessive management burden for LDCs.

102. The developmental measures to be endorsed by LDC-IV have to be interfaced with other ongoing international processes and initiatives concerning the LDC Group.

103. A transparent, accountable and result-oriented mechanism has to be put in place to ensure the smooth and systematic follow-up of the implementation of the targets to be set by LDC-IV.

IV. 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))

A. Highlights: Towards a consensus on moving the MDG agenda forward

104. 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 mobilization 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.

B. Annex to chapter IV: Summary of the discussion on the MDGs

105. 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.

106. 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.

107. 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,.

108. 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.

109. 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.

110. 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.

111. 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.

112. 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 WTO, it had been recognized that excessively rapid liberalization was harmful, but North–South free trade agreements such as the economic partnership agreements (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.

113. 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.

114. A broad range of issues was 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 those 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.

115. 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.

116. In examining those 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.

117. 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 was 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.

118. While many delegations recognized 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 was needed, including measures specifically tailored to the needs to vulnerable countries. At the domestic level, many countries recognized the important role of a strong developmental State in overcoming the constraints on inclusive growth and meeting new and interrelated challenges.

119. A shortage of financial resources was seen as a major constraint for many developing countries in their efforts to meet the MDGs. There was broad recognition that the financial crisis was a setback for efforts to meet the MDGs precisely because of the resulting constraints on external resource mobilization. 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 liberalization 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.

120. 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.

121. 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.

122. A number of delegations called for much greater attention to MDG 8 as key to a more comprehensive development approach. There was 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.

123. The important role of governance for an effective development strategy was raised in a number of the contributions, and advances in this respect were seen as a contributory

factor to recent successes in meeting the MDGs. Some delegations insisted that this was a prerequisite for successful development given the inherent dangers of State failure, emphasizing 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.

124. 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 recognized as having been neglected over the previous 20 years or more, received a considerable amount of attention in the discussion. In that context, there was also an emphasis on the importance of leveraging innovation and technological development. It was generally recognized that partial success in some sectors, including the social sectors, would not be durable.

125. A non-discriminatory and transparent multilateral trading system was generally recognized as being key to sustainable growth and development, but it was argued that this had not yet been realized. 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 realized, and the EU had been a major contributor to this framework.

126. An exchange of views took place, on the pros and cons of rapid trade liberalization 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 restrictions from these arrangements on policy space. Others worried about the costs of trade liberalization under those 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.

V. Report of the Board on its forty-ninth executive session

(Agenda item 5)

127. The Trade and Development Board authorized the Rapporteur to finalize the report of its forty-ninth executive session.

Annex

Attendance[1]

1. Representatives of the following States members of the Trade and Development Board attended the session:

Albania
Algeria
Angola
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium
Benin
Bhutan
Brazil
Brunei Darussalam
Burkina Faso
Cambodia
Canada
Chad
Chile
China
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Cyprus
Czech Republic
Djibouti
Dominican Republic
Egypt
Ethiopia
Finland
France
Gabon
Germany
Ghana
Greece
Haiti
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Italy
Japan
Jordan
Kazakhstan
Kenya
Kyrgyzstan
Lesotho
Libyan Arab Jamahiriya
Luxembourg
Malaysia
Maldives
Mali
Mexico
Morocco
Mozambique
Namibia
Nepal
Niger
Nigeria
Oman
Paraguay
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russian Federation
Rwanda
Saudi Arabia
Senegal
Serbia
Singapore
South Africa
Spain
Swaziland
Sweden
Switzerland
Syrian Arab Republic

[1] For the list of participants, see TD/B/EX(49)/Inf.1.

Thailand
The former Yugoslav Republic of Macedonia
Togo
Trinidad and Tobago
Turkey
Ukraine
United Arab Emirates
United States of America
Venezuela (Bolivarian Republic of)
Viet Nam
Yemen
Zambia
Zimbabwe

2. The following observer attended the session:

Palestine

3. The following intergovernmental organizations were represented at the session:

African Union
Agency for International Trade Information and Cooperation
European Union
Organisation Internationale de la francophonie
South Centre

4. The following United Nations Organizations were represented at the session:

Economic Commission for Africa
International Trade Centre

5. The following specialized agencies and related organizations were represented at the session:

Food and Agriculture Organization of the United Nations
International Labour Organization
United Nations Industrial Development Organization
World Trade Organization

6. The following non-governmental organizations were represented at the session:

General Category

Consumer Unity and Trust Society
Ingénieurs du Monde
International Centre for Trade and Sustainable Development
Ocaproce Internationale
Village Suisse
World Association of Former United Nations Interns and Fellows

7. The following panelists participated to the session:

Tuesday, 8 June
Mr. Supachai **Panitchpakdi**, Secretary-General of UNCTAD
Ms. Lakshmi **Puri**, Director, United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
Mr. Dinesh **Bhattarai**, Coordinator for the LDCs, Ambassador of Nepal
Mr. Bozkurt **Aran**, Representative of Host Country for LDC IV, Ambassador of Turkey
Mr. Deb **Bhattacharya**, Special Adviser on LDCs, Office of the Secretary-General of UNCTAD
Mr. Mothae **Anthony Maruping**, Ambassador Permanent Representative of Lesotho in Geneva
Ms. Kimberly Ann **Elliott**, Senior Fellow, Center for Global Development

Mr. Darlington **Mwape**, Ambassador, Permanent Representative of Zambia in Geneva

Mr. Dirk Willem **te Velde**, Head of Investment and Growth Programme, Overseas Development Institute

Wednesday, 9 June

Mr. Supachai **Panitchpakdi**, Secretary-General of UNCTAD

Mr. Rob **Davies**, Minister of Trade and Industry, South Africa

Mr. Philippe **Egger**, Deputy Director of the International Labour Organization

Ms. Nila **Moeloek**, Special Envoy on MDGs of the President of the Republic of Indonesia

Mr. Richard **Kozul-Wright**, Officer-in-Charge, Economic Cooperation and Integration Unit, UNCTAD

Mr. Talal **Abu-Ghazaleh**, Chair of the United Nations Global Alliance for ICT and Development

Mr. David **Nabarro**, United Nations Secretary-General’s Special Representative on Food Security and Nutrition

Mr. Martin **Khor**, Executive Director, South Centre