

Thursday, 11 October 2007

Plenary Brainstorming – Part 2

The Dynamic Export Development Agenda: Implications for Technical Assistance

Moderator Tim Sebastian had challenged panellists at the outset to come up with five specific recommendations that the audience can take home and apply. In the end, after the participants made their own proposals, the session produced eight.

Kicking off the presentations, UNCTAD Acting Deputy Secretary-General Lakshmi Puri said that assistance should focus on export development and capacity and human resource building. It should provide the policy software, adapted to each particular country situation. Export capacity comes from a broader development capacity, she noted. Therefore exports need to be part of a larger trade strategy, which is in turn embedded in development strategy.

This strategy must be indigenously developed to respond to and respect specific country needs. Multilateral agencies, which have comparative advantages, can provide resources and expertise because they are trusted for their wide experience and objectivity.

In providing assistance, it is necessary to preserve the virtuous circle of productive capacity, competitiveness and market access.

Database for exporters

She reported that UNCTAD has a database to help exporters identify dynamic new areas so they can diversify, and move from commodities to manufacturing and services.

There is also the question of markets. One should not lose sight of traditional markets, but there is also the need to identify new markets, including markets in the South which are becoming important.

Enablement is another key aspect of assistance, Puri said. This should focus on how to enable exporters to be competitive, reach markets, access infrastructure, including standards-related, and credit.

Best practices can provide a guide to the degree of state involvement, she said, because too much can lead to bottlenecks. Agencies may need to do some hand-holding for access to credit, information, introduction to supply chains.

Another area for assistance is trade policy, including facing challenges such as non-tariff barriers, and in preparing for multilateral and regional trade pacts to help developing countries get the best deal.

In conclusion, she said that assistance has to be directed towards changing business culture. She recalled the story of an Indian trade official who once addressed a meeting of business people and told them that they had to export or perish. He came away with the impression that they would rather perish.

The principal goal of all technical assistance today is to promote the Millennium Development Goals, she recalled. Asked by the moderator what her main recommendation would be, Puri said that it is to target directly and embrace a holistic approach.

The ambiguities of aid

Puri was followed by ITC Deputy Executive Director Stephen Browne, who started off by noting that aid and trade used to travel in the same direction, with aid being used mainly to buy goods from donor countries. Fortunately it is now the opposite, he said. He then listed four other propositions: we do not know how much aid there is; this probably does not matter, and what really counts is how and where it is applied; and there are technical ways to respond to the needs of developing countries.

Starting with the first of the ideas, he said that in these more enlightened times, aid is mainly aimed at exporting into rather than importing out of donor countries. This enables the recipients to decide how they want to earn their foreign exchange rather than see the foreign exchange spent on pre-selected imports, even if the ability to export is constrained somewhat in the current environment.

He noted some estimates that aid for trade is worth some 10-25% of total aid. But this is not very helpful, he suggested. Others have put assistance to productive capacity at around \$9 billion.

ITC estimates that if you add trade policy and trade development, you can come up with a figure of \$3 billion. Does it matter? There is no doubt that both aid and aid for trade have gone up. But in 2005-6, some 20% of aid was in fact debt relief, which many do not regard as aid for trade.

The other question is what it is used for. There are estimates that up to 75% of technical assistance is actually consumed by the donor countries in the way of travel, consultancy fees, etc. "So the advice had better be darn good," he quipped.

Capacity for development

Aid is full of ambiguities. Browne said that he is not a strong believer in the "I have what you need" approach. Nor is it not possible for providers of assistance to create much -- to create entrepreneurship, for example, or policies and institutions. But aid can help facilitate the development of capacity, which is central to development.

He concluded with three propositions. At the level of the individual, it is better to think of learning and not training. Online learning, self-learning, running online diploma courses for aid are some of the possibilities.

Taking a leaf from Wikipedia, he said it could be possible to launch a 'tradedpedia' with the accumulated knowledge of thousands of trade practitioners and organizations such as the ITC. Aid can also be a means for institutions to test themselves, i.e. through benchmarking.

Finally, organizations such as UNCTAD and ITC can help promote partnerships, enabling environments and networks. His final recommendations were: aim for learning rather than training; benchmarking and partnering rather than prescribing.

Growing consumer sophistication

Hans-Peter Egler of the Swiss State Secretariat for Economic Affairs said donors now have to take into account a growing sophistication of consumer markets in the bigger developing countries and greater segmentation of consumer demand in industrialized nations. This creates demand for more specialized and fewer mass-market products, and opens up new possibilities for exporters to think in terms of smaller volumes than in the past.

Alongside these developments are growing market segmentation and a move to more outsourcing of different links in the production chain. As a result, aid is no longer so important for development per se, but is key to helping stimulate the creation of new industry and trade.

The role of donor organizations, in this new environment, is to facilitate what is actually taking place by helping to stimulate older business in developing countries to innovate and adapt to trends to insist on product standards and food safety, as well as to encourage creation of new enterprises and emerging entrepreneurs. Donors now have to work with a variety of institutions and the private sector in their own and recipient countries, involving themselves all the way along supply chains.

At the same time, individual country donors have to build up their own competences and specialities. Apart from its work with the ITC, Switzerland works with the ILO on streaming assistance to programmes on workers' rights. But facilitating capacity-building to conform to internationally-recognized quality and environmental standards in industrial products – where UNIDO is its partner – and in consumer goods, has become the main focus of SECO's aid effort.

While aid recipient countries have to establish their priorities and work closely with the donors, the key message is that both must establish networks and work with local experts.