

9 May 2011

**Statement of H.E. Mr. Joseph Deiss,
President of the 65th Session of the General Assembly,
at the High-level Roundtable on Productive Capacities and the Role of
the Private Sector in LDC's**

Excellencies,
Ladies and Gentlemen,

It is a great pleasure to be with you this afternoon. Productive capacities and the role of the private sector in the Least Developed Countries is a topic I consider of utmost importance. I therefore thank you very much for the invitation to address such a distinguished audience and I look forward to a stimulating exchange of ideas.

It seems to me that there is something remarkable going on these days here in Istanbul. All of us attending the conference - representatives of the Least Developed Countries, of developed and emerging countries, of civil society and the private sector - we all are animated by the same objective, which is to make a real difference for the development of the Least Developed Countries. If this is achieved, the Istanbul conference will be a success.

The 2015 deadline for reaching the Millennium Development Goals lies only four years ahead of us, and most Least Developed Countries are off track. Therefore, there is no time to loose. The international community has to engage resolutely with the Least Developed Countries that are undertaking reforms and support their development effort.

As I said, I particularly welcome the focus on productive capacities and on the role of the private sector. Being a liberal economist by training, I have always been convinced of the importance of a market-based approach to development and of the need to have framework conditions in place that are conducive to investment, job creation and economic growth. This is the only way to put the economies of the Least Developed Countries – as any other economies - on the tracks of sustained, inclusive and equitable growth.

There is much to be done for the private sector to be the main driver of growth, since in the Least Developed Countries, private sector activities remain concentrated in extractive industries and commodities, activities that create few jobs and have only few linkages with the rest of the economy.

Furthermore, these domestic economies are dominated by small enterprises of the informal sector, with constrained access to financing and therefore limited opportunities to expand and become more efficient. We are also all aware of the poor quality of the jobs offered in the informal sector. They do not offer any social protection and they subtract fiscal revenues from governments, which are unable to finance social services and build basic infrastructure.

It is interesting to note that – according to the World Bank - usually the poorest countries rank last as regards the ease of doing business. Red tape, administrative hurdles, petty corruption and poor law enforcement prevail.

It is important to set the incentives right, to have a business climate that is conducive to private sector development and to diversification. There is no ‘one-size-fits-all’ strategy, the resources and comparative advantages of each country have to be taken into account, but there are a few elements that I would like to highlight.

First, the experience of many countries, which in spite of poor natural endowments, managed to reach high levels of development is telling: the quality of institutions at the national and regional levels matters. Rule of law, respect of human rights and democracy must be strengthened. The fight against corruption has to be intensified. Fundamental rights, including property rights, must be guaranteed and sound market structures must be put in place in order to enhance investment, foster productive capacities and create jobs.

Second, sound macroeconomic policies matter. Inflation and public deficits should be kept in check in order to maintain low interest rates and thus facilitate access to credit.

Third, bottlenecks that prevent producers to take advantage of higher prices have to be overcome. Food producers should be able to respond to higher food prices! High food prices should not be regarded as having only negative effects. They are the simplest and most efficient means of increasing the quantities produced and of compensating for food shortages. Higher food prices offer the prospect of fairer remuneration and higher returns. We must create conditions that allow farmers in developing countries to benefit from higher prices and we must also put in place adequate social safety nets to ensure that the poorest have access to food products. To overcome supply-side bottlenecks, basic infrastructure has to be provided and investment in human capital development enhanced.

Fourth, our effort to develop the productive capacities in the Least Developed Countries has to take into account the issue of sustainability, in its social dimension thanks to the creation of decent jobs, which will allow people to live in dignity. In this respect, the formalization of the informal activities will be of great help. But the environmental dimension of sustainability is very relevant, too. Moving to low carbon economies will be an important pathway to sustainable development. I am convinced that green economy offers many opportunities for economic activities, job creation and improved living conditions in the Least Developed Countries. Appropriate national and international conditions will have to be put in place.

One major issue about green economy is that many countries, whose main concerns are still poverty eradication, the provision of basic education, food security and delivering basic services like water and sanitation, in other words, whose main concern is still to reach the MDGs, see green economy as a new conditionality, putting a drag on their development capacities. A fair distribution of the costs of adopting a green economy model has to be ensured, with appropriate mechanisms for technology transfers and capacity building. For developing countries, green economy can also be an opportunity to

leapfrog and directly adopt cleaner technologies, thus avoiding the environmental mistakes done by developed countries. Ultimately, this will lead to cost efficiencies for the poorer countries. Let just think about the huge benefits that mobile telephony is bringing to the poor in remote places thanks to innovative banking services. Green economy can further bring benefits to developing countries if environmental resources and ecological services, which their economies are very rich of, are priced and traded according to their real value.

Ladies and Gentlemen,

This agenda seems daunting. Yet, over the last 30 years, the world economy recorded dynamic growth rates. There are success stories. Structural change has been taking place, new markets have emerged. Therefore, I am confident that we can succeed to lift the ‘bottom billion out of poverty’ provided we take appropriate and resolute action.

Development remains first and foremost the responsibility of the countries concerned and they are in the driver’s seat to elaborate and implement their own national development strategies. Yet, the international environment has to be supportive of their effort.

We must ensure, with a view to foster policy coherence for development, that the international environment for trade, investment and technology transfers is conducive to the diversification of the economies of the Least Developed Countries. In particular, the successful conclusion of the Doha development round, the extension of preferences for duty free and quota free access for all the products of the Least Developed Countries and the adoption of investment agreements are key to support their development effort.

We further need a broad partnership between the Least Developed Countries and traditional development partners, which must fulfill their ODA commitments. The partnership should also include developing countries that are increasingly playing a role through South-South cooperation, South-South trade flows and investments. I am convinced that there is much for less developed countries to be learnt from the experience of emerging markets. For instance, innovative business models have been implemented there that are better suited to the needs of the poor and that can be replicated in other countries.

We also need a partnership between the public and the private sector. Governments and businesses have complementary roles. The private sector is the driver to innovation, investment and job creation. Governments have to create framework conditions that are conducive for private sector development to take place and to last.

The potential for public-private partnerships in delivering key social services and in fostering innovative pro-poor business models to foster research and innovation, to promote clean energy. Opportunities and ways to build efficient public-private partnerships have to be further explored. But let me caution at this stage against governments leading too interventionist economic policies. Governments are not good at ‘picking winners’, history has shown that, the best contribution that

governments can make to enhance productive capacities and the role of the private sector is to set the framework conditions and the incentives right.

Ladies and Gentlemen,

The market is at times bedeviled. There are for sure market failures or distributional impacts to be mitigated, but a basic principle is to ensure the best possible functioning of markets. We all have to rally behind the objective of enhancing productive capacities and the role of the private sector in the Least Developed Countries. I hope that the Istanbul conference will contribute to this objective. I am confident that it will make a difference for the Least Developed Countries to reach the Millennium Development Goals and to have sustained, inclusive and equitable growth.