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**PROGRESS REPORT ON THE IMPLEMENTATION OF
RECOMMENDATIONS FOR THE UNCTAD
SECRETARIAT***

Executive summary

This report provides information on the implementation of recommendations adopted by the Commission at its ninth session. In particular, it focuses on UNCTAD's work on policies and measures that can help developing countries attract and benefit more from foreign direct investment and build their productive capacities and international competitiveness. This includes in-depth analysis, consensus-building, and the provision of technical assistance and capacity-building. The work is carried out, *inter alia*, in close cooperation and through joint programmes with other international, regional and national institutions active in the field of investment and technology. The report also provides an overview of the Division's contribution in achieving the international development goals, including those contained in the Millennium Declaration.

* This document was submitted on the above-mentioned date as a result of processing delays.

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INTRODUCTION

1. In accordance with the decision of the Commission on Investment, Technology and Related Financial Issues at its ninth session (Geneva, 7-11 March 2005), the secretariat has prepared this note as an input to the discussions of the tenth session of the Commission. The note provides information on the implementation of the recommendations adopted by the Commission at its ninth session (TD/B/COM.2/66). In particular, it focuses on UNCTAD's work on policies and measures that can help developing countries attract and benefit more from foreign direct investment (FDI). This includes in-depth analysis, consensus-building, and the provision of technical assistance and capacity-building. The note has been divided into two sections. Part I covers the general recommendations of the last Commission. Part II contains recommendations specifically related to international development goals, including the Millennium Development Goals.

PART I. GENERAL RECOMMENDATIONS

Recommendation: In the light of the discussions at the current session, UNCTAD should continue its analytical work on foreign direct investment (FDI) and transnational corporations (TNCs) and their impact on development, especially its in-depth analysis of the policies and measures that can help developing countries in all regions attract FDI and harness it to the pursuit of their development goals. The Commission notes with appreciation the work undertaken by the secretariat to analyse emerging global and regional trends in FDI, including for instance the globalization/internationalization of research and development by TNCs, and outward FDI from developing countries. It encourages the secretariat to further its analyses of such trends and their policy implications, especially in the context of South-South cooperation. The secretariat should also follow up on the work undertaken on FDI in services (e.g. by looking at the tourism industry, which is of special interest to developing countries).

2. Pursuant to this recommendation, the secretariat continued its in-depth analysis of the impact of FDI on development with a view to helping developing countries attract, maximize the positive effects of FDI and coping with the challenges it creates. Many of the major findings of this analysis were published in the *World Investment Report 2005*, which focused on transnational corporations (TNCs) and the internationalization of research and development and contained the first ever survey of R&D by TNCs. The *World Investment Report 2005* also noted the growing role of developing countries not only as recipients, but sources of FDI. The Report was launched in about 75 countries, resulted in 1073 news articles, and 320,000 downloads from the UNCTAD website between September and December 2005. In January 2006, UNCTAD and ECLAC organized jointly a High-Level Conference in Santiago, Chile, which, for the first time, brought together government representatives from both the investment and the science, technology and innovation policy areas to discuss lessons from the *World Investment Report 2005*.

3. Meanwhile, the '*Global Investment Prospects Assessment (GIPA) 2005*', which forecasts and analyses future trends in FDI flows, was released in November 2005. Another contribution in this area is the publication related to '*FDI and the elimination of Trade-Related Investment Measures*', discussed under item 3 of this session of the Commission. Three volumes of the journal *Transnational Corporations* were published since the last Commission; these volumes featured articles on, among other things, the relationship

between the Clean Development Mechanism and FDI, China's surge in FDI, innovation strategies among foreign affiliates in Italy, and the theory and evidence of attracting 'desirable FDI'. The journal also devoted a special issue to Corporate Social Responsibility. In addition, the secretariat produced a number of issues papers, including one on '*TNCs and the removal of textiles and clothing quotas*', which examines the developmental impact of TNCs on a sectoral basis.

4. The secretariat has sought to address emerging FDI trends in the context of South-South cooperation. Beyond the *World Investment Report 2005*, research in this area included the preparation of a background note for the Doha second South-South summit. The issue of outward FDI (OFDI) from developing countries continued to be studied resulting in a number of case studies on, *inter alia*, Singapore, Russian Federation, South Africa, India and Argentina. These were discussed during the Expert Meeting on Enhancing the Productive Capacity of Developing Country Firms through Internationalization (5-7 December 2005). The case studies examined key trends, drivers, obstacles, best practices and the impact of OFDI on competitiveness and South-South cooperation. The secretariat has also prepared a publication on *Asian FDI in Africa* and is currently preparing an in-depth study on the pattern of investment flows from and to the South and their economic and social impact. The rise of South-South FDI will constitute an important input in the *World Investment Report 2006*.

5. Building on research presented in the *World Investment Report 2004: The Shift towards Services*, the secretariat published two further studies on FDI in services: "*Issues in International Investment Agreements and services FDI*" and "*FDI restrictions in services*". More specifically, and in response to the request of the Commission at its ninth session, the secretariat prepared a study on "*FDI in Tourism*".

Recommendation: Noting the crucial need of a number of developing countries, especially least developed countries (LDCs), to enhance their capacity in FDI data collection and analysis, the Commission requests the secretariat to intensify its support, in cooperation with other relevant international agencies, of developing countries' efforts in this area.

6. During the reporting period, the secretariat responded to this request by preparing a revised version of the *UNCTAD Manual of Statistics on FDI*. The manual addresses many of the challenges facing developing countries in collecting FDI data, and thereby enables countries to formulate effective policies to attract and benefit from FDI. The secretariat's research in this area was presented at the *ad hoc* Expert Meeting on Capacity Building in the Area of FDI Statistics (12-14 December 2005), which discussed measures to enhance developing countries' FDI data collection and ways in which this could improve FDI policymaking. The expert meeting report will be presented at the Commission. A background note on "*FDI Statistics: Data Compilation and Policy Formulation*" was also prepared for the meeting. Subsequently, the secretariat organised a further *ad hoc* Expert Meeting which focussed on Africa's specific needs in the area of FDI statistics.

7. UNCTAD has continued to assist member States in assessing their own FDI performance by producing and disseminating data on FDI and the activities of TNCs. Since the Commission's ninth session, the secretariat has published the "*World Investment Directory: Developed Countries*". The "*World Investment Directory: West Asia*" and the "*World Investment Directory: Africa*" are about to be published. The secretariat also maintained its dedicated FDI statistics website (www.unctad.org/fdistatistics), which contains

112 country profiles as well as fact sheets and 'FDI in Brief' datasheets for 187 and 80 countries, respectively.

8. UNCTAD also provided some developing countries with technical cooperation and support in collecting and reporting FDI statistics. In 2005 UNCTAD, together with ESCWA, organized national workshops in Kuwait (25-29 June 2005), Qatar (20-24 November 2005) and the United Arab Emirates (26-30 November 2005). These workshops helped beneficiary countries to implement international methodological standards and set up data compilation and dissemination systems to produce internationally comparable FDI statistics. Officials in the respective national statistical institutes were trained in the implementation of effective survey systems designed to collect and disseminate data on FDI and the activities of TNCs. As the focal point on FDI within the United Nations system, UNCTAD also continued to cooperate with the OECD in the area of FDI-related statistics. In particular, UNCTAD was called up to provide its expertise in improving FDI statistics in the Middle East and North Africa (MENA) region.

Recommendation: The Commission requests the secretariat to continue its work on international investment and technology transfer arrangements, with emphasis on bilateral and regional dimensions and an exchange of experiences in implementing international commitments in this regard. Particular attention should be paid to monitoring emerging issues and developments, including in the field of investor-State dispute settlement, and related analytical and technical assistance work in this area.

9. During the reporting period, the 28 booklets of the first generation series on issues in international investment agreements (IIAs) was compiled in three volumes. In addition, work on the second generation series on international investment policies for development continued with the finalization of the following papers: "*The REIO Exceptions in MFN Treatment Clauses*", "*Investor-State Disputes arising from Investment Treaties: A Review*", "*International Investment Agreements and Services FDI*", "*South-South Cooperation in the Area of International Investment Policies*" and "*International Investment Agreements: Trends and Emerging Issues*". In addition, a research note was compiled to review the recent developments in international investment agreements (IIAs). Finally, a study on "*Bilateral Investment Treaties 1995-2005: Trends in Investment Rule-Making*" will shortly be published.

10. The database of bilateral investment treaties (BITs) was updated and now contains 1,900 compiled texts available on the IIA website and the secretariat established an in-house database on free trade agreements (FTAs), regional trade agreements (RTAs) and economic partnership agreements (EPAs) with investment provisions. Volumes XIII and XIV of the "*Compendium of International Investment Instruments*" were published and made available in a user-friendly format on the IIA website. Two further volumes are currently being finalized. The current network of IIA experts has now expanded to more than 560 members, helping them to keep abreast of latest developments in the area of investment negotiations and dispute settlement. The secretariat regularly publishes research notes on IIA trends and emerging issues on the IIA website.

11. In the area of technical assistance, an intensive training programme was conducted for the first time in Portuguese for negotiators from Lusophone countries (preparatory distance-learning course followed by a face-to-face session in Geneva). A similar programme was organized for negotiators from Cambodia and Laos in cooperation with the

TrainforTrade programme and a distance-learning course on the core issues in IIAs was conducted for French-speaking countries. In addition, an advanced training course on managing investment disputes was conducted for Latin American countries. The secretariat actively participated in a seminar on negotiation of IIAs for French-speaking Central and Eastern Europe and organized *ad hoc* seminars and/or advisory services upon request of member States (Egypt, Pakistan, Sri Lanka). Legal advisory services were provided to COMESA during two negotiating fora of the COMESA Common Investment Area. During the round of negotiations of bilateral investments treaties organized for francophone Africa, 25 negotiators from nine countries (including five LDCs) held 22 bilateral meetings, resulting in the conclusion of six agreements among which three with slight reservations. The secretariat also continued its cooperation with international governmental and non-governmental organizations through its participation in the IISD Expert Meeting on a New International Model Investment Agreement, the 38th session of UNCITRAL, the APEC Seminar on Investment Facilitation Initiative and the APEC Investment Expert Group Meeting, and the OECD Investment Committees and Task Force on a Policy Framework for Investment. In addition, the secretariat organized a conference on globalization of law in cooperation with GTZ, as well as a symposium on investment dispute settlement with the OECD and the International Centre for Settlement of Investment Disputes (ICSID).

12. In accordance with the original project planning, the IIA programme has been subject to an independent external impact evaluation. The evaluation concludes that DITE's work had a strong, direct and sustained impact on the capacities of the direct beneficiaries to engage effectively in discussions on, and negotiations of, IIAs. This was confirmed by the programme's beneficiaries and by third parties such as negotiating partners and facilitating institutions (e. g. 85 per cent of the training participants indicated that they processed the knowledge gained in discussions and/or negotiations of investment treaties and that the knowledge acquired was put into draft investment agreements). The evaluation concluded that DITE's IIA programme is cost-effective when compared with programmes of other institutions and organizations. The evaluation also revealed an almost unanimous call from both direct and indirect beneficiaries of this work for continued and intensified services in this regard. The evaluation further recommends strengthening its dissemination efforts with regard to project activities and materials, adapting outputs to take into account the increased sophistication of modern investment agreements, and extending the capacity-building scope of this work to include elements related to the implementation of agreements, particularly those aspects related to the management of investor-state arbitration.

13. During the reporting period a number of publications and course materials were prepared on different aspects of technology transfer. The secretariat produced a further four publications in its series on *"Transfer of Technology for Successful Integration into the World Economy"*. These consisted of a study on home country measures and transfer of technology and case studies on the electronics industry in Thailand, the salmon industry in Chile (forthcoming), and the automobile component industry in Tunisia (forthcoming). UNCTAD also continued its work on intellectual property issues in partnership with the International Centre for Trade and Sustainable Development (ICTSD). The partnership produced a *"Resource Book on TRIPS and Development"* and three major studies on *"Negotiating Health, Intellectual Property and Access to Medicines"*, *"Intellectual Property Provisions of Bilateral and Regional Trade Agreements of the United States in light of US Federal Law"* (forthcoming) and *"Utility Models and Innovation in Developing Countries"* (forthcoming). In addition to the documentation prepared, nine dialogues on intellectual property rights and related issues were organized in cooperation with ICTSD and other partners, as well as six

seminars on transfer of technology and substantive inputs to the WTO meeting on transfer of technology.

Recommendation: The Commission recommends that the secretariat further strengthen its programme on Good Governance in Investment Promotion (GGIP) and extend its assistance to more interested developing countries, in particular LDCs, in implementing measures to improve good governance in investment promotion. In carrying out these functions, the secretariat should ensure synergies between its GGIP programme and other related activities of the Division.

14. The GGIP programme has been strengthened through the provision of additional advisory services and by training relevant government officials. In particular, during the reporting period, DITE produced a report for Mali on practical ways to improve interaction between government agencies and foreign investors. The Government of Maldives has begun implementation of UNCTAD recommendations made by the programme in 2004 and has received positive feedback from investors. UNCTAD will continue to assist the government in further follow-up. In Uganda, UNCTAD supported a new government initiative called TEAM Uganda that promotes good governance by teaming up 49 government institutions that deal with investors. In cooperation with the Uganda Investment Authority, a workshop was organized in November 2005 with representatives of all the participating government institutions to decide on a common goal and how to achieve it. The GGIP programme complements the newly launched series of Blue Books on Best Practice in Investment Promotion and Facilitation as they are both designed to assist LDCs to identify governance-related obstacles to FDI and promoting accountability, predictability, participation and transparency in the investment process. During the reporting period, the importance of UNCTAD's work in this area was recognized by the Government of the Netherlands, which has made a significant financial contribution to the implementation of UNCTAD recommendations for improving governance in investment promotion and facilitation in Ethiopia.

15. The UNCTAD Expert Meeting on Good Governance in Investment Promotion (1-3 November 2004) recognized the importance of private sector participation in efforts to improve the investment climate and the role that IPAs can play through their policy advocacy functions. A major component of the Division's fourth tranche UN Development Account project is dedicated to the development of a training manual on policy advocacy for IPAs, and the utilization of this training material in three regional workshops; two workshops have been held to date: in the African region (Nairobi, Kenya, July 2005) and in the Asia-Pacific region (Busan, Republic of Korea, November 2005). The workshop for Latin American IPAs will be held in Peru in July 2006.

16. In order to improve transparency of the regulatory framework for investment, the UNCTAD computer-based investment gateway programme for IPAs includes a newly developed module on e-regulations allowing governments to give a comprehensive overview of regulations to foreign investors online and provides direct links with public institutions handling their application. The installation of the programme, which also includes modules on the business environment, investment opportunities and potential business partners, is at various stages in Bolivia, Colombia, Djibouti, Ecuador and Peru. Bulgaria, El Salvador, Ethiopia, Guatemala and the Russian Federation (Moscow Region) have recently signed up to the programme.

Recommendation: The Commission commends the assistance provided to developing countries through investment policy reviews and the follow-up process in the implementation of recommendations contained therein. Further support is needed to ensure that other interested countries also benefit from evaluations and improvement in their investment policy framework. Efforts should also be made to disseminate, as widely as possible, specific lessons arising from investment policy reviews and follow-up activities carried out by UNCTAD. This could be achieved through UNCTAD's existing intergovernmental forum and by preparing short investment policy briefs aimed at policymakers and investment promotion agencies.

17. In 2005, six Investment Policy Reviews (IPRs) – for Benin, Brazil, Colombia, the Islamic Republic of Iran, Kenya and Zambia – were completed, bringing the total number produced to 20. The IPR Kenya was presented to the Trade and Development Board and discussed in the presence of Hon. Dr. Mukhisa Kituyi, the Kenyan Minister of Trade and Industry, who expressed his "appreciation for the well-structured and most constructive engagement". A further three IPRs – for Morocco, Nigeria and Rwanda – are at different stages of preparation. The IPR for Colombia will be presented to the Commission and the others will be presented shortly. Furthermore, the secretariat published its reports reviewing the implementation of IPR of Egypt, as well as an assessment of the investment promotion capacities of the Algerian national investment promotion agency. The Blue Book on Best Practice in Investment Promotion and Facilitation for Ghana will also be presented to the Commission. A user guide for the Investment Compass – an interactive web tool for benchmarking the investment environment – is also due to be published. The Investment Compass now includes 55 countries and has 1,760 registered users, 20 per cent of whom are governments. Access to the website is free of charge.

18. IPRs are conceived as a process and DITE offers substantial follow-up assistance following every review. Since the last Commission, the secretariat maintained follow-up activities in five countries. In Algeria, UNCTAD developed an investor tracking system for the National Investment for the Investment Promotion Agency (ANDI), and trained its staff on aftercare services. In Botswana, the research phase of a learning-by-doing exercise to identify opportunities in textiles and garments and to prepare a mentored marketing campaign was completed. In Egypt the implementation report led to requests for technical assistance on international experiences on taxation reform (note completed) and work, now underway, to assist Egypt to ratify its bilateral investment treaties in a more coherent manner. In Kenya, in response to a request from the Kenya Investment Authority, the secretariat helped establish an investor tracking and aftercare service and implement an investor targeting strategy. An advocacy support training workshop on investment taxation was held in Ghana, it supported the Ghana Investment Promotion Centre in opening a one-stop-shop as well as establishing a land acquisition support desk and a land bank unit. In the course of preparing the IPR of Rwanda, advice was given on a proposed new law on mining. This was followed by a request for advice on a promotional campaign and on drafting a model mining agreement to complement the new law. These activities will commence this year. In Sri Lanka, UNCTAD's follow-up activities have included support to restructuring the Board of Investment (BOI), and a review of the current restrictions on FDI entry and the drafting of an investment law. The IPR follow-up programme also moved into a new phase of advice on comprehensive reform of the taxation of investment. In Peru, the secretariat assisted in the design of strategy for investment promotion at a sub-national level (municipalities, departments and regions), providing staff training and assistance to Proinversión, the national investment promotion

agency, and to the departments of Arequipa, Cuzco, Lambayeque. It has also helped set up Investment Gateways in Ecuador and Peru.

19. As of 1 December 2005, there were 16 outstanding requests for IPRs, while follow-up programmes had been requested by another 11 countries. The capacity of the Division to respond to these requests was impeded by the temporary loss of a P.5 post.

20. The completed IPRs, as well as Egypt's IPR implementation report were presented to the international community in the framework of the ninth session of the Commission on Investment, Technology and related Financial Issues, its Expert Meetings and the Trade Development Board. They were also disseminated through the UNCTAD website, which makes available all IPRs and any accompanying information provided by participating national investment agencies. In response to the Commission's request, UNCTAD has also prepared the following investment policy briefs: "*FDI Flows Bounce Back - Led by Developing Countries*"; "*Fierce Competition for FDI Without Clothing Quotas*"; "*Asian IPAs Most Eager to Attract R&D from TNCs*"; and "*The Locations Most Favoured by the Largest TNCs*".

Recommendation: The Commission welcomes the interaction with the World Association of Investment Promotion Agencies (WAIPA) in support of the efforts of developing countries to attract beneficial FDI and requests that the practice of joint sessions be continued. It encourages the secretariat to further enhance this cooperation, particularly in the context of the Investment for Development Partnership and with a view to strengthening the exchange of experiences and best practices and the dissemination of UNCTAD's analytical work and policy advice.

21. DITE continued to cooperate with the World Association of Investment Promotion Agencies (WAIPA) by organizing networking and training activities for investment promotion officials from developing countries. During the reporting period, several training workshops were co-organized with WAIPA, on policy advocacy (for eastern European investment promotion agencies (IPAs) in La Baule, France, for African IPAs in Nairobi, Kenya, and for Asian IPAs in Busan, Republic of Korea), on cluster creation and development (for MEDA countries in Marseille, France), on strategic marketing (for African countries in Luanda, Angola), on how to attract FDI in the tourism sector (for Central and Latin America in Costa Rica) and on promoting foreign investment for development and strengthening the cooperation between Chinese and African IPAs. UNCTAD actively participated in the WAIPA Roundtable Conference for IPAs held during the CIFIT IX exhibition in September 2005 in Xiamen, China, and the first WAIPA Regional Conference held in November 2005 in Busan, Republic of Korea.

22. The interaction between WAIPA and the secretariat also resulted in broader dissemination of UNCTAD's analytical work. The *WIR 2005* was launched in some 30 countries thanks to the help of local IPAs. In addition to the established practice of joint sessions at the occasion of the WAIPA annual conference, a regional conference for the Asia-Pacific was organized for the first time this year. Both the *WIR 2005* and the GIPA Survey, "*Prospects for FDI and strategies of TNCs 2005-2008*", were presented to the Conference. The Division's analytical work and policy recommendations have also been disseminated through fortnightly WAIPA mailings and its quarterly newsletter addressed to the 180 member agencies of WAIPA.

23. In response to the Commission's request at its ninth session, the secretariat has created a partnership between UNCTAD, WAIPA and the Swedish International Development Agency (SIDA) which has resulted in a comprehensive programme entitled "Capacity-building and the Transfer of Knowledge to Investment Promotion Agencies in Developing Countries". The programme will facilitate cooperation in three areas: research and policy analysis on issues of particular interest to IPAs, human resources and capacity-building to strengthen the investment promotion capacity of IPAs of developing countries and study tours designed to complement capacity-building activities. SIDA generously offered to contribute €1 million to the project. Among the first outcomes of this newly launched programme was the joint publication "*What's Next? Strategic Views on FDI*", which provides a range of insights and analysis into the effects and future of FDI and investment promotion.

24. The relationship between UNCTAD and WAIPA has been strengthened through the establishment by WAIPA of an independent secretariat located in separate premises.

PART II. RECOMMENDATIONS RELATED TO DITE'S CONTRIBUTION IN ACHIEVING THE INTERNATIONAL DEVELOPMENT GOALS, INCLUDING THOSE CONTAINED IN THE MILLENNIUM DECLARATION

Recommendation: UNCTAD should support country-level processes of policy formulation and implementation, with a view to assisting countries in maximising the benefits that FDI can bring to achieving international development goals, including through the UNCTAD programmes of investment policy reviews, investment guides, enterprise linkage development and related advisory services and capacity-building.

25. UNCTAD has developed a range of activities geared to supporting investment policy formulation and implementation at the country level. The activities include investment policy reviews, policy advice on regulatory reforms, institutional capacity building, investment blue books and investment guides. In addition, UNCTAD has developed activities to enhance the interface between investment policy and enterprise policy, such as enterprise linkage development. The LDCs are a particular focus. Of the 16 IPRs that the secretariat completed by the end of 2005, one quarter were prepared for LDCs. Furthermore, during the ninth session of this Commission, DITE launched the 'Invest in Peace' Initiative. This uses a specialized IPR model designed to identify and remedy the specific needs of war-torn countries. Following its successful implementation in Sri Lanka, the Invest in Peace initiative has now been extended to Rwanda, where the IPR will address the contributions of FDI to rehabilitation and capacity-building in post-conflict societies.

26. DITE has continued to provide technical assistance to help LDC governments maximize their investment potential through its series of investment guides. In September 2005, the Division launched investment guides for Kenya, Tanzania and the East African Community. An updated version of the Mali guide is currently being prepared. The Guides help create a more professional approach to investment promotion and the secretariat has made every effort to strengthen their dissemination, including through the preparation and dissemination of updated flyers. The investment guide programme also incorporates a capacity-building element through the training of local consultants and education of IPA staff.

27. Improved transparency and information on private investment flows are essential to create an enabling and stable environment (Monterrey Consensus and World Summit).

UNCTAD, through its Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), has continued to promote best practice in accounting and reporting in developing countries and economies in transition. The Working Group of Experts finalized its *"Guidance on best practice on corporate governance disclosure"* and presented it at the twenty-second session of ISAR (21–23 November 2005); the Group recommended that this document be widely disseminated as a useful technical tool towards further improvement of corporate governance and transparency. Through discussions and sharing of experience UNCTAD assisted developing countries and countries with economies in transition in identifying ways of addressing challenges posed by recent trends in harmonization of accounting and financial reporting practices in the framework of International Financial Reporting Standards (IFRS). ISAR also advanced the work on its guidance on *"Corporate responsibility indicators in annual reports"* aimed at improving the usefulness, comparability and relevance of information on corporate responsibility in annual reports and recommended the document for practical testing. Through advisory services and technical assistance DITE contributed towards international harmonization of corporate transparency by emphasizing the need to better consider the institutional and capacity challenges faced by developing countries and economies in transition in their efforts to meet international requirements in this area. This includes DITE's inputs into the standard-setting and related processes of International Federation of Accountants and International Accounting Standards Board. DITE's most recent technical assistance projects in this area includes a USAID-sponsored programme to develop a regional accounting qualification in CIS countries based on the UNCTAD/ISAR model accounting curriculum, which was developed in 1999 and revised in 2003.

28. DITE has expanded its technical assistance in the area of business linkages, especially through the Business Linkages project launched in Brazil in 2004. It is sponsored by the German Government (BMZ) and builds upon four sources of expertise: the extensive experience of GTZ, the German Institute for Technical Cooperation, with SMEs; the knowledge of Brazil's Fundação Dom Cabral on cluster development, value chains and technology transfer; UNCTAD's international expertise in the area of foreign direct investment (FDI), linkages and enterprise development (through the EMPRETEC Programme); and the know-how of the Ethos Institute in Brazil in matters related to corporate responsibility. UNCTAD has also launched a business linkage projects in Uganda sponsored by the Swedish Agency for International Development Cooperation (SIDA). This is implemented jointly by UNCTAD, Enterprise Uganda, the Uganda Investment Authority and UNDP. Finally, UNCTAD has published a survey of investment promotion agencies which explores the extent to which these agencies promote business linkages between foreign investors and local SMEs, as well as the strengths and weaknesses of IPA business linkages programmes. All these projects help to create an enabling environment for sustainable business linkages, enhance SME competitiveness by facilitating TNC-SME linkages and disseminate best practice in this area.

Recommendation: UNCTAD should assist governments of developing countries in their efforts to create an enabling regulatory environment for public-private partnerships and investment in enterprises and projects providing basic services to the poor.

29. The secretariat has continued to pursue efforts aimed at facilitating greater dialogue between the public and private sectors on issues related to investment, technology and enterprise development. The Blue Books on Best Practice in Investment Promotion and

Facilitation, which arose from discussions within the Investment Advisory Council (IAC), are targeted at the needs of LDCs. The series, which is funded by the Japanese Bank for International Cooperation (JBIC), provides governments with a concise assessment of their country's investment environment. Each Blue Book contains a number (usually around ten) of recommendations, actionable over the course of 12 months, to make a country more attractive to foreign investors. In addition to the first Blue Books for Cambodia and Laos launched in 2004, three further Blue Books for Kenya, Uganda and Tanzania were published by DITE in September 2005 and another one, for Rwanda is being finalized. The Blue Books for East Africa were prepared in the context of the Joint African Investment Initiative which aims to encourage greater investment in Africa by Japanese companies. The objective is to encourage poverty reduction through economic growth – one of the three pillars of NEPAD. The importance and success of the Blue Books has recently been recognized at the prestigious *Africa Investor Awards*, where the series was highly commended by an expert panel of judges.

Recommendation: UNCTAD should, within its work programme on investment, technology transfer and intellectual property, assess ways in which developing countries can develop their domestic productive capability in the supply of essential drugs in cooperation with pharmaceutical companies.

30. UNCTAD addressed this recommendation by preparing, in cooperation with ICTSD, a special publication on health issues. With the support of the Government of Germany, the secretariat also launched a project on "Technical assistance and capacity building in African least-developed countries on the establishment of pharmaceutical production capacities" at the end of 2005. This will provide technical assistance to LDCs in formulating investment and intellectual property laws that are conducive to the local production of essential medicines. It is thus intended to contribute to meeting the Millennium Development Goal to provide, in cooperation with pharmaceutical companies, access to affordable essential drugs in developing countries (Goal 8, target 17).

Recommendation: UNCTAD should assist governments of developing countries in promoting the application of science and technology in achieving the international development goals, including those contained in the Millennium Declaration, in particular through the UNCTAD science, technology and innovation policy reviews and the work of the Commission on Science and Technology for Development (CSTD).

31. UNCTAD has contributed to the debate on how best to achieve the Millennium Development Goals (MDGs) by examining, in collaboration with CSTD, the role of science and technology in development. One of its primary conclusions is that most developing countries are unlikely to achieve the goals without concerted efforts to building up their technological capabilities. The secretariat has therefore launched a new initiative to create a network linking existing centres of excellence on science and technology in developing countries. These centres of excellence are expected to serve as regional learning hubs to train scientists and engineers from developing countries. It will help bridge the North-South technology gap, encourage the transfer of knowledge and technology, and reverse the negative impact of the 'brain drain' by generating a critical mass of researchers in the developing world. The network will initially focus on biotechnologies and ICT, which have wide-ranging application in health, agriculture and the environment. In due course, UNCTAD

intends to invite other UN agencies, including UNDP, UNEP, WHO, UNESCO and FAO, to participate on the project's steering committee.

32. As a contribution to goal 8, target 15 (in cooperation with the private sector, make available the benefits of new technologies, especially information and communication), the secretariat published *"The Digital Divide: ICT Development Indices 2004"*. This provides comparative analysis of infrastructure, policy measures and access to ICT across more than 150 countries. The report reviews trends in the digital divide and presents a summary of policy options to help foster ICT development. It also reviews four case studies of countries that have successfully promoted growth in ICT. The ICT Benchmarking Tool developed throughout 2004 and presented to the international community at the occasion of the World Summit on Information Society is being further expanded to provide more coverage for newly-defined ICT development parameters and integrate the time dimension into the datasets.

33. Also in 2004, UNCTAD initiated a partnership programme with the Centre des Technologies de l'Information of Geneva, entitled 'Connect Africa'. The aim of the project is to provide customized training to ICT engineers and technicians from African LDCs. The first pilot country to benefit for the project was the Kingdom of Lesotho. A team of three ICT experts have gone to Lesotho to provide training to engineers and other technical personnel. The project has provided 220 computers with software applications for use in a number of areas, including schools. The project plans to set up an 'Observatoire Technologique' within the Ministry of Communications, Science and Technology. Preparation for assistance to Mali, the next pilot country of the project, is now underway and a first mission to the country is expected to take place in February 2006.

34. During the reporting period, UNCTAD completed a Science, Technology and Innovation Policy Review (STIP) for Iran. STIP reviews are designed to help developing countries take stock of their national innovation systems, identify their strengths, weaknesses and opportunities and develop appropriate policies to integrate science and technology into national development strategies. Both China and Angola have requested STIP reviews and the secretariat is working to mobilize the necessary funds.

Recommendation: UNCTAD should continue analytical work and the exchange of information and experiences in the area of positive corporate contributions to the social and economic development of host developing countries, as foreseen by the São Paulo Consensus, including in paragraph 45.

35. As recommended by the Commission, UNCTAD initiated a number of activities in this area. The secretariat organized an Expert Meeting on Positive Corporate Contributions to the Economic and Social Development of Host Developing Countries which took place in Geneva on 31 October-2 November 2005. Seven areas were identified in which transnational corporations can make a contribution to economic development. For each theme, the expert discussion focused on stocktaking, rationale, impact and effectiveness, possible improvements and the role of national and international policies in light of identified best practices. A CD-ROM comprising all the documentation of the Expert Meeting was prepared and a database on best corporate practices and best policies is in progress. In addition, a special volume of *Transnational Corporations* on voluntary codes of conduct for TNCs is currently under preparation.

Recommendation: UNCTAD should engage stakeholders in action-oriented policy dialogue, including through the UNCTAD/ICC Investment Advisory Council.

36. This year, a meeting of the Investment Advisory Council (IAC) was organized during the 52nd annual session of the Trade and Development Board. The meeting was intended to complement and follow-up on a number of recent DITE initiatives in East Africa and brought together high-level CEOs and senior officials from East African governments and a number of international organizations. Partners attending the meeting launched a project on tourism in East Africa, the Japan Bank for International Cooperation announced further support for activities related to the Blue Books series, and the Chinese Africa Business Council announced that it would translate summaries of the investment guides. The IAC discussions and the Blue Book initiative were recently featured in an article in *Africa Investor Magazine*.

APPENDIX

PUBLICATIONS PREPARED BY DITE

A. Parliamentary Documentation

Commission on Investment, Technology and Related Financial Issues, Ninth Session

- Report of the Commission on Investment, Technology and Related Financial Issues on its Ninth Session
TD/B/COM.2/66
- Policy Issues Related to Investment and Development: Emerging FDI from Developing Countries
TD/B/COM.2/64
- Report of the Expert Meeting on the Impact of FDI on Development.
TD/B/COM.2/EM.16/3
- Summary of Deliberations of the Investment Policy Reviews of Algeria, Benin and Sri Lanka
TD/B/COM.2/65
- Progress Report on the Implementation of Recommendations for the UNCTAD Secretariat
TD/B/COM.2/63
- Issues Related to International Arrangements-Investor State Disputes and Policy Implications
TD/B/COM.2/62
- Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its Twenty-First Session
TD/B/COM.2/ISAR/26
- Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its Twenty-Second Session
TD/B/COM.2/ISAR/31
- Report of the Expert Meeting on Good Governance in Investment Promotion
TD/B/COM.2/EM.15/3

Expert Meeting on Capacity-Building in the Area of FDI: Data Compilation and Policy Formulation in Developing Countries

- Report of the Expert Meeting on Capacity-Building in the area of FDI

- FDI statistics : Data compilation and policy issues
TD/B/COM.2/EM.18/2

Expert Meeting on Positive Corporate Contributions to Economic and Social Development of Host Developing Countries

- Report of the Expert Meeting on Positive Corporate Contributions
- Positive Corporate Contributions to the Economic and Social Development of Host Developing Countries
TD/B/COM.2/EM.17/2

Commission on Enterprise, Business Facilitation and Development, Ninth Session

- Report of the Commission on Enterprise, Business Facilitation and Development on its Ninth Session
TD/B/COM.3/70
- Improving the Competitiveness of SMEs through Enhancing Productive Capacity
TD/B/COM.3/L.29
- Linkages, Value Chains and Outward Investment: Internationalization Patterns of Developing Countries' SMEs
TD/B/COM.3/69
- Report of the Expert Meeting on Promoting the Export Competitiveness of SMEs
TD/B/COM.3/EM.23/3
- Progress Report on the Implementation of the agreed Recommendations of the Commission on its Eighth Session
TD/B/COM.3/66

Expert Meeting on Enhancing Productive Capacity of Developing Country Firms through Internationalization

- Internationalization of Developing Country Enterprises through Outward Foreign Direct Investment
TD/B/COM.3/EM.26/2
- Case Study on Outward Foreign Direct Investment by Enterprises from Argentina
TD/B/COM.3/EM.26/2/Add.1
- Case Study on Outward Foreign Direct Investment by Indian Small and Medium-sized Enterprises
TD/B/COM.3/EM.26/2/Add.2
- Case Study on Outward Foreign Direct Investment by Singaporean Firms: Enterprise Competitiveness and Development
TD/B/COM.3/EM.26/2/Add.3

- Case Study on Outward Foreign Direct Investment by Russian Enterprises
TD/B/COM.3/EM.26/2/Add.4
- Case Study on Outward Foreign Direct Investment by South African Enterprises
TD/B/COM.3/EM.26/2/Add.5

Commission on Science and Technology for Development, Eighth Session

- Bridging the Technology Gap. Issues paper prepared by the Secretariat for the CSTD inter-sessional panel, Rabat, Morocco, 10-12 November 2005
- Report on the Eighth Session of the Commission on Science and Technology for Development
E/CN.16/2005/5 and E/2005/31
- Science and Technology Promotion, Advice and Application for the Achievement of the Millennium Development Goals
E/CN.16/2005/2, E/CN.16/2005/2/Corr.1 and 2
- Review of Methods of Work of the Commission on Science and Technology for Development
E/CN.16/2005/4, E/CN.16/2005/4/Corr.1
- Implementation of, and Progress Made on, Decisions Taken at the Seventh Session of the Commission on Science and Technology for Development
E/CN.16/2005/3

Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, Twenty-second session

- Review of Practical Implementation Issues of International Financing Reporting Standards
TD/B/COM.2/ISAR/28
- Guidance on Good Practices in Corporate Governance Disclosures
TD/B/COM.2/ISAR/30
- Guidance on Corporate Governance Responsibility in Annual Reports
TD/B/COM.2/ISAR/29
- 2005 Review of the Implementation Status of Corporate Governance Disclosures
TD/B/COM.2/ISAR/CRP.1 (Conference Room Paper)
- Users of Corporate Responsibility Reporting and their Information Needs
TD/B/COM.2/ISAR/CRP.2 (Conference Room Paper)

B. Recurrent Publications

- World Economic Situation and Prospects 2005, January 2005
Sales No. E.05.II.C.2. ISBN 92-1-109148-92
- World Investment Report 2005: Transnational Corporations and the Internationalization of R&D, September 2005
UNCTAD/WIR/2005. Sales No. E.05.II.D.10. ISBN 92-1-112667-3
- World Investment Report 2005 (Overview)
UNCTAD/WIR/2005 (Overview), 29 September 2005
- Transnational Corporations Journal
Special Issue on Developing Country FDI (forthcoming)
Special Issue in honor of Professor V.N. Balasubramanyam (forthcoming)
Special Issue on Corporate Social Responsibility (forthcoming)
Vol. 14, No. 3, December 2005
Vol. 14, No. 2, August 2005. *UNCTAD/ITE/IIT/2005/5. ISBN 92-1-112690-8*
Vol. 14, No. 1, April 2005. *UNCTAD/ITE/IIT/2005/1. ISBN 92-1-112668-1*
- World Investment Directory, Developed Countries, CD-ROM
- FDI in LDC at a Glance 2005-2006 (forthcoming)
- International Accounting and Reporting Issues: 2004 Review, 1 July 2005
UNCTAD/ITE/TEB/2005/2, Sales No E05.II.D.22. ISBN: 92-1-112682-7
- International Accounting and Reporting Issues: 2005 Review, (forthcoming)

C. Non-Recurrent publications

- Asian FDI in Africa (forthcoming)
- Globalization of R&D and Developing Countries (forthcoming)
- Foreign Direct Investment in Tourism (forthcoming)
- TNCs and the Removal of Textiles and Clothing Quotas, May 2005
UNCTAD/ITE/IIA/2005/1. Sales No. E.05.II.D.20.
- Global Investment Prospects Assessments: Prospects for FDI and TNCs strategies 2005-2008, 1 December 2005, *UNCTAD/ITE/IIT/2005/7, ISBN 92-1-112691-6*
- Best Practices in Promoting Sustainable Business Linkages (forthcoming)
- Science, Technology and Innovation Policy Review: The Islamic Republic of Iran, February 2005, *UNCTAD/ITE/IPC/2005/7*

- The Digital Divide: ICT Development Indices 2004, April 2005
UNCTAD/ITE/IPC/2005/4
- The Digital Divide: ICT Development Indices 2005, January 2006
- International Best Practices in the Promotion of Business Linkages
- Guidance on Corporate Governance Disclosures (forthcoming)
- Best Practices in Business Linkages for SME Development (forthcoming)

International Investment Instruments: A Compendium

- *Volume XIII*, March 2005. UNCTAD/DITE/4, Vol. XIII
Sales No, E.05.II.D.7. ISBN 92-1-112665-7
- *Volume XIV*, March 2005. UNCTAD/DITE/4, Vol. XIV
Sales No, E.05.II.D.8. ISBN 92-1-112664-9
- *Volume XV (forthcoming)*
- *Volume XVI, (forthcoming)*

Investment Guides

- An Investment Guide to the East African Community, September 2005
UNCTAD/ITE/IIA/2005/4
- An Investment Guide to Tanzania, September 2005
UNCTAD/ITE/IIA/2005/3
- An Investment Guide to Kenya, September 2005
UNCTAD/ITE/IIA/2005/2
- An Investment Guide to Zambia (forthcoming)

Investment Policy Reviews

- Investment Policy Review of Colombia (forthcoming)
- Investment Policy Review of Iran (forthcoming)
- Investment Policy Review of Zambia (forthcoming)
- Investment Policy Review of Kenya, July 2005
UNCTAD/ITE/IPC/2005/8. Sales No. E.05.II.D.21
- Investment Policy Review of Benin, May 2005

UNCTAD/ITE/IPC/2004/4. Sales No. F.04.II.D.43. ISBN: 92-1-212314-7

- Investment Policy Review of Brazil, January 2005
UNCTAD/ITE/IPC/Misc/2005/1
- Algérie: Evaluation des capacités de promotion des investissements de l'ANDI
UNCTAD/WEB/ITE/IPC/2005/8
- Report on the Implementation of the Investment Policy Review for Egypt, October 2005
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- Investment Compass Users Guides, forthcoming

Blue Books on Best Practice in Investment Promotion and Facilitation

- Blue Book on Best Practice in Investment Promotion and Facilitation: Kenya, May 2005
- Blue Book on Best Practice in Investment Promotion and Facilitation: Tanzania, May 2005
- Blue Book on Best Practice in Investment Promotion and Facilitation: Uganda, May 2005

Series on Issues in International Investment Agreements (1st generation)

- State Contracts, February 2005
UNCTAD/ITE/IIT/2004/11. Sales No. E.05.II.D.5. ISBN 92-1-112659-2
- International Investment Agreements: Key Issues, Volume II, May 2005
UNCTAD/ITE/IIT/2004/10 (Vol. II). Sales No. E.05.II.D.6. ISBN 92-1-112661-4
- International Investment Agreements: Key Issues, Volume III, June 2005
UNCTAD/ITE/IIT/2004/10 (Vol. III). Sales No. E.05.II.D.6. ISBN 92-1-112662-2

Series on International Investment policies for Development (2nd generation)

- Investment-related provisions in economic integration investment agreements (forthcoming)
- International Investment Agreements: Recent Trends and Implications (forthcoming)
- Preserving National Policy Space in International Investment Arrangements (forthcoming)
- International Investment Agreement in Services
UNCTAD/ITE/IIT/2005/2

- The REIO Exception in MFN Treatment Clause
UNCTAD/ITE/IIT/2004/7
- Investor-State Disputes arising from Investment Treaties: A Review (forthcoming)
- A Wave of South-South Cooperation in the Area of International Investment Agreements
UNCTAD/ITE/IIT/2005/3
- Bilateral Investment Treaties 1995-2005: Trends in Investment Rule-Making (forthcoming)

IIA Monitor

- Recent Developments in International Investment Agreements, August 2005
UNCTAD/WEB/ITE/IIT/2005/1. ISBN 92-1-112680-0
- Latest Developments in Investor-Dispute Settlements, December 2005
UNCTAD/WEB/ITE/IIT/2005/2
- Information Note: Training on International Investment Agreements
UNCTAD/PRESS/IN/2005/016

Issues in International agreements and arrangements related to technology

- Transfer of Technology to Developing Countries: A Survey of Home Country Measures, February 2005
UNCTAD/ITE/IPC/2004/5
- Taxation and Technology Transfer
UNCTAD/ITE/IPC/2005/9
- Transfer of Technology for Successful Integration into the Global Economy: A case study of the electronic industry in Thailand, July 2005
UNCTAD/ITE/IPC/2005/6
- Transfer of Technology for Successful Integration into the Global Economy: A case study of the salmon industry in Chile (forthcoming)

UNCTAD/ICTSD Publications and studies on Technology Transfer and Intellectual Property

- Resource Book on TRIPS and Development: responding to US comments
- Special Publication on Health-related Issues
- Policy Discussion Paper II

UNCTAD/ICTSD Studies on Intellectual Property:

- United States approaches to Free Trade Agreements
- Utility Models and Innovation in Developing Countries
- Rediscovering the Berne Appendix and the use of Copyrights
- Model Laws or Common Approaches to Competition and IPRs: Modalities for the Implementation of the TRIPS Principle
- Patent exceptions

ISAR Newsletter

- ISAR Update, Volume 1, N°6, 2005, *UNCTAD/ITE/TEB/2005/3*
- ISAR Update, Volume 2, N°5, 2004, *UNCTAD/ITE/TEB/2004/1*
- ISAR Update, Volume 1, N°7, 2005, (forthcoming)
- ISAR Update, Volume 1, N°8, 2005, (forthcoming)

UNCTAD Investment Briefs and Occasional Notes

- International investment disputes continue to progress (forthcoming)
- UNCTAD Survey on the Internationalization of R&D
UNCTAD/WEB/ITE/IIA/2005/12
- The Locations Most Favoured by the Largest TNCs, November 2005
UNCTAD/WEB/ITE/IIA/2005/11
- Many BITs Have Yet to Enter into Force, November 2005
UNCTAD/WEB/ITE/IIA/2005/10
- Asian TNCs Most Eager to Attract R&D from TNCs, October 2005
UNCTAD/WEB/ITE/IIA/2005/9
- Fierce Competition for FDI Without Clothing Quotas, September 2005
UNCTAD/WEB/ITE/IIA/2005/8
- FDI Flows Bounce Back – Led By Developing Countries, January 2005
UNCTAD/WEB/ITE/IIA/2005/7

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