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**UNCTAD's CONTRIBUTION, WITHIN ITS MANDATE, TO THE
IMPLEMENTATION OF, AND TO THE REVIEW OF PROGRESS MADE IN THE
IMPLEMENTATION OF, THE OUTCOMES OF THE MAJOR
UN CONFERENCES AND SUMMITS**

Note by the UNCTAD secretariat*

Executive summary

This document aims to assist the Trade and Development Board in responding to General Assembly resolution 57/270B, which invited the Board “to contribute, within its mandate, to the implementation and to the review of progress made in the implementation of the outcomes of the major UN conferences and summits”. It contains a summary of the relevant actions by UNCTAD intergovernmental bodies and related actions by the secretariat; a brief review by the secretariat of progress made in the implementation of the outcomes, and a special cross-cutting reference to decisions made at the major conferences that explicitly concern the special needs of least developed countries, small island developing States, landlocked developing countries and transit developing countries.

At the time of preparation of this document, the outcome of the High-level Plenary Meeting of the General Assembly with the participation of Heads of State and Government was still under preparation. Its results were therefore not integrated into the current note.

* This text was submitted on the above-mentioned date in order to make it possible to cover as long a period as possible.

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INTRODUCTION

1. In its resolution 57/270B, “Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations Conferences and Summits in the economic and social fields”, the General Assembly, in paragraph 27, stressed the need to make maximum use of existing United Nations mechanisms for the purpose of reviewing the implementation of commitments made within the UN system in key areas of development. It recalled the role of UNCTAD as the focal point within the United Nations for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development, and invited the Trade and Development Board to contribute, within its mandate, to the implementation of and to the review of progress made in the implementation of the outcomes of the major UN conferences and summits, under its relevant agenda items. Further, the General Assembly invited the Economic and Social Council (ECOSOC) to invite the President of the Board to present the outcomes of such reviews to ECOSOC.

2. The São Paulo Consensus indicates in its paragraph 2 that UNCTAD is expected to make substantial contributions to the implementation of the outcomes of recent global conferences. Paragraph 10 of the same document states that UNCTAD has a special responsibility to contribute to the achievement of the international development goals, including those contained in the Millennium Declaration.

3. Part I of the present report summarizes undertakings by UNCTAD intergovernmental bodies relevant to the follow-up to major UN conferences and summits and related actions by the secretariat. Part II contains a brief review by the secretariat of progress made in the implementation of the outcomes of the major UN conferences and summits so as to assist the Board in its consideration. Part III provides a special cross-cutting reference to the decisions made at major conferences that explicitly concern the special needs of least developed countries (LDCs), small island developing States, landlocked developing countries and transit developing countries.

I. UNCTAD'S CONTRIBUTION, WITHIN ITS MANDATE, TO THE IMPLEMENTATION OF THE OUTCOMES OF THE MAJOR UNITED NATIONS CONFERENCES AND SUMMITS

A. International trade

4. UNCTAD continued to contribute to the follow-up of trade-related provisions of major United Nations summits and conferences. These activities focus in particular on Goal 8 of the MDGs related to an open, rule-based, predictable, non-discriminatory and (from the Millennium Declaration) equitable multilateral trading system. Further, the outcomes of São Paulo emphasized the imperative of assuring development gains from the international trading system and trade negotiations, including as they relate to commodities.

5. The UNCTAD secretariat has continued to facilitate the General Assembly's deliberations on trade and development, and on commodities. At its fifty-first session, the Trade and Development Board undertook its traditional review¹ of development issues in the post-Doha work programme of particular concern to developing countries, focusing on the July Package adopted by the WTO General Council and the policy conclusions from UNCTAD XI. Its deliberations highlighted the unique contribution of UNCTAD's consensus-building, analytical and technical cooperation activities to multilateral trade negotiations, as well as its work on the international trading system.²

6. At the request of UNCTAD member States, during the ninth session of the Commission on Trade in Goods and Services and Commodities, the UNCTAD secretariat organized a high-level event (March 2005) on "Trade and the MDGs".³ The summary of the Chair noted that trade, trade negotiations and trade liberalization should be seen as means of assuring development gains, including achieving the MDGs. It stated that an MDG-friendly international trading system would put development issues first and provide a nurturing environment that responds to the development needs and concerns of developing countries. Furthermore, the Commission recommended that UNCTAD should: (a) contribute to the mainstreaming of development into international trade and trade negotiations, in particular the Doha negotiations; (b) contribute to the preparatory process for the High-Level Plenary Meeting of the General Assembly to review progress in fulfilment of commitments contained in the UN Millennium Declaration in September 2005; and (c) support capacity building efforts in developing countries in trade policy formulation, trade negotiations, including WTO accession negotiations, and commodities.

7. An important element of the Millennium Declaration is the commitment to providing LDCs' exports duty-free and quota-free access to all developed countries. In a recent study published by UNCTAD, entitled "Towards a New Trade "Marshall Plan" for Least Developed Countries: How to Deliver on the Doha Development Promise and Help Realize the UN Millennium Development Goals?"⁴, a set of ideas has been elaborated to improve the competitiveness of LDCs. Duty- and quota-free market access for all LDC exports to all developed country markets, further liberalization of the services sector, and an aid-for-trade fund are the main policy measures being proposed.

8. The UNCTAD secretariat, together with WTO and ITC, is responsible for monitoring the progress made on MDG targets relating to duty- and quota-free market access for LDCs. It provided statistical data for the calculation of MDG indicator 38 (proportion of total developed country imports from developing

1 TD/B/51/4.

2 TD/B/51/8 (Vol.I).

3 See Report of the Commission on Trade in Goods and Services and Commodities on its ninth session (TD/B/COM.1/73).

4 UNCTAD/DITC/TAB/POV/2005/1.

countries and least developed countries, admitted free of duty) and indicator 39 (average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries).

9. Pursuant to the São Paulo Consensus, UNCTAD launched the process of annual review of new and dynamic sectors of world trade at an expert meeting (February 2005). The objective of the review exercise is to identify policies and measures to strengthen participation of developing countries in these sectors.

10. The United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices is the sole, universally agreed multilateral instrument dealing with anti-competitive practices in international markets. UNCTAD, which oversees the implementation of the Set, is in the process of preparing for the Fifth UN Conference to Review All Aspects of the Set, to be held at Antalya (Turkey) on 14-18 November 2005.

11. The UNCTAD secretariat has implemented activities to promote the development of commodities and realize gains from it, including in the areas of capacity building for diversification and commodity-based development; costs of SPS compliance; commodity risk management; and commodity information and knowledge management (INFOCOMM); innovative schemes to generate financing, particularly for those parts of the value chain that appear risky. In addition, the UNCTAD secretariat has elaborated the modus operandi of the International Task Force on Commodities, which will be implemented following the mobilization of sufficient start-up financing.

12. At the request of UN agencies and other bodies, the UNCTAD secretariat also provided analytical and policy-oriented contributions on trade-related issues for various reports on follow-up to the Millennium Declaration and outcomes of major global conferences. This included collaboration with the Department of Economic and Social Affairs (DESA), particularly in the preparation of a contribution to the Secretary-General's reports to the High-level Dialogue of the General Assembly on Financing for Development. It furthermore participated in, and reported on, meetings of WTO bodies and provided contributions when requested on trade and development issues, including linkages with the MDGs.

13. The UNCTAD secretariat's contribution to trade analysis and evaluation of the impact of trade and trade negotiations draws upon its software and databases. In addition, the UNCTAD secretariat, together with the ITC and WTO, created the Common Analytical Market Access Database (CAMAD), thereby creating the most comprehensive market access database. Work continued on the elaboration of a set of trade and development indicators and benchmarks to assess the trade and development performance of developing countries. The prototype indicators will be available in late 2005 and could also help to assess progress towards meeting internationally agreed development goals.

14. At the request of developing countries, the UNCTAD secretariat has contributed to deliberations of preparatory meetings for the Sixth WTO Ministerial Conference, to be held in Hong Kong, China, in December 2005. It used these opportunities to highlight the links between trade and trade negotiations in multilateral and other contexts and development imperatives, including those in the MDGs. These meetings included the African Union Conference of Ministers, Cairo (Egypt), in June 2005, and the Fourth LDC Trade Ministers' Meeting in Livingstone (Zambia), in June 2005.

15. In addition, the UNCTAD secretariat is implementing a project on Supporting Developing Countries' Assessment of the Non-Agricultural Market Access Negotiations. It assists WTO policy makers, the business community and civil society in the beneficiary countries to better assess the possible implications of the non-agricultural market access (NAMA) negotiations for their trade and development prospects.

16. The UNCTAD secretariat contributed to the G77 High-Level Forum on Trade and Investment, held in Doha (Qatar) on 5-6 December 2004; the Second South Summit, held in Doha on 12-16 June 2005; and the Regional Ministerial Meeting on the Millennium Development Goals in Asia and the Pacific, organized by Indonesia in July 2005..

17. The Doha Ministerial Declaration (DMD) called for the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services (EGS).⁵ UNCTAD XI called for "efforts to identify and promote environmental goods and services of actual and potential interest to developing countries".⁶ The UNCTAD secretariat reported on its work to the Special Sessions of the WTO Committee on Trade and Environment (CTESS), held in October 2004.⁷ UNCTAD is continuing its work on EPPs (environmentally preferred products).⁸ UNCTAD and UNEP have included EGS as one of the focal themes for current activities of the CBTF in response to requests from countries.

18. The World Summit on Sustainable Development called on Governments to "support voluntary WTO-compatible market-based initiatives for the creation and expansion of domestic and international markets for environmentally friendly goods and services, including organic products, which maximize environmental and developmental benefits through, inter alia, capacity-building and technical assistance to developing countries."⁹ UNCTAD joined forces with FAO and IFOAM to launch the International Task Force on Harmonization and Equivalence (ITF) in February 2003, which is an open-ended platform for dialogue between private and public institutions involved in regulatory activities in the organic agriculture sector. UNCTAD has supported policy dialogues in different regions on the production and export of organic agriculture products. Additionally, through the BioTrade Initiative, the UNCTAD secretariat has continued to promote sustainable development through trade and investment in biological resources.

B. Investment

19. Section B of the Monterrey Consensus and paragraph 84 of Johannesburg Plan of Implementation contain provisions relating to mobilizing international resources for development: foreign direct investment and other private flows. UNCTAD's Commission on Investment, Technology and Related Financial Issues is the only intergovernmental body within the United Nations to deal with investment and investment-related issues.

20. The Commission has considered such issues as the impact of FDI policies on industrialization, local entrepreneurship and development of the supply capacity of developing countries, in particular LDCs; best practices for access to and measures to encourage transfer of technology with a view to capacity building in developing countries, especially LDCs; issues related to investment arrangements and Investment Policy Reviews, including the contribution of IPRs to a post-conflict situation; the effectiveness of FDI policy measures in attracting FDI and proactive measures to maximize benefits from FDI in selected sectors (textiles, tourism, agribusiness and ICT).

21. This year, a special meeting was organized during the ninth session of the Commission on "Achieving the Millennium Development Goals". Participants emphasized the important contribution that

⁵ Paragraph 31(iii) of WTO document WT/MIN(01)/DEC/1 (20 November 2001).

⁶ São Paulo Consensus, paragraph 87.

⁷ UNCTAD's work on environmental goods and services: Briefing note. WTO document TN/TE/INF/7, 5 October 2004; available at http://r0.unctad.org/trade_env/test1/publications/INF7-E.pdf

⁸ The UNCTAD secretariat defines EPPs (environmentally preferred products) as products that cause significantly less environmental harm at some stage of their life cycle than alternative products that serve the same purpose. Examples include natural fibres, recyclable and biodegradable products or sustainably produced forest products.

⁹ UN, Report of the World Summit on Sustainable Development, Johannesburg, 2002, paragraph 99(b), p. 57.

investment, technology and enterprise competitiveness can make in this respect. The Commission requested the secretariat to undertake concrete activities in pursuit of these goals.

22. UNCTAD, in collaboration with the Commission on Science and Technology for Development (CSTD), has been examining the role of science and technology in meeting the internationally agreed development goals. One of its main findings is that most developing countries are unlikely to achieve these goals without concerted efforts to build up their technological capabilities. UNCTAD will be launching a new initiative to connect selective existing centres of excellence in developing countries and turn them into regional hubs of learning.

23. In line with the Monterrey Consensus and provisions of UNCTAD XI, work continued in the area of FDI statistics to help member States assess their FDI positions. The *World Investment Reports* and *World Investment Directories*, as well as the dedicated website (www.unctad.org/fdistatistics), are relevant in this respect. In 2004-2005, UNCTAD, together with ESCWA, organized national workshop in Oman, Saudi Arabia, the Syrian Arab Republic and Kuwait to implement international methodological standards and set up data compilation and dissemination systems for internationally comparable FDI statistics. The countries concerned undertook their first surveys on FDI in 2004-2005.

24. The Monterrey Consensus recognized that an enabling and stable investment environment includes, *inter alia*, improved transparency and quality of information about private investment flows. UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) continued to promote best accounting and reporting practices in developing countries and economies in transition. ISAR's recent initiatives include developing guidance on best practices on corporate governance disclosures and guidance on comparable and relevant indicators on corporate responsibility in corporate annual reports. UNCTAD also participates actively in global developments aimed at worldwide harmonization of accounting practices. The most recent technical assistance project in this area includes a USAID-sponsored programme on developing a regional accounting qualification in the CIS countries.

25. The Monterrey Consensus in Section A states that, in order to mobilize domestic financial resources for development, it is critical *inter alia*, to strengthen the domestic financial sector, to pursue appropriate policy and regulatory frameworks to, *inter alia*, foster a dynamic and well functioning business sector, and to reinforce national efforts in capacity building, including in human resource development. UNCTAD has developed policy recommendations on enhancing SME competitiveness and undertaken analysis of current trends and best policies and corporate practices regarding enhancing developing country firms through outward investment and global value chains (in cooperation with OECD), and strengthening institutional and technical capacity in the area of insurance and entrepreneurial skills (EMPRETEC), particularly in African countries.

26. UNCTAD's programme on international investment agreements (IIAs) assisted developing countries in ensuring that the development dimension of IIAs is adequately understood and addressed. It provided several regional training programmes for IIA negotiators, and it organized two negotiation facilitation rounds for bilateral investment treaties, involving 31 countries and resulting in 36 such treaties. It assisted countries and regional organizations in investment integration.

27. IPRs and their follow-up have improved the regulatory, institutional and operational framework for FDI in host countries. Since 2004, four countries have had their reviews undertaken and discussed by the Commission on Investment. The partnership with the World Association of Investment Promotion Agencies and measures to engage businesses in the social and environmental aspects of development and building productive capacity have been the main focus of the UNCTAD/ICC Investment Advisory Council.

C. External debt and financial instability

28. The Monterrey Consensus contained a number of recommendations on external debt (paragraphs 47-51 and 60), notably on sustainable debt financing, debt relief, debt sustainability analysis, management and resolution of financial crisis. UNCTAD has addressed these issues through the implementation of its work programme on debt, development finance and Africa.

29. The Trade and Development Board's discussion in 2004 on Africa's debt was based on a report prepared by the UNCTAD secretariat, which called for a write-off of the debt of the poorest countries and was backed up with an analysis of the African debt situation and a critique of debt sustainability analysis. The outcome of the session went a long way in its critique of the criteria for debt sustainability analysis and called for a widening of the criteria to "incorporate a comprehensive set of variables including country-specific factors as well as vulnerabilities" that needed to be addressed by the international community.

30. Other notable results in the agreed conclusions included concern with the fact that many African countries continued to face serious difficulties in meeting debt service obligations, including some countries graduating from the HIPC Initiative, as well as the slowness of the HIPC process and its meagre funding; the linkages between debt and meeting the MDGs were clearly established; the special challenges faced by conflict and post-conflict countries in terms of accessing debt relief and resource requirements for rehabilitation and reconstruction, clearing arrears with MFIs and the return and resettlement of refugees were also recognized, as was the principle of shared responsibility between debtors and creditors and the need for appropriate balance between national development priorities and international disciplines and commitments; finally, there was an explicit reference to additionality and the fact that debt relief could not be a substitute for bilateral ODA flows.

31. The UNCTAD secretariat, in cooperation with the Department of Economic and Social Affairs, as well as other stakeholders such as the IMF and the World Bank, contributed to the preparation of the report of the Secretary-General (A/59/822) that was presented at the High-level Dialogue of the General Assembly on Financing for Development (June 2005).

32. The 2005 report on external debt crisis and development for discussion at the General Assembly reviews recent developments in external debt, including the progress made in the implementation of the HIPC initiative, the G-8 initiative on multilateral debt cancellation and the issue of financing beyond the HIPC initiative. It analyses the implementation of the Paris Club Evian approach, comments on the debt sustainability approach of the IMF, and reviews the recent experiences of debt restructurings with private creditors, as well as their implications for the discussion on an orderly debt workout process. The policy conclusions of the report focus on the need for improvements in debt relief measures, the need to provide grants for most HIPCs, the need to link the grant element of new loans to capacity to pay, further work on the debt workout process, and the need for further analysis of the debt sustainability concept which would encompass long-term development strategy, coherence between debt, trade and finance, and effective debt management.

33. On debt sustainability analysis, the UNCTAD secretariat is implementing a project, financed by the Development Account, on debt sustainability and development strategy. The question of debt sustainability is not viewed only from a narrow perspective of reducing an excessive current level of debt, but rather debt sustainability is integrated into the overall development strategy of a country. Long-term debt sustainability also depends on the export prospects of debtor countries and requires, therefore, a coherent treatment of debt, trade and finance. Strengthening debt management capacity should be an integral part of this strategy.

34. Both the Monterrey Consensus and UNCTAD XI stressed the importance of technical assistance for external debt management. UNCTAD's Debt Management Programme (DMFAS) has continued to help countries build their institutional capacity to meet the common debt management challenges effectively. It works directly with around 65 low- and middle-income countries, which account for approximately 40 per cent of the total long-term debt of all developing countries.

35. UNCTAD cooperated with DESA, which was responsible for the organization of the multi-stakeholder consultations on sovereign debt for sustained development as a follow up to the Monterrey Consensus. The consultations aimed at eliciting views and proposals from all relevant stakeholders involved in debt issues (Governments, international financial institutions, the private sector, academia and civil society) and deepening the understanding of current issues and challenges in the resolution of debt crisis. The third and final round of the multi-stakeholder consultations on debt (for 2004-2005) was held in the context of UNCTAD's Fifth Inter-Regional Debt Management Conference in June 2005.

36. At the invitation of the Chairman of the WTO Working Group on Trade, Debt and Finance, UNCTAD made a presentation on issues of particular concern to countries that are members of the African Group, the ACP Group and the LDCs. The presentation elaborated on trade and debt linkages.

D. Coherence of the international monetary, financial and trading systems

37. Enhancing the coherence of the international monetary, financial and trading systems is an important element of the Monterrey Consensus (paragraphs 52 and 69). The theme of the *Trade and Development Report (TDR) 2004* was "Policy coherence, development strategies and integration into the world economy". At its fifty-first session (2004), the Trade and Development Board addressed the issue of coherence. Many delegations recognized UNCTAD's contribution to the international debate on achieving greater policy coherence as complementary to those of the WTO, the World Bank and the IMF in their respective areas of competence. In today's independent world, all countries must take more account of the potential effects of their actions on others, with leading economies having a particular responsibility in this regard. For developing countries, it is imperative to design policies at the national level that improve the climate for private investment and entrepreneurial risk taking. But it is only in a coherent international economic system that greater openness to trade and to international financial flows can help developing countries to establish a virtuous circle between external finance, domestic investment and exports. Some delegations also suggested broader and stronger participation of developing countries in international economic decision-making and norm-setting.

38. This year's *TDR* elaborates on the need for a coherent, internationally coordinated approach to correcting the persistent global trade imbalances in order to avoid major disruptions to the progress achieved in recent years with regard to growth and poverty alleviation in developing countries. It also makes the case for strengthening coherence in development policies by reviving efforts at the international level to find solutions to the problem of commodity price instability.

39. The UNCTAD secretariat is also making efforts to cooperate with the WTO and the Bretton Woods institutions in examining the issue of coherence. In 2005, the WTO Working Group on Trade, Debt and Finance requested UNCTAD to make a presentation on the main findings of the *TDR 2004*, which suggests that exchange rate changes should be governed by multilateral regulations in order to avoid adverse effects on trade and competitive currency devaluation.

40. The Intergovernmental Group of Twenty-Four on International Monetary Affairs, with technical support from the UNCTAD secretariat, has prepared studies and organized technical meeting to look into the design of coherent financial, monetary and trade policies at the national and international level.

E. Information and communication technologies for development

41. UNCTAD contributed to the implementation of the WSIS Geneva Plan of Action and the preparation of the Tunis phase. In line with its mandate, UNCTAD's contributions focus on the potential of ICTs for enhancing productivity, trade and competitiveness in developing countries. The ninth session of the Commission on Enterprise, Business Facilitation and Development (February 2005) also recommended that UNCTAD undertake work on the implications of ICT for trade and development and support international discussions on the issue, including in the context of the WSIS.

42. UNCTAD's ongoing work on e-strategies, on the UNCTAD XI multi-stakeholder Partnership on ICT for Development, and on the annual *Information Economy Report* corresponds to decisions taken during the Geneva phase of WSIS. In particular, UNCTAD contributes to areas such as national e strategies, open-source software, distance learning, the development of a policy and legal framework to foster *inter alia* participation by SMEs, and the promotion of the use of e-business in developing countries. UNCTAD's work on measuring the use of ICTs by businesses aims to improve the availability of data on the information society in developing countries.

43. As a contribution to the second phase of WSIS, UNCTAD has co-organized two WSIS thematic meetings. The first, on the "Economic and Social Implications of ICTs" (Antigua, January 2005) addressed the role of ICTs in enhancing economic growth, generating new business and employment opportunities, and use of ICTs as effective productivity enhancing tools. The second, on "Measuring the Information Society" (Geneva, February 2005), which was organized within the framework of the Partnership on Measuring ICT for Development, adopted a core list of ICT indicators to be collected by all countries and harmonized at the international level. The meeting also pointed to the relevance and contribution of ICT indicators to the monitoring of the MDGs. The outcomes of these meetings were submitted to the WSIS PrepCom2 (Geneva, February 2005).

44. In November 2005, UNCTAD will participate in WSIS Tunis, co-organize parallel events, showcase its work in the "ICT 4 All" exhibition, and launch the *Information Economy Report 2005*. UNCTAD will also contribute, within its mandate, to the follow-up to WSIS Tunis.

45. In 2005, UNCTAD published "The Digital Divide: ICT Development Indices 2004", which features an international performance evaluation and benchmarking of information and communication technology. It also presents a summary of the policy options that countries can adopt to foster ICT development and highlights examples of innovative grassroots programmes in Africa. During the first phase of WSIS, UNCTAD launched an ICT benchmarking tool to assess ICT development and e-readiness in terms of Internet access and connectivity. It allows comparison between countries and is linked to an interactive database. Efforts are under way to expand it for the second phase of WSIS.

II. PROGRESS MADE IN THE IMPLEMENTATION OF THE OUTCOMES OF THE MAJOR UNITED NATIONS CONFERENCES AND SUMMITS

A. International trade¹⁰

46. International trade continues to contribute to economic growth and development of developing countries. The value of world merchandise exports grew at a rate of 20 per cent in 2004. Developing countries accounted for 33 per cent of the total value, up from 24 per cent in 1990. Their merchandise exports expanded by 25 per cent in 2004, thus growing at a faster pace than total world exports. In world exports in commercial services, developing countries accounted for 22.5 per cent, up from 18.5 per cent in 1990. Such positive longer-term trends notwithstanding, a number of low-income countries, especially LDCs, continue to face difficulty in integrating themselves beneficially into world trade. The share of sub-Saharan Africa in both world merchandise and commercial services exports continued to decline. Despite a slight increase from 1990, LDCs continue to account for a modest 0.64 per cent of world merchandise trade, and their share in commercial services dropped from an already low share of 0.49 per cent in 1990 to 0.44 per cent in 2004.

47. Ongoing international discussions on development continue to pay special attention to the role of trade. The UN Secretary-General's Report "In Larger Freedom"¹¹ and the United Nations Millennium Development Project Report¹² both recommended specifically that the Doha round should fulfil its development promise and be completed no later than 2006. Both reports advocated that special attention be given to addressing the unique and serious development challenges facing African countries and LDCs. A study published by UNCTAD has elaborated policies and measures relating to how the Doha negotiations can respond to the development problematique of LDCs and help them achieve the MDGs.¹³ Furthermore, the Report by the Commission for Africa¹⁴ recommended a "coherent package" to make serious inroads into alleviating poverty and Africa's continued marginalization. The G8 Summit at Gleneagles also agreed on a comprehensive plan to support Africa¹⁵.

48. The Doha negotiations entered a crucial phase this year. The Sixth WTO Ministerial Conference, to be held in Hong Kong, China, from 13 to 18 December 2005, is expected to take key decisions on agriculture and NAMA, services and development issues, trade facilitation and rules aspects of the negotiations. Negotiations since July 2004 have focused on technical specifics and parameters in the frameworks on agriculture and NAMA with a view to reaching agreement by July 2005 on a first approximation of full modalities. A series of Mini-Ministerial meetings¹⁶ sought to inject political momentum into the negotiations. The G8 Summit called for increased momentum towards ambitious and balanced outcomes in the Doha negotiations as the highest common priority in trade policy for the year ahead.

¹⁰ A detailed assessment is undertaken in the report produced for the fifty-first session of the Board on post-Doha issues of concern to developing countries (TD/B/51/4).

¹¹ *In Larger Freedom: Towards Development, Security and Human Rights for All* (UN publication, Sales No. E.05.I.15).

¹² *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*.

¹³ Lakshmi Puri, "Towards a new trade "Marshall Plan" for least developed countries: How to deliver on the Doha development promise and help realize the UN Millennium Development Goals?", Trade, poverty and cross-cutting issues study series No. 1 (UNCTAD/DITC/TAB/POV/2005/1).

¹⁴ *Our Common Interest*.

¹⁵ It included doubling aid for Africa by 2010 from US\$ 25 billion to US\$ 50 billion a year, and immediate relief of 100 per cent of the debt owed to the IMF, IDA and African Development Fund by 18 eligible HIPC.

¹⁶ Such as those held in Davos, Kenya, Paris and Dalian (China), as well as a meeting of APEC Ministers Responsible for Trade. The Second South Summit, the Third AU Conference of Ministers of Trade and the Fourth LDC Trade Ministers' Meeting also set objectives and common platforms for their constituencies for the Sixth Ministerial Conference.

49. Thus far, the political support shown for a successful conclusion of the Round has not been translated into concrete results. While some progress has been made in certain negotiating areas, it does not appear to be sufficient to achieve the development-oriented results that are expected to emerge from the Hong Kong Ministerial Meeting. There is, therefore, a need to search for solutions, particularly to finalize the modalities in agriculture and NAMA and achieve a critical mass of services offers and concrete deliverables on development issues and cotton.

50. In agriculture, negotiations aimed at a first approximation of modalities proved to be particularly challenging. Proponents of the cotton initiative have expressed concern over the slow pace of progress in the Sub-Committee on Cotton. The main focus of the NAMA negotiations remains the concrete design of the tariff-cutting formula. Services negotiations have focused on improving initial offers and rule making. This has not yet resulted in a critical mass of offers or substantial improvement in market access in areas of interest to developing countries, particularly in Mode 4. On development issues, major differences remain on addressing special and differential treatment and implementation-related issues. Negotiations are progressing on rules and trade facilitation.

51. As negotiations advance, concerns have become salient among developing countries regarding adjustment-related issues, including in implementing WTO Agreements, implications of MFN tariff reduction for preference erosion, the expiration of the Agreement on Textiles and Clothing (ATC), and lack of supply capacity and competitiveness. Certain developments in world textile trade, following the expiry of the ATC, have led to recent calls for safeguard measures. Some less competitive exporters are facing adjustment issues consequent to quota elimination and require assistance to improve their market access and supply capacity. Similarly, preference-dependent developing countries would face challenges arising from preference erosion consequent to multilateral reduction of tariffs and the proliferation of regional integration agreements.

52. Commodities issues are linked to the Doha Work Programme principally through the agriculture agenda. A Sub-Committee has been created to deal with cotton. However, some commodities, such as fish, and various commodity-based processed products are treated as non-agricultural products. African countries have submitted non-papers to the Committee on Trade and Development laying out their views on how commodity issues should be negotiated in the WTO. An integrated approach is required, including special support to diversify exports, add value to commodity exports, build the associated supply capacity, manage commodity price volatility and develop a new generation of commodity financing schemes.¹⁷ At their recent meeting, the G-8 finance ministers announced the creation of a trust fund to support poor countries facing commodity price and other exogenous shocks, to be financed by voluntary contributions.

53. It has become widely recognized that adjustment support for trade and trade-related shocks, reform and liberalization, as well as trade capacity building, should be integrated into trade agreements ex ante to facilitate the implementation of liberalization commitments and promote beneficial participation of developing countries in world trade. Proposals for the creation of an Aid for Trade Fund, as recommended in the UN Millennium Project Report and endorsed by the Report of the Commission for Africa, would contribute to meeting the adjustment challenges faced by developing countries. It could also enable countries to invest in productive capacity infrastructures, regulatory systems, institution building, transfer of technology, trade facilitation and social safety nets.

¹⁷ The International Task Force on Commodities proposed at UNCTAD XI in São Paulo has been supported in *Our Common Interest, Report of the Commission for Africa*, London, March 2005, p. 265.

54. South-South trade provides new and dynamic opportunities for developing countries, particularly for LDCs. The third round of GSTP negotiations,¹⁸ to be completed by November 2006, is complementary to multilateral trade negotiations and expected to result in a package of substantial trade liberalization commitments, promote economic complementarities and provide concrete preferential measures for LDCs. Technical work is under way in Negotiating Groups on Rule-making and on Market Access.

B. Investment

55. Global FDI inflows in 2004 rose by 2 per cent to \$648 billion. Flows to developed countries declined again. Flows increased to developing countries, South-East Europe and the Commonwealth of Independent States. This put an end to the global FDI downturn that had begun in 2001. Inflows to developing countries in 2004 totalled \$233 billion, an increase of 40 per cent from 2003. That increase was particularly strong in Asia, Latin America and the Caribbean. Their share in global inflows reached 36 per cent, the highest level since 1997. Of all capital flows to developing countries, FDI continued to be the largest component and is increasing: it accounted for more than half of all resource flows to developing countries and has been several times larger than official flows in recent years.

56. It is thus of primary importance to ensure efficient use of FDI and to address the issue of the concentration of FDI flows in large emerging market economies. The 10 largest recipient countries still account for three quarters of total FDI inflows in developing countries. This remains a major challenge, especially for African countries and LDCs, which respectively account for less than 3 per cent and 1 per cent of world FDI flows. Efforts have been made to create a conducive environment for further expansion.

57. Developing countries continued to strengthen their efforts to reform national regulations on foreign investment and to pursue foreign investment proactively. The number of bilateral investment treaties and double taxation treaties totaled 2,392 and 2,559, respectively, and the number of other international investment agreements exceeded 209 at the end of 2004.

58. Efforts continued to strengthen the collection and dissemination of information for the benefit of foreign and local investors in developing countries, especially the LDCs. In this area, UNCTAD has been proactive, including through the investment guides and the Blue Books for Best Practices in Investment Promotion.

C. External debt and financial instability

59. Under the HIPC Initiative, three additional countries reached their completion points, bringing the number of countries to reach the completion point to 18, out of the current 38 eligible countries. The IMF and the World Bank have extended the sunset clause of the HIPC Initiative until the end of 2006.

60. However, there is increasing recognition that the HIPCs, including those that have gone beyond the completion point, are falling short of their MDGs and will be unlikely to reach these goals in 2015 without substantial additional development assistance. In this context, the United Nations Secretary-General, defining debt sustainability as the level of debt that allows a country to achieve the MDGs and reach 2015 without an increase in debt ratios, called for 100 per cent debt cancellation and exclusively

¹⁸ The website for the GSTP contains general information about the programme for the public, as well as an extranet tool accessible only for member States, serving as a depository of classified information shared among members and concessions by either country or product.

grant-based finance for most HIPCs and significantly more debt reduction for non-HIPC and middle-income countries.

61. The G-8 countries agreed in Gleneagles to 100 per cent cancellation of outstanding debt obligations of HIPCs to the IMF, World Bank and African Development Bank. For this purpose, additional donor contributions will be allocated to IDA and the African Development Fund, based on agreed burden shares, to offset the foregone principal and interest payments for the cancelled debt. The plan will initially apply to the 18 HIPC completion point countries, and will be extended to additional countries as they reach the completion point. The G-8 initiative is a welcome step forward towards full cancellation of HIPCs' debt. However, there are some questions as to the modalities of this initiative. It is noted that the initiative is limited to multilateral debt owed to IMF, IDA and AfDF, while the debt owed to other multilateral banks was not included. Burden sharing implies that non G8 donors should also contribute to the full cancellation of this debt. The sources of IMF resources for debt relief are not specified. Mention is not made of other low-income countries not included in the HIPC initiative that might need full debt cancellation to reach their MDGs. And finally, it is not clear whether additional resources as committed by donors for multilateral debt cancellation are resources that are additional to overall future aid commitments or are simply shifted from other allocations within the same aid budget.

62. Additional ODA is of crucial importance for poor countries to reach the MDGs and to finance long-term development. In this respect, recent ODA trends show that roughly half of net ODA flows have comprised "special-purpose grants", which include technical cooperation, debt forgiveness, emergency and disaster relief, and administrative costs. In 2003, once special-purpose grants are subtracted from bilateral ODA, development aid declined slightly.

63. Debt relief plays an important role in development financing by lifting the debt overhang constraint on development. But this form of aid must be received in addition to other forms of financing that allow countries more flexibility to design and implement development programmes. In the final analysis, debt sustainability depends on growth and export capacity, which should result, among other things, from effective and adequately financed investments in capital (taken in its broadest sense, i.e. including business, human resource, infrastructure, knowledge, social, public institutional and natural capital).

64. In this context, the importance of appropriate debt sustainability analysis is generally recognized, not only as a basis to determine the amount of debt relief needed by individual countries, but also to promote efficient lending and borrowing policies that help debtors to manage their borrowings and avoid a build-up of unsustainable debt. The IMF and the World Bank have developed debt sustainability analysis frameworks for low- and middle-income countries, taking into account country-specific circumstances and external shocks. However, despite the highly technical character of these frameworks, there are many questions concerning the determination of sustainability conditions, the links between development policies and sustainability, and the functional relations between vulnerability factors and sustainability.

65. Discussion on a sovereign debt workout mechanism has produced some progress in the form of a voluntary code drafted by the Institute of International Finance, which proposed the "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets". These principles are based on four pillars: transparency and timely flow of information; debtor-creditor dialogue to explore market-based approaches for dealing with debt service difficulties; good faith actions; fair treatment. Meanwhile, there have been eight sovereign debt restructurings with bond holders since 1999, which took place in the absence of an international agreed framework on orderly debt workout. The lessons learnt from these experiences led some analysts to think that the existing process involves costly delays in seeking debt restructuring, that debtors are not effectively protected from litigations by dissident investors, and that debtors' incapacity to service debt in the short term is not sanctioned by a standstill on debt payment. On

the other hand, other legal instruments such as bilateral investment treaties may provide an avenue for litigation cases to be introduced against debtors. These lessons, therefore, point to the need to reach an international understanding on debt restructuring modalities which would bring together official and private creditors in a collaborative and constructive dialogue for an expeditious and timely resolution of debt crisis and for an equitable protection of the interests of debtors and creditors. As continuously advocated by UNCTAD, the modalities could draw on the principles laid out in national bankruptcy procedures.

D. Coherence of the international monetary, financial and trading systems

66. Work undertaken by various stakeholders to achieve the goal of greater coherence of the international monetary, financial and trading systems has contributed to greater awareness of the issue. Multilateral organizations, UNCTAD included, have been trying to involve more stakeholders in various meetings. For instance, UNCTAD has been actively involving the Bretton Woods institutions in meetings relating to external debt and financial instability and has participated in relevant meetings in WTO.

67. However, as mentioned in last year's document, tangible progress and the achievement of concrete results will take time.

E. Information and communication technologies for development

68. Data about the spread of the information economy in developing countries are scarce, not always comparable, and not yet at the level of detail necessary to measure the impact of ICT on economic development and growth. Despite high growth in many developing countries, Internet penetration rates are still very low. Similarly, the number of computers is increasing strongly in developing countries, particularly in some of the emerging markets, but computer penetration remains very low. Broadband, which plays a key role in enabling enterprises to take full advantage of ICTs, is spreading quickly in developed countries and in a few Asian developing countries, whereas most developing countries continue to have very low access rates.

69. Internet usage by enterprises is high (up to 90 per cent) in developed countries and among medium and large enterprises in developing countries, but small and micro enterprises in developing countries are less connected, in particular those in rural areas. Most enterprises in developing countries use the Internet for e-mailing or basic information search. Broadband access allows firms in some Asian countries to use the Internet to carry out more advanced e-business activities, banking and financial services.

70. As to the ICT supply side, trade in ICT goods recovered strongly during 2003. Exports of ICT goods accounted for 15 per cent of world merchandise exports, surpassing the combined value of international trade in agriculture, textiles and clothing. The growth of ICT trade was driven by developing countries (mainly from Asia), which account for almost 50 per cent of world exports in ICT goods. Trade in ICT goods among developing countries is increasing strongly, and trade in electronic components now represents over 50 per cent of all South-South ICT goods exports.

71. Improving the production of ICT statistics in developing countries is critical not only to analysing trends and monitoring impact, but also to designing effective national ICT policies and strategies. As most of the available data are not comparable across countries or even between surveys carried out in the same country, there is a great need for harmonization and standardization of ICT statistics.

72. Effective harnessing of existing and emerging technologies would both reduce costs and increase the likelihood of achieving the MDGs. It is not the lack of technology or technological innovation per se that prevents countries from fully leveraging this vehicle for development; rather, it is the lack of national capacity to harness each country's potential. At present, 15 per cent of the world population accounts for nearly all of global technology innovation, but only half the world's population is able to adopt these technologies in such a way as to enhance production and consumption. The other half is technologically disconnected.

73. Building R&D capabilities is another challenge. However, many least developed countries are seriously affected by their lack of physical infrastructure and the problem of brain drain. International and, in particular, regional scientific research networks are a crucial instrument in pooling limited resources to mobilize cutting-edge science and as hubs of learning and conduits for the transfer and diffusion of scientific knowledge and information, particularly in connection with new and emerging technologies.

74. Science, technology and innovation are crucial inputs into the competitiveness and growth prospects of countries. Developing countries' science and technology institutions are, in many cases, fragmented, and poorly adapted to meeting industry's needs. New approaches are needed to allow them to take stock of their national systems of innovation. STIP reviews are a step in this direction.

III. LEAST DEVELOPED COUNTRIES, SMALL ISLAND DEVELOPING STATES, LANDLOCKED DEVELOPING COUNTRIES AND TRANSIT DEVELOPING COUNTRIES

75. UNCTAD contributed, within its mandates, to the substantive and technical implementation of: (i) the Programme of Action (PoA) for LDCs for the decade 2001-2010 adopted by the Third United Nations Conference on LDCs; (ii) the Almaty Programme of Action for landlocked developing countries; (iii) the Mauritius Strategy for the further Implementation of the Barbados Programme of Action for the Sustainable Development of SIDS.

A. Least developed countries

76. UNCTAD, pursuant to paragraph 113 of the PoA, has mainstreamed actions and commitments contained in the Programme of Action into the work programme of the secretariat and the work of its intergovernmental machinery. The research and policy analysis work focuses mainly on macroeconomic, sectoral and thematic issues of interest to LDCs. Activities related to consensus building focus primarily on advancing international understanding of specific socio-economic conditions and challenges facing LDCs, as well as on seeking ways and means of addressing the problems of underdevelopment in these countries. UNCTAD's *Least Developed Countries Report* is the main output of the research and policy analysis work. It provides comprehensive analysis on LDCs' development problems, especially on the challenges of poverty reduction and prospects of achieving the objectives of the Millennium Declaration and the Brussels Programme of Action in these countries. The 2004 *Least Developed Countries Report* addressed the issue of linking international trade with poverty reduction.

77. The Programme of Action for LDCs for the present decade is unique and different from its predecessors in that it contains a number of quantified and time-specific development targets. As part of its work on the *Least Developed Countries Report*, UNCTAD made a preliminary analysis of the goals and targets of the PoA and their relationship with the MDGs. It also highlighted the inadequacy of existing data in LDCs to measure progress in the implementation of the PoA. This analysis was the first attempt to understand where the LDCs stand in relation to the targets and goals of the PoA and to provide an objective assessment of progress towards graduation from the group of LDCs. The analysis also indicated the fact that results-oriented monitoring of progress in implementation of the PoA could be challenging where the data that are internationally available are inadequate in terms of their coverage, quality and timeliness.

78. The technical cooperation and capacity-building activities of UNCTAD for which the Special Programme on LDCs is responsible focus primarily on building institutional and policy-making capacities, especially through the implementation of the Integrated Framework (IF) for Trade-Related Technical Assistance for LDCs. UNCTAD XI also called for an enhanced contribution by UNCTAD to the implementation of the IF (paragraph 108 of the São Paulo Consensus). This decision, together with the extension of the IF to an increasing number of LDCs, would require a significant increase in the scope and intensity of this activity. The increased contribution of UNCTAD would be demonstrated through, inter alia, implementation and monitoring of concrete trade-related technical assistance by UNCTAD in a greater number of countries; preparation of substantive inputs into the pre-DTIS and DTIS process in countries; increased UNCTAD presence in inter-agency IF missions to countries; and more intensive interdivisional coordination.

79. In line with paragraph 68 of the PoA and in collaboration with the Common Fund for Commodities and FAO, UNCTAD has also developed a project on "Quality assurance and enhancing export competitiveness for tropical fruits in the African LDCs". The ultimate objective of the project is to contribute to the objective of enhancing the national export capacities and competitiveness of African

LDCs by building institutional and human capabilities for quality assurance and certification for exports of tropical fruits. The project will also contribute to the efforts of LDCs to promote horizontal and vertical diversification, including local processing and packaging of tropical fruits, by improving their competitive position and by setting up demonstration centres.

80. In contributing to the implementation of provisions related to negotiating capacity building under Commitment 5 of the PoA (Enhancing the role of trade in development) and the relevant provisions of the Doha Declaration, UNCTAD continued to assist LDCs on trade negotiations, particularly on issues of interest to LDCs. This included, inter alia, providing substantive and technical support for meetings of LDC Trade Ministers. A ministerial meeting of landlocked developing countries on WTO matters is also due to take place in Paraguay prior to the Sixth WTO Ministerial Conference, to be held in Hong Kong in December of this year. UNCTAD also contributes to deepening the understanding by LDCs of the LDC-specific trade and development agenda through the discussions at the annual sessions of the Trade and Development Board and other expert bodies of UNCTAD.

81. UNCTAD contributes to the work of the Committee for Development Policy (CDP) of ECOSOC by undertaking country-specific studies and by providing analytical information to support triennial reviews, by ECOSOC, of the list of LDCs and the criteria for identifying them. UNCTAD also contributes to policy deliberations on such issues as the question of “smooth transition” for countries graduating from the LDC category. Further contributions of UNCTAD on the subject include: compilation of country-specific vulnerability profiles, periodic analysis of the effective benefits of LDC status, and proposals for exit strategies for LDCs near graduation thresholds.

B. Landlocked developing countries and transit developing countries

82. UNCTAD is responsible for the substantive and technical implementation of the Almaty Plan of Action adopted by the International Ministerial Conference on Landlocked and Transit Developing Countries held in Almaty, Kazakhstan, in 2002. The contribution of UNCTAD includes facilitating the development of various transit corridors, the adoption of transit facilitation measures, and the management of transport infrastructure and related facilities.

C. Small island developing States

83. UNCTAD, within its mandates and competence, contributes to the further implementation of the Programme of Action adopted by the Mauritius International Meeting held in January 2005. This support is based on UNCTAD's expertise on issues of economic vulnerability and structural handicaps of SIDS. For over three decades, UNCTAD has pursued its efforts to bring to the attention of the international community the special development challenges and problems of these countries and the need for special support measures in their favour. Particular emphasis has been placed on providing SIDS members of WTO with analytical inputs to assist their participation in the work programme of WTO on small economies, under which the need to define modalities for special treatment in favour of these countries is being tackled.