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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 UNITED NATIONS CONFERENCES AND SUMMITS

Note by the UNCTAD secretariat*

Executive summary

Pursuant to the General Assembly resolution 50/270B, UNCTAD contributes to the review of the implementation of commitments made in key areas of development. Further, the resolution 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. This document provides, in each subject area, a brief review of the progress made and UNCTAD's contributions therein.

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

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1. The United Nations General Assembly (GA), in its resolution 57/270b on “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,” stressed the need to make maximum use of existing UN mechanisms for the purpose of reviewing the implementation of commitments made within the UN system in key areas of development (paragraph 27). It recalled the role of UNCTAD as the focal point within the UN 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 (TDB) to contribute, within its mandate, to the implementation of and review of progress made in the implementation of the outcomes of the major UN conferences and summits, under its relevant agenda items. Furthermore, 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 that UNCTAD is expected to make substantial contributions to the implementation of the outcomes of recent global conferences (paragraph 2), and that it has a special responsibility to contribute to the achievement of international development goals, including those contained in the Millennium Declaration (paragraph 10)

3. This report contains a review by the UNCTAD secretariat of progress made in the implementation of these outcomes, followed by contributions made by UNCTAD to this end.

International trade

4. International trade is identified as an important component of development in the outcomes of major UN conferences and summits. With the WTO Doha Declaration[1] placing the needs and interest of developing countries at its core, the Millennium Declaration called for the realization of an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system. General Assembly resolutions A/59/221 and A/60/184 stressed the importance of a balanced and development-oriented outcome to the negotiations. The contribution and opportunities provided by trade for the sustainable development of developing countries was also underlined at the World Summit on Sustainable Development.

(a) Progress made in the implementation of the outcomes

5. Following the 6th WTO Ministerial Conference in Hong Kong (China) in December 2005, the Doha negotiations are under pressure to be concluded successfully a Single Undertaking among WTO’s 149 Members by the end of 2006. This was imperative for mainstreaming development into the multilateral trading system, and in view of the expiry of the US Trade Promotion Authority at end June 2007. The Hong Kong Ministerial Declaration renewed political commitment to the Doha negotiations and moved it forward incrementally. An important recognition was given to the principle and operationalization of Aid for Trade and an agreement reached on a Task Force to provide recommendations by July 2006. In follow-up negotiations, emphasis was placed on reaching consensus on specific modalities for liberalization in agriculture and non-agricultural market access. Negotiations also continued on other areas including services and trade facilitation. At the end of July 2006, however, the Doha negotiations were "suspended" when it was not possible among

[1] WTO Ministerial Declaration, Doha, 2001 (WT/MIN(01)/DEC/1), November 2001.

WTO members to agree on the modalities for agriculture and non-agricultural market access. No date for the resumption of negotiation was proposed. Given key development stakes at issue, and the commitment of international community to work expeditiously towards implementing the development dimensions of the Doha Round as reaffirmed in the World Summit Outcome in September 2005, efforts and leadership need to be exercised to ensure that the suspension of the round not lead to the lowering of ambitions in development dimension of the round, and that core negotiating issues of developmental importance are addressed meaningfully.[2]

6. Calls to increase the resources necessary to remove supply-side constraints, improve trade infrastructure and diversify export capacity, including through support to commodity chain strategies,[3] have met with little response. The EU Action Plan on Agricultural Commodities, Dependence and Poverty,[4] of which UNCTAD is a partner organization, is the only significant initiative in this respect, with implementation forthcoming.

7. Biodiversity-based products and services are emerging sector for developing country exports. Demand in developed countries has increased for such natural products as essential oils, resins, and handicrafts. EU countries imported $2.6 billion worth of vegetable and animal-derived oils, fats and waxes in 2000, roughly 40 per cent of which came from developing countries. The organic food and beverage market for Japan, US and EU was estimated in 2000 to be approximately $20 billion and is expected to reach $60 billion in 2005. Market demand is also quickly growing for such services such as eco-tourism, with annual earnings over $100 billion; a potential market exists for such services as watershed protection and carbon sequestration.

(b) UNCTAD contributions

8. UNCTAD contributes to promoting an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system. It has assisted member States in engaging in intergovernmental policy dialogue and building consensus on new and emerging issues on the international trade agenda and the WTO Doha negotiations, *inter alia*, through: GA discussions on trade and development; the TDB review of developments and issues in the post-Doha work programme of particular concern to developing countries; the discussions of the Commission on Trade on Services Negotiations, and its expert meetings on services; and the World Economic and Social Survey on the Doha negotiations.

9. UNCTAD has assisted developing countries and countries with economies in transition to enable them to participate more effectively in the Doha negotiations, WTO accession negotiations and other trade negotiations. Countries were aided in preparing and submitting a greater number of technically sound proposals, formulating regional and subregional negotiating platforms, making trade policies compatible with their development objectives and enhancing their human, institutional and regulatory capacities.

10. UNCTAD also enhances national capacities to analyse and assess trade barriers and to develop policies and strategies to address them. Such analytical tools include: Trade

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[2] For a detailed discussion, see TD/B/53/5.
[3] Monterrey Consensus paragraph 36, GA resolution 59/224, paragraphs 7, 8, 17 and 21.
[4] Communication from the Commission to the Council and the European Parliament, "Agricultural Commodity Chains, Dependence and Poverty – A proposal for an EU Action Plan", COM(2004)89 final, 12/0/2/2004.

Analysis and Information System; World Integrated Trade Solution, jointly developed with World Bank; and Agricultural Trade Policy Simulation Model. In addition, an initiative was launched to identify and quantify non-tariff barriers, enhance understanding of their impact, and to contribute to the trade negotiations on non-agricultural market access.

11. On trade facilitation, UNCTAD provides technical assistance, disseminates knowledge and provides a policy discussion forum[5] on current implementation issues and the potential needs and priorities of developing countries facing new binding rules. Brainstorming sessions for Geneva-based WTO delegates, regional workshops[6] for capital-based negotiators and various technical notes on trade facilitation issues have helped developing and least developed countries to better understand the scope and implications of the negotiated trade facilitation measures. In these initiatives, UNCTAD closely collaborates with other international organizations,[7] *inter alia*, through the Global Facilitation Partnership for Transportation and Trade.[8]

12. Beyond trade measures, UNCTAD conducts analytical studies and intergovernmental discussion on new and dynamic sectors to promote the production of exports that would enable developing countries to participate fuller and secure gains from trade. At the field level, an initiative was developed on electronics for Southern Africa, as one of the dynamic sectors, together with the Philips Corporation.

13. At the 2002 World Summit on Sustainable Development, three partnerships were launched to support the development of the emerging sector for biodiversity products and services: the cooperation between UNCTAD's BioTrade initiative and the Andean Community and the Andean Development Bank; the identification of foreign markets through the BioTrade Facilitation Programme with ITC; and a bio-business contest with the World Resources Institute and the Andean Development Corporation. UNCTAD has provided analytical work and assisted small- and medium-sized enterprises to strengthen supply chains and increase access to foreign markets for their biotrade products. Recently, UNCTAD has developed principles and criteria for firms engaged in sustainable practices and engaged in the development of a biotrade standard so that committed firms can achieve product differentiation for their biotrade products in their respective markets.

14. Further, UNCTAD has facilitated sharing of national experiences on proactive adjustment strategies to new environmental requirements in export markets, identifying and promoting the export of environmental goods and services. UNCTAD also launched an initiative for an internet-based gateway on new environmental, health and food-safety requirements in key export markets; and promoted better coordination between trade and environment bodies at the national level, including the creation of effective public-private partnerships. In these efforts, UNCTAD works through such partnerships such as: the UNCTAD-FAO-IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture; and the UNEP-UNCTAD Capacity-building Task Force on Trade, Environment and Development, which resulted in a draft regional organic standard and a

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[5] Expert Meeting on Trade Facilitation as an Engine for Development, September 2005.
[6] For example in Bangkok and in Lusaka. Joint workshops were also organized with WTO for Asia, Central America, South America and French speaking Africa.
[7] Annex D organizations such as the IMF, OECD, UNCTAD, WCO, World Bank, along with other organizations as the UN regional commissions carry out capacity-building on trade facilitation to accompany the negotiating process.
[8] See http://www.gfptt.org/.

process of regional cooperation in East Africa on environmental, development, and export opportunities offered by organic agriculture.[9]

Commodities

15. The Monterrey Consensus (paragraph 37) states that "multilateral assistance is also needed to mitigate the consequences of depressed export revenues of countries that still depend heavily on commodity exports". The World Summit Outcome emphasized "the need to address the impact of weak and volatile commodity prices and support the efforts of commodity-dependent countries to restructure, diversify and strengthen the competitiveness of their commodity" (paragraph 33).

(a) Progress made in the implementation of the outcomes

16. Little progress has been made in achieving the above goals set by the conferences and summits. GA resolution 59/224 noted with regret that schemes to mitigate commodity export earnings shortfalls had not reached the originally envisaged goals and urged that the effectiveness of these schemes be assessed. The inadequacy of the FLEX (which replaced the former STABEX instrument) scheme set-up under the EU-ACP Cotonou Agreement has been a serious concern, potentially aggravating the vulnerability of commodity-dependent developing countries. In February 2004 the European Commission decided to simplify the criteria to benefit from the FLEX export-income compensation scheme. UNCTAD has contributed to the debate through analyses and proposals aiming, in particular, to enhance the automaticity of payments under the schemes and to facilitate their financing through the use of structured finance methods.

(b) UNCTAD's contribution

17. UNCTAD has pursued a number of initiatives to promote diversification and to support the efforts of small producers to reach markets, for example in cooperation with the African Union at the African Union Conference of Ministers of Trade on Commodities (Arusha, United Republic of Tanzania, November 2005,), which agreed on an ambitious plan of action on African commodities.

18. Following the Doha Ministerial Conference, UNCTAD assists LDCs and net food-importing developing countries elaborate financing structures, particularly short-term finance to secure normal levels of basic foodstuffs.

19. The international community has, on various occasions,[10] pointed to the need to facilitate access to market-based instruments to manage price risks. UNCTAD has played a pioneering role and collaborates with the World Bank and FAO in this area. Commodity exchanges make the use of risk management instruments easier, facilitate the introduction of industry standards, provide functioning markets and facilitate access to finance. UNCTAD has assisted the establishment of commodity exchanges, for example, in India and African countries.

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[9] The Johannesburg Plan of Implementation (paragraph 99(b)) and of the Brussels Programme of Action (paragraph 68(bb)) call for support of developing countries' efforts to develop and take advantage of markets for organic agriculture.
[10] For example, GA resolution 59/224.

20. The importance of regional cooperation and South-South trade in commodities has been emphasized on different occasions in the course of several summits.[11] UNCTAD supports regional and sub-regional institutions, particularly in Africa, and engaged in partnerships with the private sector in agricultural commodities (e.g. assisting a partnership between a supermarket chain and small fruit producers in Africa) and minerals (e.g. supporting the creation of alternative commodity-sector employment in a mining-dependent area in Peru).

Investment

21. The Monterrey Consensus emphasizes the vital role of private international capital flows, particularly foreign direct investment (FDI) in national and international development efforts (Section B). The Johannesburg Plan of Implementation (paragraph 84) notes the role of FDI in achieving sustainable development. The World Summit Outcome reiterates the resolution of world leaders "to encourage greater direct investment, including foreign investment in developing countries and countries with economies in transition to support their development activities and to enhance the benefits they can derive from such investments" (paragraph 25), while also making commitments in related policy areas such as on private sector development (23 (e)), good governance to promote SME development (24 (a)), and corporate responsibility and accountability (24(c)).

(a) Progress made in the implementation of the outcomes

22. At the global level, FDI inflows rose by an estimated 29 per cent to some $900 billion in 2005 after stagnating in 2004. For developed countries, this marked the end of the FDI downturn. FDI flows to China, which had continuously expanded since 1999 and accounts for roughly one quarter of FDI flows to all developing countries plateaued.

23. The rise in commodity prices, especially of oil, was the main factor in the significant rise in FDI flows to some developing regions. In Africa for example, FDI increased by more than 50 per cent; mainly in natural resources. In other regions, many resource-rich countries suddenly became large recipients of FDI.[12]

24. The growth of FDI flows to developing countries is also in sharp contrast with trends in other capital flows. Over the years, FDI flows have become the largest component of all capital flows to developing countries and now account for more than half of such flows and are several times larger than official development assistance (ODA). FDI flows, however, remain concentrated geographically. In this respect, new initiatives such as those proposed in the MDGs, may help boost investment in developing countries, which have not received much FDI, if implemented. The Commission for Africa Report, for example, calls for donors to double ODA spending on infrastructure as private investment cannot be expected to flow without decent infrastructure.

25. The increasing trend of outward FDI from developing countries in recent years has continued, fuelled by healthy reserves of foreign exchanges due to the rise in commodity prices, and the rebound of trade activities. FDI outflows from developing countries have

[11] GA resolution 59/224, paragraphs 10 and 11.
[12] For example, Azerbaijan and Kazakhstan.

risen from a negligible amount in the early 1980s to $83 billion in 2004. This rising outward FDI from developing countries provides an opportunity for other developing countries to widen the source of foreign capital for development.

26. International investment agreements continue to proliferate: at the end of 2005 2,495 bilateral investment treaties, 2,758 double taxation treaties and 232 preferential trade and investment agreements were signed.

(b) UNCTAD's contribution

27. UNCTAD's Commission on Investment, Technology and Related Financial Flows is the only intergovernmental body within the United Nations which deals with investment and related issues. Since the Monterrey Conference, 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 in LDCs; and the interactions between national and international policies in the area of FDI.

28. In response to the Commission's request in 2004 to undertake concrete activities in pursuit of the international developments goals, UNCTAD launched and strengthened several initiatives. Its Investment Guides series assisted LDCs in maximising the benefits from FDI through supporting country-level processes of policy formulation and implementation. The newly launched Blue Books on Best Practice in Investment Promotion and Facilitation — implemented in seven developing countries, five of which are LDCs — contribute to the economic growth potential and competitiveness of the countries concerned. UNCTAD has also assisted African LDCs in exploring the development of domestic productive capability in the supply of essential drugs in cooperation with pharmaceutical companies.

29. In line with the Monterrey Consensus, UNCTAD has helped member States assess their FDI positions through: the *World Investment Report,* the *World Investment Directories,* as well as the dedicated website.[13] UNCTAD also helped countries implement international methodological standards and set up data compilation and dissemination systems to produce internationally comparable FDI statistics, with regional workshops and an expert meeting.

30. Enterprise internationalization plays an important role in enhancing the competitiveness of developing country firms and their integration into the global economy, including a greater opportunity for South-South cooperation. To this end, UNCTAD organized an expert meeting with 14 country studies and a workshop on global players from emerging markets.

31. UNCTAD's Investment Policy Reviews and their follow-up activities are designed to maximize the benefits of FDI in client countries by improving the regulatory, institutional and operational aspects of clients' investment frameworks. Past reviews and follow-up measures have resulted in: legislative changes (such as investment codes); formulation of appropriate sectoral regulations (competition laws, mining codes); capacity-building (restructuring of investment promotion agencies); and ownership of reforms (by members of parliament and staff of other public institutions through sensitization programmes). To date, UNCTAD has completed 17 reviews, nearly one-third of them for LDCs, while 20 developing and least developed countries have expressed interest for future reviews.

[13] www.unctad.org/fdistatistics

32. Developing countries often lack the human and financial resources needed to adequately navigate within the multi-faceted system of international investment rules. UNCTAD's programme on International Investment Agreements has produced three seminal compendiums on issues in international investment agreements; launched the second series on international investment policies for development; conducted regional training programme for investment-agreement negotiators; and organized negotiation facilitation rounds for Bilateral Investment Treaties. The Commission on Investment continues to provide a forum to advance the understanding of the issues and their development dimension.

33. The Monterrey Consensus urges improved transparency and quality of information on private investment flows. The computer-based Investment Gateway programme for investment promotion agencies was further developed, and now features a new module on e-regulations enabling Governments to present an online comprehensive guide to regulations to foreign investors and direct links with public institutions in charge of their application. UNCTAD published the *Guidance on best practice on corporate governance disclosure* and *Corporate responsibility indicators in annual reports*. UNCTAD also assisted countries to address challenges to harmonize accounting and financial reporting practices towards International Financial Reporting Standards.

34. UNCTAD further developed its entrepreneurial capacity-building programme, EMPRETEC. There are currently 51 national EMPRETEC centres across 26 countries in operation and over 75,000 entrepreneurs received entrepreneurship training from close to 400 experienced EMPRETEC master and national trainers and also benefited from follow-up support services.

35. Also, to build competitiveness of developing countries' economies, UNCTAD supported the development of competitive insurance markets by helping prudential regulators and developing-country corporations automate their insurance operations. This was achieved through the provision of advice, guidance and training for insurance supervisory authorities, as well as postgraduate courses organized for regulators and practitioners in the sector.

External debt

36. The Monterrey Consensus recommendations on external debt (paragraphs 47-51 and 60) covered, among others, sustainable debt financing, debt relief, debt sustainability analysis, management and resolution of financial crisis — were endorsed and reinforced by the World Summit (paragraphs 26 (a), (b) and (c)), which underscored the importance of a timely, comprehensive and durable solution to the debt problems of developing countries.

(a) Progress made in the implementation of the outcomes

37. By May 2006, only 19 countries,[14] i.e. less than half of the number of eligible countries, had reached the completion point under the enhanced Heavily Indebted Poor

[14] Benin, Bolivia, Burkina Faso, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, United Republic of Tanzania, Uganda and Zambia.

Countries (HIPC) Debt Initiative and ten HIPC countries[15] remained in the interim stage between decision and completion points under the Initiative.

38. For countries that have yet to participate in the enhanced HIPC Initiative, the IDA and IMF Boards extended the "sunset clause" under the enhanced HIPC Initiative to the end of 2006. The World Bank and IMF have identified 11 countries, including four new countries[16] that are potentially eligible under the extended clause.

39. In a final push to resolve the debt problem of the poorest countries, in July 2005 the G-8 announced the Multilateral Debt Relief Initiative (MDRI) that provides 100 per cent debt cancellation of claims from IMF, IDA and the African Development Fund for HIPCs that have graduated from the HIPC Initiative. The objective of this proposal is to complete the HIPC debt relief process by freeing additional resources to support countries' efforts to achieve the MDGs.

40. For the 27 countries that reached the decision and completion point under the enhanced HIPC Initiative by 2004 (the latest year where data on debt relief are available), the evolution of their debt indicators has shown a clear improvement: the overall ratio of total external debt to GNI declined from 143.0 in 1995 to 86.8 in 2004. The nominal stock of debt of these countries was, however, roughly the same in 2004 ($111.1 billion) as in 1995 ($114.7 billion), although the concessionality of debt has increased, in terms of longer maturity and lower interest rates.[17] The percentage share of multilateral debt was also higher, as a great part of bilateral debt has been forgiven. While not all multilateral debt is eligible for cancellation under the MDRI, it is expected that completion point countries will benefit from further debt reduction.

41. Ten years following the launch of the HIPC Initiative, it is clear that it did not succeed in meeting all of its anticipated goals. The process for countries to benefit from the initiative is lengthy and slow, and characterized by complexities that burdened countries' already weak institutions. While HIPCs as a group have made progress with regard to the performance of a number of debt indicators, the debts of a number of completion point countries have rapidly increased to pre-HIPC levels.

42. Between 2005 and 2006, eight Paris Club meetings were held – four of these meetings were for HIPCs[18] and four for non-HIPCs.[19] Three additional countries have prepaid all their remaining Paris Club debt, including Brazil, Algeria and Russia.

43. The Nigerian case is unique as it is the first to use IMF's new policy support instrument which allows the IMF to monitor the country's economic reform process in the absence of an IMF lending programme. It is also the first country to successfully incorporate MDGs as part of its debt sustainability analysis: the agreement reached with the Paris Club has meant that Nigeria is the first African country to exit the Paris Club through a partial pre-paying of the debt and cancellation of two-thirds of its debt (Naples terms) on the remaining amounts.

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[15] Burundi, Chad, Democratic Republic of the Congo, Republic of the Congo, The Gambia, Guinea, Guinea-Bissau, Malawi, Sao Tome and Principe, and Sierra Leone.
[16] Eritrea, Haiti, Kyrgyzstan and Nepal.
[17] *Trade and Development Report 2006*, Chapter III, section C.
[18] Burundi, Sao Tome and Principe, Republic of Congo and Cameroon
[19] Dominican Republic, Grenada, Moldova and Nigeria.

44. Beyond these debt relief initiatives, the question of adequate financing of development of low-income countries needs to be addressed in a flexible way. ODA rose to the highest level in 2005, increasing by 31.4 per cent to $106.5 billion. This sharp increase is greatly attributed to unique factors such as debt relief accorded to Iraq ($14 billion) and Nigeria ($5 billion), and ODA provided to Tsunami-affected countries ($2.2 billion). ODA levels amounted to 0.33 per cent of GNI for DAC member countries, which remains short of the target of 0.7 per cent of GNI to be reached by 2015 set by UN.

45. The Sach's report *Investing in Development* estimated that ODA levels will need to reach $135 billion in 2006 – a further 26.8 per cent increase from 2005 levels – in order for all countries to reach the goals. However, ODA in 2006 and 2007 is anticipated to fall as a result of declining debt relief accorded to countries. The report estimated that by 2006, developing countries will require $73 billion in ODA to be directly allocated for supporting MDGs and rise to an estimated $135 billion in 2015. In light of the anticipated declines of ODA, it appears as though ODA levels will be inadequate for all countries to achieve the MDGs.

(b) UNCTAD's contribution

46. Pursuant to the Monterrey Consensus and the World Summit Outcome, UNCTAD continues to implement a work programme on debt and development finance. UNCTAD’s 2006 report to the General Assembly highlights the need to address the risk of reverse capital flows given the cyclical nature of international private capital flows. To insure against capital reflows, countries build up large foreign exchange reserves, which are costly in terms of forgone returns. The report suggests strengthening regional monetary and financial cooperation, developing a stronger base of local and regional institutional investors, overseeing private sector external borrowing, and adopting structural reforms of domestic capital markets.

47. The 2006 report proposes the use of innovative debt swaps of larger amounts to finance MDG projects in debtor countries and the full and rapid implementation of the HIPC initiative and MDRI in order to allow the remaining eligible countries to benefit from needed debt reductions. Beyond these debt relief initiatives, the question of adequate financing of development of low-income countries needs to be addressed in context. The report further proposes that DSA should not rely overwhelmingly on governance indicators (which are subjective), but take into account growth and long-term development needs of countries. Strengthened debt-management capacity as an integral part of debt sustainability strategy was recommended.

48. On debt sustainability analysis, the project on debt sustainability and development strategies: (i) utilizes an analytical framework that emphasizes the importance of using debt efficiently to pursue development objectives of a country, while also placing importance on the critical role of its export capacity; and (ii) reviews the approaches to debt sustainability analysis and helps developing countries examine and understand analytical frameworks for debt sustainability, practical debt management issues, coordination and institutional concerns and systemic links between debt and trade.

49. The importance of technical assistance for debt management was stressed by both the Monterrey Consensus and UNCTAD XI. UNCTAD's Debt Management Programme (DMFAS) has continued to help countries build their institutional capacity to effectively meet

debt management challenges. The programme works directly with nearly 100 institutions in 65 countries, accounting for more than 40 per cent of the total long-term debt of all developing countries. New training modules are being developed to build the capacity of client countries in the area of debt statistics, debt validation, portfolio analysis and debt sustainability analysis.

50. The Monterrey Consensus and the World Summit Outcome have recommended that the transparency of sovereign risk assessments made by the private sector be enhanced. The GA resolution 60/186 invited UNCTAD and others to continue work on this issue, including its potential impact on the development prospects of developing countries. In response, a study was carried out on "Rating the credit rating agencies (CRAs) and their potential impact on developing countries", which: (i) reviewed the role of CRAs in the new financial architecture and raises the question of the lack of transparency in the methodologies used by these agencies to assess borrowers' creditworthiness and the probability of default; (ii) analysed concerns related to the possible impact on economic policies and long-term development strategies that CRAs might have on sovereign borrowers; and (iii) analysed the lack of competition and accountability issues.

Coherence of the international monetary, financial and trading systems

51. Enhancing the coherence and consistency of the international monetary, financial and trading systems is an important element of the Monterrey Consensus. The São Paolo Consensus stressed the need for a better understanding of the coherence between the implementation of internationally agreed rules, practices and processes on the one hand, and the execution of national policies and development strategies on the other, as one of the principal contributions that UNCTAD is expected to make (paragraphs 26-30).

(a) Progress made in the implementation of the outcomes

52. Work by various stakeholders towards achieving greater coherence of the international monetary, financial and trading systems has contributed to the greater awareness of the issue. At its 51st session, the TDB addressed the issue of coherence as its overarching theme. The Intergovernmental Group of Twenty-Four on International Monetary Affairs has looked into the design of coherent financial, monetary and trade policies at the national and international levels. Multilateral organizations, including UNCTAD, have been trying to involve more stakeholders in various meetings. The Monterrey Consensus highlighted the importance of the greater involvement of the developing countries in the discussion on the financing for development. UNCTAD has involved the Bretton Woods institutions in meetings relating external debt and financial instability and participated in relevant meetings at WTO. However, tangible progress is still expected to come.

(b) UNCTAD's contribution

53. The São Paolo Consensus placed emphasis on coherence as one of the major areas of work of the institution. Coherence and systemic issues were also high in the debate at the Mid-term Review on the implementation of the provisions of the São Paulo.

54. The *Trade and Development Report* (*TDR*) *2005* elaborated the need for a coherent international approach in correcting persistent global trade imbalances to avoid a major

setback to the progress achieved in growth and poverty alleviation in recent years. It also made the case for strengthening coherence in development policies by reviving international efforts to address the commodity price instability. At the TDB discussion on coherence, some of the many member States participating in the debate acknowledged UNCTAD's contribution as complementary to those of WTO and the Bretton Woods institutions. This year, *TDR 2006* underlines coherence between national development strategies and international economic processes as indispensable in enhancing the effectiveness of the internationally coordinated multi-stakeholder approach.

55. UNCTAD has continued to cooperate with WTO and the Bretton Woods institutions in examining the issue of coherence. In 2005 the WTO Working Group on Trade, Debt and Finance was presented with findings from *TDR 2004*, which suggested that exchange-rate fluctuations should be governed by multilateral regulations in order to avoid their adverse effects on trade, as well as the recurrences of competitive currency devaluation.

Science and technology for development, including ICTs

56. The importance of science and technology for development was repeated throughout conferences and summits since the 1990s[20]. The World Summit Outcome stressed the vital role of science and technology in development and called for the United Nations to play a more proactive role in bridging the technology gap and the digital divide between the North and the South (paragraph 60). The Tunis Agenda for the Information Society[21] reaffirmed the commitments of the Geneva Plan of Action and decided to focus on action-oriented implementation and follow-up. The Commission on Science and Technology for Development (CSTD)[22] is expected to play a prominent role in the system-wide follow-up to the outcomes of Tunis and Geneva phases of the World Summit on Information Society (WSIS).

(a) Progress made in the implementation of the outcomes

57. The North-South gap in the generation and application of technologies to economic and social development persists as one of the main causes of the rapidly expanding socio-economic gap between rich and poor nations and constitutes a major challenge for developing countries in achieving development goals. About 86 per cent of the world’s GDP, 82 per cent of export markets, 74 per cent of telecom infrastructures and 68 per cent of FDIs are concentrated among one fifth of the world population. The CSTD has found that progress towards achieving the MDGs has been slow, and that many developing countries are not likely to meet these goals without a concerted effort to place science and technology at the centre of their development agenda.

58. Mobile phone communications are the only technology in which developing countries have surpassed developed countries in terms of number of users, although penetration rates remain low. The benefits of other ICTs are still out of reach for most of the population in developing countries. The digital divide also emerged among developing countries, between

[20] UNCED (1992), FWCW (1995), SIDS-Barbados (1994), WSSD (1995), FFD (2002), WSSD (2002), WSIS (2003, 2005), SIDS-Mauritius (2005), WCDR (2005).
[21] WSIS-05/TUNIS/DOC/6(Rev. 1)-E, 18 November 2005.
[22] http://www.unctad.org/stdev.

those rapidly catching up and those that have stagnated or even slipped behind in technological development.

59. All together, a person in a high-income nation is over 22 times more likely to be an Internet user than a person in a low-income nation. In low-income countries, the price of 20 hours Internet service is roughly twice that of a high-income nation and is over 2.5 times the average monthly income. It is only in the high-income countries that the cost of Internet service is low enough to be broadly affordable for most households and small businesses, and that even in these nations, internal digital divides exist geographically and between social groups.

60. According to the Tunis Agenda, countries should elaborate ICT strategies that are integrated to "national development plans and poverty reduction strategies, as soon as possible and before 2010." Although 92 out of 118 developing countries have already adopted a national ICT plan or are in the process of designing one, little has been done to assess the implementation of national ICT policies in developing countries, and more specifically policies for the information economy.[23]

61. Stronger efforts by developing countries, with the assistance of the international community are needed to increase the access to ICTs by their people and to better benefit from ICTs in their economies and societies. There is also a need to assess the impact of ICT policies for development. Several initiatives are underway by international organizations to help countries strengthen their ICT-related statistical capacity, in order to respond to the Tunis Agenda call for the periodic evaluation of the information society based on appropriate indicators and benchmarking[24].

62. A central body at the country level would be needed to coordinate and oversee all policy issues, to ensure policy coherence across different policy domains and to address bottlenecks. Several countries have established high-level taskforces charged with monitoring and overseeing the implementation of policies for ICTs, such as the ICT taskforce in Australia, the National Information Technology Council in Malaysia. These taskforces, which often take the form of public-private partnerships, analyse trends in ICT development and identify priority actions to boost performance in ICTs and their international competitiveness.

(b) UNCTAD's contribution

63. To help developing countries build R&D capabilities, especially in fields such as agricultural production, telecommunication and public health, in 2005 UNCTAD and CSTD launched a network of centres of excellence on science and technology in developing countries. The aim is to pool existing resources and facilities to bridge the North-South technology gap, encourage the transfer of knowledge and technology and reverse the negative impact of "brain drain" by generating a critical mass of researchers. To date, six research centres have been identified for inclusion in this network.

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[23] The *Information Economy Report 2006*, to be launched in November 2006, will feature a chapter on reviewing national ICT policies for the Information Economy.
[24] This includes the indicators and methodology developed by the Partnership on Measuring ICT for Development, launched at UNCTAD XI in June 2004.

64. The World Summit Outcome calls for supporting the development of national strategies for human resources and science and technology. UNCTAD is reviving its science, technology and innovation policy review programme, which aims to identify policies and measures to integrate science and technology in national development strategies and to maximize their impact on MDGs. The review include the Islamic Republic of Iran was presented to the CSTD and work is ongoing on the review of Angola; reviews on three African countries will be initiated between 2006 and 2008.

65. Over the past three years, UNCTAD coordinated the UN-Biotech, an inter-agency cooperation network for biotechnology development. It seeks to add value to existing programmes of UN entities through system-wide coordinated action and coherence.

66. At the WSIS parallel event on "Measuring the Information Society", decision makers were alerted to the need for reliable and internationally comparable data on ICT use, as well as to recent progress in the compilation and harmonization of ICT data.[25] In the follow-up, UNCTAD is contributing to statistical capacity-building on the information economy – a key objective of the Partnership on Measuring ICT for Development. Further, the annual *Digital Divide*, *ICT Diffusion Index* ranks countries in terms of ICT connectivity, access and usage. The 2005 report includes a cross-country analysis of more than 180 countries, as well as six case studies. It also addresses the question of inequality and divergence in ICT capabilities between countries in the international digital divide, to help countries formulate policies aimed at narrowing the divide.

67. Tourism is currently the world's largest export service and can be a strategic sector for many developing economies. UNCTAD presented at WSIS the trends and strategic challenges in the tourism on-line marketplace, e-business models, partnerships and other supporting initiatives in developing countries.[26] Further capacity-building will include an e-tourism package for multiple stakeholders in developing countries (Governments, tourism industries and academia).

68. Ongoing research on free and open-source software and other ICT for development issues, such as the effect of ICTs on employment, e-finance and Internet governance, is made available to policymakers in developing countries through the *Information Economy Report*, which serves to raise awareness and assist the formulation and evaluation of ICT policies for development.

69. The Tunis Agenda identified UNCTAD as a facilitator for the implementation of the action lines relating to enabling environments, capacity-building, e-business and e-science. In the context of multi-agency follow-ups with ITU, UNDP, UNESCO, ITC and ILO, UNCTAD will focus its work on e-business and would contribute to the work on e-employment.

Competition law and policy

70. The Fifth UN Conference to Review All Aspects of the Set on Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (Antalya,

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[25] The Partnership publication *Core ICT Indicators* and *Measuring ICT: the Global Status of ICT Indicators* provides a basis for future ICT data collection in developing countries.
[26] WSIS Parallel event on the UNCTAD E-Tourism Initiative.

November 2005) discussed problems arising from monopolization, hard-core cartels, abuses of dominance and anti-competitive mega-mergers and reviewed the national and international measures needed to prevent anti-competitive practices that would impede the realization of benefits from the liberalization of trade and investment in developing countries.

(a) Progress made in the implementation of the outcomes

71. In many developing countries, open trade regimes and financial markets alone have not lived up to expectations in promoting sustainable development and poverty reduction. The Review Conference concluded that much more attention needed to be paid on the detrimental effects of anti-competitive practices on the functioning of markets, the process of privatization, the creation of a dynamic enterprise sector, and the interface between foreign direct investment, international trade and competitiveness.

(b) UNCTAD's contribution

72. UNCTAD supported the work on the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices – the only multilateral agreement on competition policy – through: (a) monitoring of trends and developments in the competition law and policy, including the prevalence of anticompetitive practices or concentrated market structures, as well as measures taken by Governments to address them; (b) assisting developing countries in adopting competition laws and policies, establishing competition authorities, tailoring the laws and policies to their development needs, policy objectives and capacity constraints; (c) facilitating international cooperation through advocacy and information dissemination, periodic revision of the commentary to the Model Law and voluntary peer reviews on competition law and policy.

73. Technical assistance was provided, *inter alia*, to: (i) Jamaica and Kenya in implementing the Peer Review recommendations; (ii) regional cooperation such as CARICOM, UEMOA and SACU in drafting regional competition rules; and (iii) interested developing countries in formulating and enforcing national competition and consumer protection laws.

74. To contribute to the attainment of MDG through partnerships with the private sector and the civil society, UNCTAD and Consumer International organized an international conference for consumer representatives to organize the urban and rural poor to have their views and interest reflected in national development strategies. UNCTAD is also working closely with the private sector in developing countries on advocacy programmes for business to promote voluntary compliance with competition rules and consumer protection.

Countries in special situations

1. Least Developed Countries

(a) Progress made in the implementation of the outcomes of the Third United Nations Conference on the Least Developed Countries (2001)

75. Progress towards attaining the objectives of the Brussels Declaration and the Programme of Action (BPOA) varies considerably among LDCs. Eighteen LDCs did not

achieve per capita growth rates of more than one per cent per annum during 2001-2004 – far too low to have a perceptible effect on the poverty situation in their respective countries. Progress towards achieving human development targets of BPOA and MDGs has been slow. Several LDCs have, however, made steps to reduce child mortality, introduce universal primary education, and improve access to safe water.

76. Progress towards the BPOA targets, particularly on aid, debt relief and market access, is more positive and encouraging. Net ODA disbursements from DAC member countries to LDCs almost doubled from $12 million in 2001 to $23.5 million in 2004. Although aid inflows have still not reached the levels commensurate with the aid-to-GNI targets in the BPOA, this trend is a major turnaround from the 1990s. On debt, in net present value terms, the LDC-HIPCs that have reached completion point received committed debt relief of $14.2 billion.

77. WTO-related commitments in BPOA have been mainstreamed in the WTO negotiations. Progress was made on three issues of great interest to LDCs: (i) the commitment to facilitate and accelerate negotiations with acceding LDCs; (ii) the commitment to duty-free, quota-free market access for products originating from LDCs and (iii) the exhortation to the core agencies, in coordination with development partners, to enhance the Integrated Framework (IF). They are manifested in: (i) the adoption by the WTO General Council of guidelines to facilitate the accession process for LDCs, (ii) the agreement on duty-free, quota-free market access for all products originating from LDCs by 2008 or no later than the start of the implementation period; and (iii) the endorsement of the three elements for the IF Enhancement, and the establishment of a Taskforce for operationalizing these initiatives.

(b) UNCTAD's contribution

78. UNCTAD has been undertaking activities for the implementation of BPOA at the institutional, intergovernmental and technical levels. Research and policy analysis focus on such macroeconomic, sectoral and thematic issues of interest to LDCs as: poverty reduction strategies, development of productive capacities, vulnerability profiles, graduation and smooth transition, effective benefits from the LDC status, and market access and trade preferences. Capacity building activities focus on human resources development, institutional capacity building and policy advice. These include trade-related technical assistance in the context of the Integrated Framework (IF), policy advice on trade policy and negotiations, investment promotion and enterprise development, as well as projects on customs modernization (ASYCUDA), cargo information system (ACIS) and debt management (DMFAS).

79. In preparation for the General Assembly’s comprehensive mid-term review of progress in implementation of the Programme of Action, a qualitative assessment was conducted with seven country case studies.[27] Based on these studies, an ad hoc expert meeting in May 2006: (i) exchanged best practices and drew policy lessons; (ii) enhanced dialogue between LDCs and their development partners; (iii) identified key development challenges facing LDCs; and (iv) put forward policy conclusions and recommendations to the further implementation of actions and commitments of BPOA at the national and international levels.

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[27] Bangladesh, Burkina Faso, Cape Verde, Ethiopia, Mozambique, Nepal and Uganda.

80. On multilateral trade negotiations, technical support was provided to LDCs' trade negotiators and to the biennial LDCs Trade Ministers Meetings[28] – a forum to identify issues of common interest in the multilateral trade agenda and to articulate them at the WTO Ministerial Conferences.

81. To operationalize the enhanced IF initiative, a high-level brainstorming was organized in October 2005 to identify its main pillars. UNCTAD developed the concept of national-ownership building of the IF process through pre-diagnostic trade studies (DTIS) and supported its implementation with a regional workshop in Rwanda and national workshops in Sierra Leone and Niger. It developed IF projects from the DTIS action matrices in IF countries,[29] covering trade facilitation, customs, trade negotiations, regulatory framework in investment and competition, norms and standards of commodities export and creative industries.

2. Landlocked and transit developing countries

(a) Progress made in the implementation of the outcomes of the International Ministerial Conference on Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Cooperation (2003)

82. The Almaty Programme of Action (APOA) addresses the special needs of landlocked and transit developing countries within a New Global Framework for Transit Transport Cooperation with Landlocked and Transit Developing Countries. Landlocked developing countries (LLDCs) have begun to mainstream APOA in their national development policies. However, progress differs from one country to another. More advanced LLDCs, particularly in Central Asia and Latin America, are making better use of the Almaty platform for designing domestic policies, for articulating their needs to development partners and for positioning themselves in the international arena. Other LLDCs, particularly in Africa, are challenged by limited institutional capacities to efficiently implement APOA.

83. At the 60th session of the General Assembly,[30] it was reported that high trade transaction costs remain the main factors responsible for the marginalization of LLDCs in international trade and for their poor economic performance. The UN Secretary-General reiterated the need for increased and immediate technical assistance to ensure LLDC's effective participation in the WTO negotiations, particularly on trade facilitation.

(b) UNCTAD's contribution

84. UNCTAD's contribution to APOA includes facilitating the development of transit corridors, the adoption of transit facilitation measures, and the management of transport infrastructure and related facilities. Landlocked and transit developing countries in three transport corridors in Latin America, Africa and Asia received technical assistance with: (i) guidelines and analytical tools to assess their needs and priorities in trade and transport

[28] Held respectively in Zanzibar, Dhaka and Livingstone in preparation for the 3rd, 4th and 5th WTO Ministerial Conferences.
[29] Chad, Djibouti, Benin, Guinea, Lao People's Democratic Republic, Mali, etc.
[30] Report of the Secretary General on the Implementation of the Almaty Programme of Action (A/60/287)

facilitation; (ii) assistance in implementing specific institutional development mechanisms; and (iii) sustainable capacity building to plan and implement regional initiatives.

85. For individual countries, a project in Afghanistan on "Emergency Customs Modernization and Trade Facilitation" was commenced, and a number of ASYCUDA projects are implemented to improve customs transit.[31] A joint regional project with the Economic Cooperation Organization addresses, *inter alia*, regional solutions to transit transport problems.

86. UNCTAD provided expert assistance at various events and meetings, for example, at: a special event on trade facilitation at a high-level meeting of Trade Ministers from landlocked and transit developing countries (August 2005); an expert discussion on “Indicators to Measure Progress in Establishing Transit Systems”; and the regular expert meetings that addressed, *inter alia*, transport and logistics, trade facilitation and regional integration, and private sector expectations from the WTO negotiation process on trade facilitation. Through intergovernmental and expert discussions and with technical studies, UNCTAD helped LLDCs to find a coherent and consolidated negotiation strategy for multilateral trade negotiations.

3. Small island developing States

(a) Progress made in the implementation of the outcome of the International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States (2005)

87. Little progress was observed in the implementation of the commitments of the Mauritius Strategy on Trade and Finance. Technical assistance to small island developing States (SIDS) in the accession process to WTO was pursued but not really "enhanced". The "need for steps to address the issue of preference erosion" has continued to be "recognized" (the Mauritius Strategy, paragraph 92(b)), but has not led to alternative preferential regimes to enable SID. The Work Programme on Small Economies in WTO has been pursued, but taken limited account of specific problems of SIDS.

88. The Mauritius Strategy (Chapter XII) underscored the issue of graduation from the LDC status. However, little progress was observed towards "better reflecting the vulnerability" of SIDS in this context. The triennial review of the list of LDCs in 2003 and 2006 recommended graduation of three SIDS from the LDC status on grounds of progress principally measured through the national income per capita, not taking into account the economic vulnerability aspect.

(b) UNCTAD's contribution

89. UNCTAD has been drawing the attention of the international community to the special development challenges faced by SIDS, and the need for special support measures in their favour. This involves research and analysis, technical assistance and policy advice to individual SIDS or regional organizations, and advocacy at and technical inputs to international fora.

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[31] Bolivia, Burkina Faso, Burundi, Ethiopia, Malawi, Mali, Niger, Rwanda, Uganda, Zambia and Zimbabwe.

90. UNCTAD cooperates with the Committee for Development Policy in its triennial review of the list of LDCs through conceptual, methodological and statistical inputs, notably on vulnerability profiles of countries deemed eligible for graduation. In accordance with the Mauritius Strategy, UNCTAD has assisted graduating countries in formulating and implementing strategies to secure a "smooth transition" in anticipation of the loss of the LDC status. It also proposed a reform of the graduation rule to include the economic vulnerability criterion therein.