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UNCTAD's contribution to the implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic and social fields

Progress made in the implementation of the outcomes of the major United Nations conferences and summits, and UNCTAD's contribution

Note by the UNCTAD secretariat*

Executive summary

In the context of the upcoming Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, this note reviews the progress made in implementing the outcomes of the major United Nations conferences and summits in key areas of development, including UNCTAD's contribution in this respect.

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

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Introduction

1. The General Assembly, in its resolution 57/270 B, stressed the need to make maximum use of existing United Nations mechanisms for the purpose of reviewing the implementation of commitments made within the United Nations system in key areas of development (para. 27). In this regard, it invited the Trade and Development 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 United Nations conferences and summits, under its relevant agenda items.

2. The twelfth United Nations Conference on Trade and Development (UNCTAD XII), held in Accra, Ghana, in April 2008, agreed that: "UNCTAD, within its mandate, should make a contribution to the implementation and follow-up to the outcomes of relevant global conferences. It should continue to contribute to the achievement of the internationally agreed development goals, including the Millennium Development Goals. … It should also contribute to furthering the implementation of the internationally agreed goals in the Doha Ministerial Declaration and other relevant decisions" (Accra Accord, para. 11).

3. Pursuant to the decision by the General Assembly, in its resolution 62/187, to hold the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha, Qatar, from 29 November to 2 December 2008, preparations to review the implementation of the Monterrey Consensus began in early 2008, As part of the preparations, UNCTAD participated in review sessions on various thematic areas of the Monterrey Consensus, including the mobilization of domestic financial resources, foreign direct investment (FDI) and other private flows, international trade and external debt.

I. International trade

4. The Monterrey Consensus explicitly recognized international trade as an "engine for development" (chap. III). In conjunction with the Doha Ministerial Declaration, this has created a powerful momentum to put trade and development issues and international partnership at the centre of the global agenda. The Millennium Declaration affirmed the General Assembly's commitment to an open, equitable, rule-based, predictable and non-discriminatory multilateral trading and financial system. General Assembly resolution 60/184 referred to the actions required to achieve a balanced, development-oriented and successful conclusion of the Doha negotiations. The contribution and opportunities provided by trade for the sustainable development of developing countries were also highlighted at the World Summit on Sustainable Development.

5. The round tables and high-level sessions at UNCTAD XII validated and developed the key trade and development policies underlying the Monterrey Consensus, emphasizing the promotion of inclusive development, especially in the poorest countries. In the Accra Declaration, member States recommitted themselves to upholding a well-functioning, universal, rules-based, open, non-discriminatory and equitable multilateral trading system which promoted development, and strongly emphasized global partnership to maximize development gains for all from globalization (para. 3). The Accra Accord states that UNCTAD should enhance its work on the linkages between trade and internationally agreed development goals and objectives, including the Millennium Development Goals (para. 89).

A. Progress made

6. One of the key challenges in implementing the Monterrey Consensus is to spread the benefits of trade more inclusively across and within developing countries, while sustaining development and accelerating growth. Many developing countries have experienced extensive liberalization, partly in response to multilateral or regional trading agreements. To a considerable extent, trade and trade liberalization have contributed to the promotion of economic growth, employment and development. In the period 2000–2005, export growth accounted for over 60 per cent of growth in gross domestic product (GDP) in developing countries and over 40 per cent in the least developed countries (LDCs), as compared to 30 per cent in developed countries.

7. However, the majority of developing countries have not fully participated in or benefited from such growth. They have often been hampered by (a) insufficient productive and supply capacity and (b) insufficient competitiveness in terms of infrastructure, product quality, price, capital, technology, entrepreneurship, human resources, or information networks and distribution channels. Moreover, developing-country exports have been hampered by such factors as complex rules of origin and local content requirements, non-tariff measures, tariff escalation and anti-competitive practices of enterprises.

8. To the extent that developing countries have benefited from trade and economic growth, they have often been unable to effectively translate the benefits into income and employment gains and poverty alleviation or to achieve their development objectives. The human-development targets that have been attained are threatened by persistent trade problems, as well as emerging challenges in the areas of food and energy security, climate change and the environment. For instance, over 30 developing countries are currently facing a severe food crisis.[1]

9. Thus, the goals set in the Millennium Declaration and in the Monterrey Consensus with respect to the trading system have not yet been fully achieved. Ensuring the beneficial participation of developing countries in the international trading system is a critical challenge which must be addressed if globalization is to be a positive force for all, with its benefits shared equitably. As underlined in the Accra Accord (para. 45): “Maximizing the benefits and minimizing the costs of international trade liberalization calls for mutually supportive and coherent policies and governance at all levels.” It is critical in this regard that the Doha Round of multilateral trade negotiations be brought to a successful conclusion, with its core agenda fully realized.

10. Action also needs to be taken, in line with the Accra Accord, to address several systemic issues relating to international trade and the trading system, including: increased and effective market access and entry for developing countries’ exports of commodities, manufactures and services; strengthening and development-orientation of North–South, South–South and regional trade and cooperation arrangements; mobilization of the potential of the services trade and economy for development; and strengthening trade and productive capacity in developing countries.

B. UNCTAD’s contribution

11. UNCTAD undertakes a wide range of activities to promote an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system, including: intergovernmental policy dialogue and consensus-building on emerging

[1] See UNCTAD, Addressing the global food crisis, UNCTAD/OSG/2008/1.

issues on the international trade agenda, and on the Doha Round negotiations; and contributions to the deliberations of the General Assembly and UNCTAD's intergovernmental machinery on international trade and development issues. Such deliberations have addressed, among other things, the development implications of trade in services and specific services sectors and modes of supply of particular interest to developing countries.

12. UNCTAD contributes to the mainstreaming of development into international trade and trade negotiations through its research and analysis, as well as its technical assistance and capacity-building activities.

13. Over the years, UNCTAD has developed analytical tools, databases and software for trade and trade-related decision-making. [2] Its work broke new ground in the context of non-tariff barriers, mobilizing United Nations agencies and other relevant organizations to develop a coherent approach to the definition, classification and collection of non-tariff barriers data using the TRAINS database.

14. UNCTAD technical cooperation and capacity-building activities relate in particular to trade negotiations and policymaking under the Joint Integrated Technical Assistance Programme (JITAP), Aid for Trade and the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries. Activities more specifically aimed at strengthening trade and development-related teaching and research are undertaken in programmes such as TrainForTrade, the training courses referred to in paragraph 166 of the Bangkok Plan of Action, the Development Account project on trade and the Millennium Development Goals (MDGs), and the Virtual Institute on Trade and Development.

15. UNCTAD has continued to provide support to enhance the participation of developing countries in new and dynamic sectors of world trade, such as the creative industries, as well as support for a range of trade and cooperation arrangements, including the Generalized System of Preferences (GSP) and the Global System of Trade Preferences among Developing Countries (GSTP). It has provided support to the African, Caribbean and Pacific (ACP) group of States in negotiations on economic partnership agreements and to the Southern African Development Community on regional integration, as well as to G-NEXID (Global Network of Exim Banks and Development Finance Institutions).

16. Regarding trade and environment issues, UNCTAD has pursued a number of activities aimed at building the capacity of developing countries to analyse and deal effectively with a new generation of environmental, health and food-safety standards, including through the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries. Sector-specific activities have focused on electrical and electronic equipment, organic agriculture and GlobalGAP (the Global Partnership for Good Agricultural Practice). In addition, UNCTAD conducted meetings and analytical work on environmental requirements and market access, and on non-tariff measures (particularly phytosanitary measures). It continued to provide direct substantive support to the World Trade Organization (WTO) negotiations on environmental goods.

17. UNCTAD has also conducted various intergovernmental meetings and studies in the context of its Biofuels Initiative to assist member countries, especially developing countries, in dealing with a sector that offers clear development potential, but also carries some risk.

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[2] Including the Trade and Development Index, the Trade Analysis and Information System (TRAINS), the World Integrated Trade Solution (WITS), the South–South Trade Information System (SSTIS), the Measures Affecting Services Trade (MAST) database, and the Agricultural Trade Policy Simulation Model (ATPSM).

18. With regard to biodiversity, UNCTAD studies have helped to prepare possible international intellectual property protection regimes that provide for disclosure, prior informed consent and benefit-sharing. The Accra Accord reiterates that "national and international efforts are needed to reserve, protect and promote the sustainable use of traditional knowledge and genetic resources and to ensure the fair and equitable sharing of their benefits" (para. 86).

19. UNCTAD has contributed to a better understanding of ways to involve the private sector in the implementation of biodiversity-related conventions, allowing developing countries and their local communities to gain from global trade opportunities based on biodiversity. For example, UNCTAD collaborated with the International Finance Corporation on the involvement of business in multilateral environmental agreements in the cosmetics and food ingredients sector, and helped promote the Amazon BioTrade programme.

II. Commodities

20. The 2005 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 sectors" (General Assembly resolution 60/1, para. 33). The Monterrey Consensus stated that "multilateral assistance is also needed to mitigate the consequences of depressed export revenues of countries that still depend heavily on commodity exports" (para. 37). The General Assembly, in its resolution on commodities, 61/190, recalled the Millennium Development Goals and the other internationally agreed development goals, and reiterated "the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing with diversification efforts in commodity-dependent developing countries" (para. 1).

A. Progress made

21. While more than 91 developing countries continue to depend on less than three commodities, little progress has been made in achieving the goals set by conferences and summits. For many years, the value accruing to developing countries and their farmers from this sector has been limited. Besides the problem of prices, the marketing and processing of these commodities is largely skewed against the developing countries that produce them. Both problems are related to the workings of the international trading system. Persistent supply/demand imbalances on world commodity markets have been mainly due (in varying degrees) to trade-distorting domestic support and export subsidies in certain industrialized countries, as well as anti-competitive practices by enterprises.

22. One of the biggest developments since the Monterrey Consensus was adopted has been the "commodity boom". UNCTAD's commodity price index (which includes fuels) has risen by 96 per cent since 2002. The surge in prices of oil and many agricultural commodities, especially staple foods, over the last two years has resulted in a severe crisis for many net food- and energy-importing developing countries, with serious implications for the achievement of the MDGs.

23. A long-term resurgence in the demand for, and value of, primary commodities in world trade holds out development opportunities for commodity-dependent developing countries. However, there is so far no evidence that the gains from price rises for food commodities are accruing to developing-country farmers, particularly smallholders, to any substantial degree. The General Assembly, in its resolution 61/190, expressed deep concern that, despite the recent increase in some commodity

prices, the causes underlying the declining price trend in other commodities had not been addressed.

24. Accordingly, as recognized in the Accra Accord (para. 77), "actions are needed to deal with long-standing commodity trade and development opportunities and challenges in order to ensure that commodity-dependent developing countries, particularly the least developed among them, are able to derive increased benefits from the global integration of markets and to meet the Millennium Development Goals; and to harness development gains from the boom in commodity prices".

B. UNCTAD's contribution

25. To relaunch the global commodity agenda, UNCTAD formulated, jointly with the Common Fund for Commodities; the ACP group of States; and the United Nations Development Programme (UNDP), a major multi-stakeholder initiative, the "Global Initiative on Commodities", which was launched in May 2007 at a conference in Brazil in preparation for UNCTAD XII.[3]

26. In the context of the current commodity boom and the food and energy crises, UNCTAD XII paid special attention to commodities. The Accra Accord points out that "the challenges regarding commodity trade continue to be a major issue in the twenty-first century" (para. 50).

27. UNCTAD has implemented a broad range of activities (including intergovernmental meetings and capacity-building and technical cooperation activities) on commodities and development, in a number of areas, including: mining and mineral commodities; oil and gas; compliance with sanitary and phytosanitary requirements and private sector standards in export markets; best practices in the use of agricultural value chains to offer financial services to participants in these chains; improving the value chain in the cotton sector in Africa through the development of trade and investment; commodity exchanges; information, statistics and reviews on commodity markets and industries; and the provision on an electronic portal (Infocomm) of commodity profiles containing information on all aspects of commodity markets.

28. In addition, UNCTAD has taken a proactive role in the High-level Task Force on the Global Food Security Crisis established in May 2008 by the United Nations Secretary-General, and in that context is currently working on a proposal for food import procurement systems.

III. Investment and enterprise development

29. The Monterrey Consensus emphasizes the vital role of private international capital flows, particularly foreign direct investment (FDI), in national and international development efforts (para. 20). The Johannesburg Plan of Implementation (para. 84) notes the role of FDI in achieving sustainable development. The 2005 World Summit Outcome reiterates the resolve 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" (para. 25).

30. UNCTAD XII highlighted the need to support efforts to "promote a conducive environment for development and to introduce reform and eradicate poverty" (Accra

[3] See the Global Initiative on Commodities Report (UNCTAD/DITC/COM/2007/6).

Accord, para. 123) and noted that "FDI can be complementary to national, regional and international efforts to mobilize resources for development" (para. 111).

A. Progress made

31. Global FDI inflows grew in 2007 to an estimated $1.8 trillion, surpassing the record level reached in 2000. FDI rose in all regions: in developed countries (by 33 per cent), in developing economies (by 21 per cent) and in South-East Europe and the Commonwealth of Independent States (by 50 per cent).

32. The financial and credit crisis in the second half of 2007 did not affect FDI inflows in that year. The depreciation of the United Sates dollar may have contributed to maintaining high levels of FDI flows in that country, particularly from countries with appreciating currencies (in Europe and developing Asia). However, in 2008, slower economic growth, financial market troubles and increasing inflationary pressures, as well as high and volatile commodity prices, pose risks that could lead to a contraction in global FDI flows.

33. FDI constitutes the largest component of external financial resources to developing countries. In addition to capital flows, FDI can generate employment, introduce technology and know-how, and improve market access for host countries. It is therefore a significant force for development. In recent years, developing countries have attracted record flows of FDI. While the bulk of these go to rapidly growing markets in Asia, virtually all developing regions have benefited from the increase. In Africa, FDI flows more than trebled between 2004 and 2007, largely as a result of rising FDI flows in extractive industries.

34. Developing countries have also emerged as sizeable sources of FDI. Their share in total outward FDI increased from only 5 per cent in 1990 to 17 per cent in 2006–2007, and is expected to continue to rise. Transnational corporations from the South play a crucial role in South–South cooperation, as the bulk of their investments go to other developing countries. This source of finance is particularly important for LDCs such as Bangladesh, Cambodia, China, Ethiopia, the Lao People's Democratic Republic, Kyrgyzstan, Thailand and the United Republic of Tanzania.

35. At the international level, the proliferation of international investment agreements (IIAs) continued to intensify at all levels. At the end of 2007, there were over 2,600 bilateral investment treaties, 2,700 double taxation treaties and 250 other agreements with investment provisions in effect, creating a complex and multilayered network of international investment rules.

B. UNCTAD's contribution

36. UNCTAD continued to analyse the development implications of FDI and TNC activities in host developing countries. The *World Investment Report 2007* examined the role of transnational corporations in extractive industries and ways to ensure that the revenues generated contribute to development and poverty alleviation. In light of the 20-fold increase in infrastructure FDI to developing countries in the past 15 years (to $148 billion) and the huge investment needs of developing countries in this area, UNCTAD examined the role of FDI in infrastructure and its implications for development.

37. The lack of reliable and timely information on FDI and TNC activities, and insufficient capacity to analyse such information, prevents developing countries from assessing accurately the impact of FDI on their economies and formulating development-oriented FDI policies. These obstacles make it difficult for them to mobilize international resources for development, particularly FDI. To alleviate this

problem, UNCTAD has undertaken a technical cooperation project, partly financed by the Development Account, to collect and harmonize statistics on FDI and the activities of foreign affiliates in developing countries. A number of African countries, from the Common Market for Eastern and Southern Africa in particular, will benefit from this project.

38. The Monterrey Consensus recognizes that "to attract and enhance inflows of productive capital, countries need to continue their efforts to achieve a transparent, stable and predictable investment climate" (para. 21). The Accra Accord called on the secretariat "to provide a platform for an international dialogue on best practice in investment policies" (para. 148). UNCTAD has started to prepare case studies on best practices in attracting FDI to small economies, using FDI to build infrastructure and build peace in post-conflict countries.

39. The Accra Accord also states that "UNCTAD should support developing countries and countries with economies in transition in formulating and implementing investment policies" (para. 149). UNCTAD's investment policy reviews (IPRs) and follow-up to their implementation are designed to improve the host country's investment environment. UNCTAD has so far carried out 24 IPRs, of which more than one third are for LDCs. The most recent reviews covered the Dominican Republic, Mauritania, Morocco, Viet Nam and Zambia. Five more are being prepared for Belarus, Burkina Faso, Burundi, Nigeria and Sierra Leone. Follow-up assistance was provided to the Dominican Republic (in 2007 and early 2008) and Rwanda (in 2006). UNCTAD's IPRs received international recognition at the 2007 G8 Summit, which acknowledged them as "valuable mechanisms in defining a shared understanding of healthy investment climates in emerging economies and developing countries". Declaration on Freedom of Investment, Investment Environment and Social Responsibility The secretariat also continues to produce blue books on investment promotion and facilitation, which consist of an action plan to improve the investment climate, and has started preparing a blue book for Nigeria, in cooperation with the Japan Bank for International Cooperation.

40. The secretariat has also developed the "i-Portal", an online facility that provides investors with pertinent information and data on a country's investment climate and investment opportunities. Three i-Portals are being developed for Benin, Ghana and Rwanda, as part as of the follow-up to their IPRs.

41. UNCTAD continued to assist countries in attracting and retaining FDI through advice and training on investment promotion strategies, good governance, policy advocacy and investor aftercare. It organized the World Investment Forum on the occasion of UNCTAD XII in Ghana in April 2008. The forum was the first attempt to strengthen the impact of the organization's work through a multi-stakeholder approach involving investors, investment policymakers and investment promotion agencies. The forum included several high-level segments attended by global leaders in government and business, and three interactive investment stakeholders' sessions on global investment prospects, global value chains and African emerging markets.

42. With regard to international investment agreements, the Accra Accord stresses the need "to balance the interests of home countries, host countries and foreign investors" (para. 151). Responding to the mandate it was given at UNCTAD XII, the secretariat continues to support developing countries participating in the debate on IIAs. This is achieved through research and policy analysis, technical assistance and the maintenance of databases on IIAs and investor-State disputes. Recent publications include *Investor-State Dispute Settlement and Impact on Investment Rulemaking* and *Investment Promotion Provisions in International Investment Agreements*. Regional technical assistance activities continued with the organization

of intensive training sessions on the negotiation of IIAs and the management of investor-State disputes, as well as the provision of advisory services to individual countries and regional organizations on request.

43. UNCTAD has developed an "e-regulations" system, a web-based system designed to help developing countries and countries with economies in transition to work towards business facilitation through transparency, simplification and automation of the rules and procedures relating to enterprise creation and operation.

44. The Monterrey Consensus urges special efforts in such priority areas as corporate governance and accounting standards (para. 21). The Accra Accord recognizes that "new demands for financial and non-financial corporate transparency also create challenges, as reporting standards and codes are formulated for highly developed capital markets" (para. 118). Through the Intergovernmental Working Group of Experts on International Accounting and Reporting Standards, UNCTAD has been working to assist developing countries and countries with economies in transition in implementing international financial reporting standards by identifying practical implementation issues and facilitating the sharing of experiences among member States. The Intergovernmental Working Group promoted sustainable development by producing *A Manual for the Preparers and Users of Eco-Efficiency Indicators*. UNCTAD is updating its guidance on accounting and financial reporting for small and medium-sized enterprises (SMEs) and is pursuing work on corporate responsibility indicators in annual reports.

45. UNCTAD continued to develop Empretec, its entrepreneurship and SME capacity-building programme. UNCTAD XII emphasized the importance of this work, noting that "UNCTAD should strengthen its activities in research and analysis, technical assistance and consensus-building with regard to stimulating enterprise development and business facilitation" (Accra Accord, para. 154). In 2007, Empretec consolidated its presence in developing countries (there are now 28 beneficiary countries) by expanding or starting new programmes. Efforts are being made to ensure greater cooperation between Empretec centres, thereby contributing to increased South–South cooperation. Particular attention is being paid to the Empretec Africa Forum Initiative, launched in 2006, to facilitate networking and South–South cooperation in developing SMEs and entrepreneurial skills in Africa, and to programmes targeting women entrepreneurs.

IV. External debt and development finance

46. The Monterrey Consensus (paras. 47–51), the Johannesburg Plan of Implementation (para. 89) and the 2005 World Summit Outcome (para. 26) emphasize the importance of sustainable external debt in the context of development finance in both low- and middle-income countries. The Monterrey Consensus also highlights the need for a substantial increase in ODA if the international targets for ODA are to be met, as well as for the effective allocation and delivery of ODA and for innovative sources of finance (paras. 42–44).

47. The Accra Accord (para. 40) states that: "UNCTAD should continue its analysis of debt and development finance issues and should maintain its capacity-building programme for public debt management. On the basis of its analytical work, UNCTAD should continue to provide technical assistance and support for developing countries in building national capacities through the Debt Management and Financial Analysis System (DMFAS) programme, in cooperation with the International Monetary Fund, the World Bank and other stakeholders. Moreover, UNCTAD should continue to contribute to multilateral processes on external debt

and finance, including in the ‘Paris Club’ and the Development Cooperation Forum.”

A. Progress made

48. In 2007, the total external debt of developing countries and economies in transition increased by $373 billion, reaching $3,357 billion by the end of the year. The increase in the dollar value of total external debt was more than compensated for by the sustained accumulation of international reserves, which grew by over $1,000 billion from 2006 to reach $3,719 billion at the end of 2007. Cross country averages of developing countries and economies in transition indicate a net improvement in the external debt situation over the past decade. However, a closer examination reveals that this improvement is due in part to the performance of a few countries that had extremely high debt ratios in the mid-1990s. To some extent, improvements in the debt ratios of developing and transition economies can be attributed to favourable external conditions. This progress may be reversed in the wake of the recent global financial turmoil.

49. Since the start of 2007 progress under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative has continued at a slower pace. The average amount of time for countries to pass from decision to completion point has been increasing and is now about four years (as opposed to two years under the original initiative). As at the end of May 2008, 23 of the 41 eligible countries had reached completion point, with 10 countries at the interim stage between decision and completion points and 8 countries at the pre-decision point. From January 2007 to the end of May 2008, three countries – Afghanistan, the Central African Republic and Liberia – reached decision point under the enhanced initiative, and two countries – Sao Tome and Principe, and the Gambia – reached completion point.

50. All countries that reached completion point under the enhanced initiative benefited from cancellation of their full outstanding multilateral debt under the Multilateral Debt Relief Initiative (MDRI) to the International Monetary Fund, the International Development Association, the African Development Fund and, most recently, the Inter-American Development Bank.

51. Even though debt relief provided under the two initiatives improved the debt ratios of the beneficiary countries, more than half of the post–completion point countries are still considered as having either a moderate or a high risk of debt distress and only 10 out 22 of them have graduated to the low risk category. This indicates that debt relief alone will not ensure that completion-point countries attain sustainable levels of debt in the long term.

52. Total ODA from Development Assistance Committee (DAC) members amounted to $103 billion in 2007, an 8.4 per cent fall in real terms from $104.4 billion in 2006. The fall is due to the conclusion of exceptionally large Paris Club debt relief operations. Debt relief accounted for almost two thirds of the surge in ODA in 2005, when total aggregate ODA reached a historic peak ($107.1 billion), and for around 30 per cent of all ODA provided in 2005–2006. At present, most donors are not on track to meet their commitments and will need to scale up aid to meet the targets they have set for 2010.

B. UNCTAD’s contribution

53. The General Assembly, in its resolution 62/187, on the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, invited all relevant stakeholders, including UNCTAD, to provide substantive inputs to the preparatory process of the review conference

(para. 11). As part of this process, UNCTAD prepared a research paper on debt sustainability and debt composition for a workshop on debt, finance and emerging issues in financial integration, held in New York in April 2008. The paper concluded that debt sustainability analyses often mix the concept of external sustainability with that of fiscal sustainability and tend to focus on the level of debt without considering its composition. The paper noted that measuring debt sustainability required a thorough analysis of the causes of indebtedness and that analysis based purely on debt levels and on forecasts for some macroeconomic variables was inconclusive. The *Trade and Development Report, 2008* discusses issues relating to ODA and the external debt of developing countries.

54. UNCTAD is currently preparing, on behalf of the Secretary-General of the United Nations, a report on external debt and development entitled “Towards a durable solution to the debt problems of developing countries”, for submission to the General Assembly at its sixty-third session. The report reviews recent developments in external debt, explores the interaction between external debt sustainability and domestic public debt sustainability and reviews progress in debt management capacity-building efforts in developing countries.

55. UNCTAD has continued to provide support to debtor countries in preparing for negotiations on the rescheduling or restructuring of bilateral official debt in the framework of the Paris Club. In 2007–2008, six countries – the Central African Republic, the Gambia, Guinea, Liberia, Sao Tome and Principe, and Togo – rescheduled their debt within this framework.

56. Both the Monterrey Consensus and the Accra Accord recognize the importance of technical assistance for debt management. The DMFAS programme has continued to help countries build their institutional capacity to manage their debt effectively. The programme supports 100 institutions in 65 countries which account for more than 40 per cent of the total long-term debt of all developing countries. In addition to providing computerized debt management systems and related services, the programme offers a range of training modules to build the client country’s capacity in the area of debt validation, debt statistics and portfolio analysis.

57. In November 2007, UNCTAD hosted the Sixth Debt Management Conference, which is becoming one of the most important forums for regular international debates among debt managers and for the sharing of country experiences.

58. Under a Development Account project, UNCTAD organized regional study tours for debt officials in Africa, Asia and Latin America. The tours introduced visiting debt managers to debt management practices in the host country, with the emphasis on middle-office operations, which can be useful in shaping and developing debt management practices in their home country. UNCTAD also developed an e-learning module on debt sustainability analysis (DSA) consisting of four stand-alone modules on debt sustainability analysis, debt management, debt relief and sovereign debt restructuring, and debt analysis tools. A compendium of the findings of the research associated with the project is being published; it covers the approaches and mechanics of DSA, an analytical framework for DSA and development, country case studies, the institutional setting for public debt management, and debt and trade considerations.

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

59. The Monterrey Consensus stressed the need to enhance the coherence and consistency of the international monetary, financial and trading systems in support

of development. UNCTAD has constantly contributed to the debate on these issues at the sessions of the Trade and Development Board and UNCTAD's quadrennial conferences.

A. Progress made

60. Recent developments in the world economy – particularly the sub-prime crisis, the food crisis and currency fluctuations – have shown the need for consistency in the decision-making process at the global level and for greater transparency in international markets. While efforts have been made to achieve this, especially after the financial crisis of the 1990s, there has been little tangible progress towards coherence in the international monetary, financial and trading systems.

B. UNCTAD's contribution

61. Enhancing coherence at all levels in efforts to achieve sustainable economic development and reduce poverty, including through regional approaches, was one of the major themes of UNCTAD XII. The Accra Accord stipulates that UNCTAD's work "should contribute to increasing coherence in global economic policymaking, particularly in terms of the interdependence and consistency of international trade, investment and financial policies and arrangements, with a view to helping developing countries to integrate successfully into the global economy and to reap greater benefits from globalization" (para. 38). Further, the Conference decided that UNCTAD, in its work on globalization and development strategies, should focus on "contributing to a better understanding of coherence between international economic rules, practices and processes, on the one hand, and national policies and development strategies, on the other" (para. 36 (b)).

62. The *Trade and Development Report, 2007* addressed the regional dimension of monetary and financial issues and the possibilities of strengthening regional cooperation in this respect. The 2008 report addresses the following: selected issues in financing for development encompassing the impact of the financial crisis on the world economy, in particular on developing countries; the implications of higher prices for primary commodities, and the instability of commodity markets; domestic sources of finance for investment in productive capacities; ODA in support of the implementation of the MDGs and economic growth; and strategies to maintain debt sustainability. The outcome of this research and analytical work fed into the preparatory process for the review of the Monterrey Consensus, particularly in the areas of coherence, debt and ODA. UNCTAD also continued to provide support to the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development, in the design of coherent financial, monetary and trade policies at the national and international levels.

VI. Science and technology for development, including information and communication technologies

63. The World Summit on the Information Society (WSIS) adopted a common vision and commitment to building a people-centred, inclusive and development-oriented information society. The summit outcomes seek to translate this vision into objectives, goals and targets to be met by 2015, along a series of action lines and main themes. The Tunis Agenda for the Information Society designates UNCTAD as a co-facilitator for several action lines, including capacity-building, enabling environment, e-business and e-science. The Commission on Science and Technology for Development, which is serviced by UNCTAD, has been assisting the Economic and Social Council since 2006 in the system-wide follow-up to WSIS.

64. The Accra Accord calls on UNCTAD to "further strengthen its research and analysis in the area of science, technology and innovation, including ICTs" (information and communication technologies) and to "help strengthen North–South and South–South cooperation in harnessing knowledge and technology for development, and assist developing countries and countries with economies in transition through science, technology and innovation policy reviews and related technical assistance" (para. 158). It also calls on UNCTAD to "continue to assist developing countries in identifying ways and means to operationalize technology transfer clauses in international agreements and in the outcomes of major United Nations conferences and summits in order to maximize their potential benefits" (para. 159), to "contribute to the implementation of the World Summit on the Information Society (WSIS) action lines … in cooperation with other relevant international organizations" and to assist the Commission on Science and Technology for Development "in implementing its mandate on the follow-up to the WSIS outcomes" (para. 161).

A. Progress made[4]

65. The digital divide is still wide but is shrinking in some technologies, particularly mobile telephony. At current growth rates, by the end of 2008 half the world's population is expected to have access to a mobile phone. Mobile telephony is especially important in LDCs, where mobile phones outnumbered fixed lines by almost eight to one at the end of 2007, and in sub-Saharan Africa, where the ratio was ten to one. However, the digital divide is taking on new dimensions, as the gap in access to broadband Internet widens. Although broadband is now available in more than 170 countries, it is more than ten times more expensive in low-income countries than in high-income ones, and is often unavailable outside urban areas.

66. Mobile telephony continues to register strong growth in the developing world, where the number of mobile phone subscribers tripled between 2002 and 2006, accounting for up to 58 per cent of subscribers in the world. The highest growth rate in subscribers and penetration has been in Africa, followed by developing Asia. According to UNCTAD estimates, the WSIS goal of ensuring that more than half the world's inhabitants have access to ICTs within their reach by 2015 is likely to be met in 2008 with respect to mobile phone penetration, which is predicted to reach almost 50 per cent in developing countries.

67. The Internet has continued to grow worldwide in terms of users and penetration. Although developed countries still account for the majority of Internet users and are still very much ahead in terms of Internet penetration, developing countries are slowly catching up. While in 2002 Internet penetration in developed countries was ten times higher than in developing ones, in 2006 it was only six times higher. Transition economies[5] had the highest compound annual growth rate in Internet penetration between 2002 and 2006.

68. Although the number of Internet users in Africa continues to grow strongly, penetration continues to be extremely low. Broadband penetration in Africa is below 1 per cent, and 70 per cent of all continental traffic goes outside Africa. Four countries (Egypt, Morocco, Nigeria and South Africa) account for almost 60 per cent of Internet users in the region. In addition, in developed, high-income economies, the average cost of a broadband connection is significantly less than in developing countries, both in nominal terms and as a percentage of average monthly

[4] This section draws on UNCTAD (2008). *Information Economy Report 2007–2008.*

[5] Transition economies, or "countries in transition from centrally planned to market economies", is a grouping used for economic analysis. See http://unstats.un.org/unsd/methods/m49/m49regin.htm for a list of such countries.

income. In some parts of Africa, for instance, Internet connection costs between $250 and $300 a month, the highest in the world. The digital divide is thus moving away from inequalities in quantity and access to differences in quality and capacity.

B. UNCTAD's contribution

69. UNCTAD, as the secretariat of the Commission on Science and Technology for Development, continues to monitor WSIS implementation and follow-up at the international and regional levels and prepares the annual report of the Secretary General on this subject (A/63/72–E/2008/48).

70. In implementing the science and technology-related mandate from the 2005 World Summit Outcome (para. 60), UNCTAD works primarily in the following two areas:

(a) **Science, technology and innovation policy (STIP) reviews:** these are demand-driven projects aimed at assisting developing countries with information-based policy recommendations that take account of their specific needs and circumstances. They include an evaluation of the strengths and weaknesses of the country's science and technology-related policies and measures to ensure that the latter effectively serve the country's development needs, especially those related to the MDGs. To ensure coherence and coordination at the country level, the reviews are carried out with development partners such as the New Partnership for Africa's Development (NEPAD), UNDP, the World Bank and the United Nations Educational, Scientific and Cultural Organization (UNESCO). A STIP review for Angola was finalized and presented at the eleventh session of the Commission on Science and Technology for Development, held from 26 to 30 May 2008. Two other reviews, on Ghana and Mauritania, are expected to be completed by the end of 2008, and four reviews for Latin American countries are to be initiated in the near future;

(b) **A network of centres of excellence**: UNCTAD is carrying out a project on a network of centres of excellence in cooperation with a group of scientific and technological institutions in developing countries, selected for their competence and state-of-the-art facilities. Using these institutions as regional hubs for learning and training, the network organizes training courses and workshops for scientists and engineers from developing countries, especially from Africa. Priority areas include ICT and biotechnology applications that have a direct impact on meeting the MDGs. An additional benefit of these regional training courses is that they create linkages within the scientific community and therefore serve to enhance the mobility of scientists.

VII. Competition law and policy

71. The Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, dating from 1980, aims "to ensure that restrictive business practices do not impede or negate the realization of benefits that should arise from the liberalization of tariff and non-tariff barriers affecting international trade, particularly those affecting the trade and development of developing countries" (TD/RBP/CONF/10/Rev.2).

A. Progress made

72. In many developing countries, open trade regimes and financial markets have not lived up to expectations in promoting sustainable development and poverty

reduction. The Fifth United Nations Conference to Review All Aspects of the Set (Antalya, November 2005) concluded that much more attention needed to be paid to 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 FDI, international trade and competitiveness.

B. UNCTAD's contribution

73. UNCTAD is the focal point for all work related to competition policy and consumer protection within the United Nations system. In this capacity, UNCTAD continues to (a) monitor trends and developments in competition law and policy, (b) assist developing countries in formulating and enforcing competition laws and policies that are in line with their development needs, policy objectives and capacity constraints, and (c) facilitate international cooperation through advocacy and information dissemination, the periodic revision of the commentary to the Model Law on Competition and the organization of voluntary peer reviews on competition law and policy in the context of the Intergovernmental Group of Experts on Competition Law and Policy.

74. In the period under review, capacity-building and technical assistance were provided to the following: (a) States members of the West African Economic and Monetary Union, in implementing the recommendations of voluntary peer reviews; (b) regional groupings, in drafting and implementing regional competition rules; and (c) several developing countries, in formulating and enforcing national competition and consumer protection laws, including some Latin American countries benefiting from the technical assistance programme on competition and consumer protection policies for Latin America (Compal).

75. Efforts are now being made to implement paragraphs 75 and 103 of the Accra Accord, particularly to "promote and support cooperation, including by facilitating voluntary consultations among member States and regional groupings, in line with section F of the Set".

VIII. Countries in special situations

A. Least developed countries

76. The Programme of Action for the Least Developed Countries for the Decade 2001–2010, adopted at the Third United Nations Conference on the Least Developed Countries, contains a number of quantified and time-specific development objectives and provides a framework for a strong global partnership to accelerate and sustain growth and development in LDCs.

1. Progress made

77. The recent economic performance of LDCs as a group is encouraging. In 2006 more than half of them met or were on track to meet the 7 per cent growth target of the Programme of Action by 2010, while 30 of them were on track to achieving the 25 per cent of investment-to-GDP target ratio. Similarly, merchandise exports from the LDCs, as a percentage of world exports, have been improving steadily since 2002, and reached 0.9 per cent in 2006, mostly due to an improvement in commodity prices (excluding oil, their share in world trade remained stagnant over the same period). Exports of manufactures from LDCs grew markedly in 2005 and 2006, whereas commodity exports registered the highest performance in decades. Flows of ODA to LDCs also showed a substantial increase in absolute terms between 2000 and 2006, largely due to increased debt forgiveness and humanitarian

assistance. ODA today accounts for between 40 and 70 per cent of public finance in some LDCs and 8.8 per cent of their combined gross national income.

78. While the overall improvement in the economic performance of LDCs is a cause for optimism, there is concern that it has not been accompanied by structural transformation in these economies. Consequently, efforts to reduce extreme poverty levels and improve social indicators remain complex and daunting. Recent poverty estimates by the World Bank (adjusted for purchasing power parity) show that in 9 of the 17 LDCs for which data are available, 50 per cent of the population lives on less than a $1 a day. Furthermore, there is growing concern that the current rise in oil and food prices could wipe out the hard-won economic gains of recent years. For instance, according to the Food and Agriculture Organization of the United Nations (FAO), 47 of the 50 LDCs are classified as low-income food-deficit countries and 20 as countries in food crisis.[6]

2. UNCTAD's contribution

79. UNCTAD has been making substantive contributions to assist LDCs in achieving the goals and targets set out in the Programme of Action through its research and policy analysis (as *The Least Developed Countries Report*), consensus-building activities and technical cooperation functions. UNCTAD has been advocating more pragmatic policy approaches towards LDCs, stressing that the development of productive capacities – and the related expansion of productive employment – should be at the heart of poverty reduction strategies, including poverty reduction strategy papers. This calls for a better balance in resource allocation between productive and social sectors and for proactive policies that induce investment in activities that increase value-added and generate employment. With regard to international policies, there is a need not only for more aid but also to rebalance the sectoral composition of aid and increase assistance to enhance production capacity, particularly of the agricultural commodity sector.

80. UNCTAD technical cooperation activities in the areas of trade, investment, technology and logistics are of paramount importance to support the development efforts of LDCs. For instance, though its specialized software-based institutional support programmes such as DMFAS and the Automated System of Customs Data Analysis (Asycuda), UNCTAD has been contributing to efforts to enhance institutional and human resources capacities in LDCs.

81. UNCTAD has also been supporting the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries, through a number of activities spanning the whole Integrated Framework process, from the preliminary stages to implementation. These activities comprised pre-diagnostic trade integration studies (pre-DTIS), workshops, advisory missions and participation in meetings such as the DTIS validation workshops. UNCTAD assisted LDCs in specific areas such as rules of origin (Lao People's Democratic Republic), and trade policy formulation and trade information (Sierra Leone). In cooperation with the International Trade Centre, it contributed to the "Programme d'appui au développement des exportations PADEx" project in Benin, and worked in Sao Tome and Principe on a capacity-building project for the country's Commerce Department.

82. UNCTAD also provided substantive support to the participation of LDCs in the preparatory process for and at UNCTAD XII, including through a

[6] According to FAO, since 2006, average world prices have increased by 217 per cent for rice, 136 per cent for wheat, 125 per cent for corn and 107 per cent for soya beans. For more details, see FAO Food Outlook, November 2007. (www.fao.org/docrep/010/ah876e/ah876e01.htm).

comprehensive assessment of important trade and development challenges facing LDCs based on sector-specific case studies on key export items for LDCs and national case studies.

B. Small island developing States

1. UNCTAD's contribution

83. The UNCTAD mandate on small island developing States emanates mainly from the Barbados Programme of Action, which was reviewed at the International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States held in Mauritius in January 2005. The Accra Accord further reinforces this mandate (paras. 36 (d) and 90 (j)). Subsequent reviews by the Committee for Development and Planning of progress towards graduation from the list of LDCs show that Cape Verde, Maldives and Samoa are expected to graduate between 2008 and 2011**.**

84. UNCTAD has made substantive and technical contributions to the work of the Committee and the Economic and Social Council on the review of the list of LDCs. It has helped to enrich and refine the criteria and rules for addition to or graduation from the list and to prepare vulnerability profiles of LDCs that were meeting graduation thresholds, and has provided advisory services and institutional support to graduating countries to secure a smooth transition.

C. Landlocked and transit developing countries

85. The high transport costs facing landlocked and transit developing countries have become a serious barrier to trade for these countries. Landlocked developing countries continue to pay as much as 40 per cent of the value of their exports for transport costs.

1. Progress made

86. The Almaty Programme of Action, adopted in 2003 at the International Ministerial Conference on Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Cooperation, addresses the special needs of landlocked developing countries within a new global framework for transit transport cooperation for landlocked and transit developing countries. The General Assembly, in its resolution 61/212, decided to hold a midterm review meeting of the Almaty Programme of Action in 2008. Since 2003, new approaches to the facilitation of transit operations have been explored mainly in Africa, but also in Central and South-East Asia and in South America.

2. UNCTAD's contribution

87. As a key stakeholder in the implementation of the Almaty Programme of Action, UNCTAD provides substantive inputs to this process. The Accra Accord highlighted the problems of landlocked developing countries and also strengthened the mandate of UNCTAD in addressing these problems (paras. 36 (d) and 57).

88. UNCTAD has promoted successful cooperative arrangements between landlocked developing countries and their transit neighbours, and has led efforts to introduce ICT in the monitoring of transit operations along transit transport corridors. This work was reflected in consensus-building and technical assistance activities.

89. UNCTAD was represented at various meetings in the preparatory phase of the midterm review of progress in the implementation of the Programme of Action. It also organized a preparatory meeting in July 2008 in Geneva.

90. The project "Capacity-building in trade and transport facilitation for landlocked and transit developing countries", financed by the Development Account, was completed in 2007. The project provided support for the development of business and cross-border clusters and a platform for sharing information and increasing operational efficiency. Field activities at the country level focused on trade and transport facilitation and customs automation (Asycuda).

91. UNCTAD will continue to contribute to the implementation of the Almaty Programme of Action through the adoption of transit facilitation measures and the promotion of multimodal transport for both landlocked and transit developing countries.

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Progress made in the implementation of the outcomes of the major United Nations conferences and summits, and UNCTAD's contribution

Note by the UNCTAD secretariat

Corrigendum

Paragraph 34, last sentence

Delete China, Kyrgyzstan and Thailand

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