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REVIEW OF THE TECHNICAL COOPERATION ACTIVITIES OF UNCTAD

*Report by the Secretary-General of UNCTAD**

Executive summary

UNCTAD continues to be viewed as an important provider of development-oriented trade-related technical assistance. This is reflected in the size of voluntary contributions to UNCTAD trust funds, which reached its highest level in 2005, amounting to \$34.8 million – a 30 per cent increase over the previous year. This increase is in large part attributable to contributions from developing countries in support of self-financed activities in their own countries. Contributions from developing countries accounted for some 30 per cent of the total contribution to UNCTAD trust funds. Contributions from multilateral organizations also increased in 2005. Total expenditures on UNCTAD's technical cooperation from all funding sources (including UNDP, DESA and UNFIP) remained stable at \$30.5 million. There has been an increase in the volume of assistance provided to Africa, Asia and Pacific, and Latin America and the Caribbean region. Activities in support of the least developed countries amounted to \$11 million. The least developed countries accounted for 37 per cent of the total delivery of UNCTAD's technical cooperation.

The discussions held during the Second Session of the Mid-Term Review in June 2006 on the strengthening of the three pillars of UNCTAD showed the relevance of UNCTAD technical cooperation for both donors and beneficiaries, as well as the managerial and substantive aspects that should be improved to enhance its effectiveness and development impact. New initiatives are being undertaken in this regard at the secretariat level. In the context of the ongoing UN reform process, the deliberations of the Secretary-General's High-Level Panel on UN System-Wide Coherence regarding management of operational activities at the national and regional levels, as well as wider multilateral initiatives such as the Aid for Trade initiative, will have implications for the way in which UNCTAD designs and delivers technical cooperation.

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

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Note

All references to dollars (\$) are to United States dollars.

Because of rounding, details and percentages do not necessarily add up to totals.

INTRODUCTION

1. In 2005, even more than in previous years, UNCTAD has confirmed the trend of positive results in terms of funding of its technical cooperation totalling \$34.8 million. This may be juxtaposed against a relatively stable level of delivery of \$30.5 million. With a view to improving the absorption capacity of the secretariat, measures are being introduced to reform and further strengthen the secretariat's operational and managerial modalities. Notwithstanding the increasing activities of other trade- and development-related assistance providers at the global and field levels, UNCTAD operations retain their special appeal to donors and beneficiaries. In the current context of debate on the structure of trade-related technical cooperation, UNCTAD is well placed and well equipped to continue to play a key role in the UN system. The demand for UNCTAD assistance in most areas of its work continued to grow, stimulated, in particular, by the credibility of

the research undertaken by the secretariat that nurtures and renders more effective its technical cooperation activities.

2. However, while there are good results from the point of view of fund-raising, the overall complex and fragmented structure of UNCTAD assistance should continue to be improved in line with the São Paulo Consensus, recent TDB decisions and the Mid-Term Review outcome regarding technical cooperation.

3. As in previous years, Annex I to this report provides detailed narrative information on the 2005 activities undertaken by all the UNCTAD programmes. Annex II provides financial data on the allocation of the 2005 resources, in addition to the detailed financial reports provided to individual donors on a project-by-project basis.

I. SOURCES OF FUNDING OF UNCTAD TECHNICAL COOPERATION

4. UNCTAD technical cooperation activities are funded from three sources: (i) the *Trust Funds* financed by voluntary contributions of member States and multilateral organizations and institutions; (ii) the resources provided through the *United Nations Regular Budget*; and (iii) the resources of *UNDP*. This section shows the main features and recent evolution of each one of these three sources.

A. Trust Fund contributions

5. In 2005, voluntary contributions to Trust Funds from member States and multilateral organizations totalled \$34.8 million. This amount represents an increase of 30 per cent over the previous year, and shows a doubling of contributions in the last five years, confirming a very positive trend from the point of view of the capacity of UNCTAD to attract funding for technical assistance from traditional donors and, increasingly, from beneficiaries. This is

BOX 1

The three main sources of expenditures of UNCTAD technical cooperation, 2005

| <i>Trust Funds (includes DESA/UNFIP)</i> 88.0 per cent | <i>UNDP</i> 6.4 per cent | <i>UN regular programme of technical cooperation and development account</i> 5.6 per cent |
|---|---|--|
| \$26.8 million (an increase of almost 2.3 per cent as compared with 2004) | \$1.9 million (a decrease of 25.9 per cent as compared with 2004) | \$1.7 million (the same as 2004) |

attributable to increased contributions, in particular from developing countries, and multilateral donors, in particular the European Commission.

6. Contributions from developed countries, accounting for 45.6 per cent of overall contributions to Trust Funds in 2005 (\$15.8 million dollars), contracted by 8 per cent as compared with the previous year, when approximately 64 per cent of total income was attributable to developed country contributions. This contraction is due partially to the fact that the 2005 contributions of some traditional donors were delayed to 2006. It is in UNCTAD's long-term interest to ensure that the concerns of its traditional donors are addressed and that they maintain a leading position in funding UNCTAD technical cooperation activities, particularly in the context of an overall increase in trade-related assistance. Among the developed countries, the 10 main donors to UNCTAD technical cooperation in 2005 were (by order of size of total contribution) Norway, the United Kingdom, the Netherlands, France, Sweden, Switzerland, Germany, Spain, Italy and Ireland.

7. In 2005, contributions from developing countries almost doubled as compared with the previous year to reach about \$10.4 million. They accounted for 30 per cent of total contributions to UNCTAD Trust Funds. Therefore, developing countries' contributions represented the major part of the increase in overall resources financing UNCTAD assistance. It is important to highlight the fact that the

major part of developing countries' contributions are allocated to national projects and are financed through loans, credits or grants from the World Bank or regional development banks, and/or domestic budgetary resources. These are mainly projects in support of customs reforms (ASYCUDA Programme), debt management (DMFAS Programme) and transport: the projects carried on in these three areas require relatively large amounts of resources as compared with most UNCTAD projects implemented in other areas. The following eight countries accounted for more than 70 per cent of contributions from developing countries in 2005 (also by order of magnitude): Haiti, Côte d'Ivoire, Madagascar, the Republic of Moldova, Nigeria, Pakistan, Honduras and the Syrian Arab Republic.

8. Contributions from multilateral donors also increased. There has been a sharp increase in contributions from the European Commission, which quadrupled in 2005 as compared with the previous year and amounted to approximately \$2.9 million. The corresponding figure for 2004 was \$691,227. The 2005 contributions from the European Commission were in support of some ASYCUDA projects, in Albania, Bosnia-Herzegovina and the Palestinian territory, as well as in support of COMESA regional project for ASYCUDA; the European Commission also supports the establishment of the Palestinian Shippers Council, and SADC regional integration in the area of trade in services.

CHART 1

Trends in mobilization of UNCTAD's technical cooperation, by source of funds, 1972-2005
(Percentage of total project expenditures)

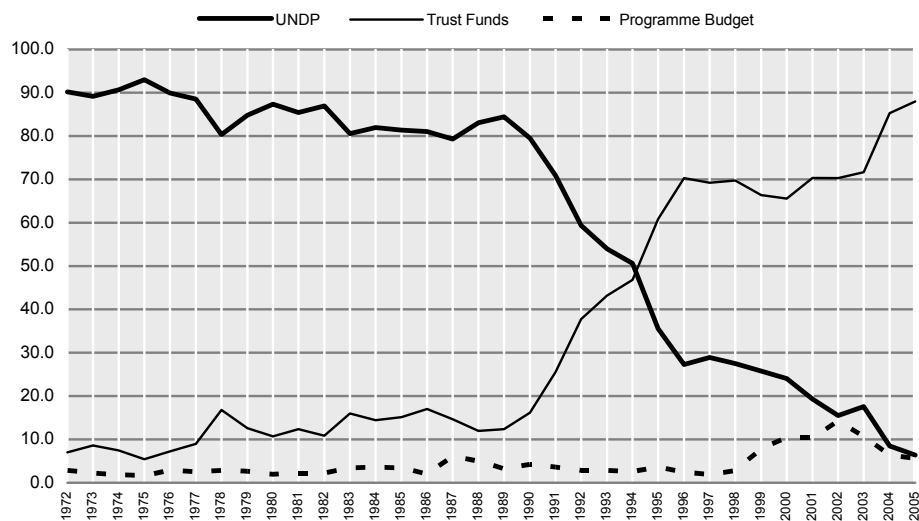
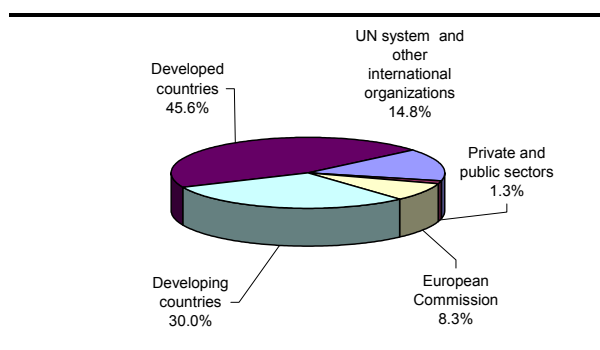


CHART 2
Origin of Trust Fund contributions, 2005
(Percentage of total contribution)



9. Overall expenditures on technical cooperation in 2005 remained at 2004 levels. Approximately \$30.6 million was spent in 2004 and \$30.5 was spent in 2005. Trust Funds are the main source of financing of UNCTAD's technical cooperation activities, accounting in 2005 for 88 per cent of total expenditures. The remaining 12 per cent came almost equally from the regular budget of the United Nations and from UNDP.

B. The UN Regular Programme of Technical Cooperation and the Development Account

10. Resources that are available from the regular budget of the United Nations accounted for 5.6 per cent of total expenditures of UNCTAD technical cooperation. These resources are provided by two

TABLE 1
UNCTAD trust fund contributions, 2002-2005^a
(In thousands of dollars)

| | 2002 | 2003 | 2004 | 2005 |
|--|---------------|---------------|---------------|---------------|
| Developed countries' contributions ^b .. | 13 546 | 17 107 | 17 137 | 15 881 |
| Developing and transition countries ^c . | 3 956 | 5 973 | 4 785 | 10 449 |
| European Commission | 1 374 | 2 173 | 691 | 2 888 |
| UN system and other international organizations ^d | 884 | 946 | 3 978 | 5 158 |
| Private and public sectors | 136 | 185 | 281 | 447 |
| Total | 19 895 | 26 384 | 26 873 | 34 823 |

^a Exclusive of third-party cost-sharing contributions through UNDP.

^b The figure for 2003 is exclusive of the amount of \$616,463 for Associate Experts : for 2004 it is exclusive of \$619,665 for Associate Experts and for 2005 it is exclusive of \$759,436 for Associate Experts.

^c A major part are self-sustained for activities in their own countries, financed from proceeds of loans or grants from international financial institutions.

^d For details see table 8 of the statistical annex (TD/B/WP/188/Add.2).

sections of the UN regular budget: first, Section 22 (i.e. the regular programme of technical cooperation); and second, Section 34 (i.e. the Development Account). Resources of the regular programme of technical cooperation are mainly allocated to interregional advisory services, capacity building and training in the main areas of UNCTAD's work in developing countries and countries with economies in transition, while the Development Account finances specific regional and interregional projects. Development Account projects are discussed and approved by the UN General Assembly and are expected to be completed within two bienniums.

11. With regard to the Development Account, eight projects (four projects approved for the "fourth tranche", i.e. the biennium 2004-2005, and four projects for the "fifth tranche", i.e. 2006-2007) with a total budget of about \$3.4 million are currently being implemented by UNCTAD. Implementation of the four projects of the "fifth tranche", with a total budget of about \$826,500 million, was initiated in early 2006. They are (a) Capacity building for information and communication technology measurement and policy; (b) Capacity building for policy making on the promotion and application of science and technology to meet the Millennium Development Goals; (c) Mobilizing financial resources: Developing capacities for growth towards attaining the Millennium Development Goals in Africa; and (d) Strengthening national capacities for home-grown economic policies through the network of academic institutions of the UNCTAD Virtual Institute. The "fourth tranche" projects still being implemented are (a) Capacity building for debt sustainability in developing countries; (b) Strengthening capacity in developing countries for meeting the Millennium Development Goals through policies and actions in trade and trade-related areas; (c) Capacity building in trade and transport facilitation for land-locked and transit developing countries; and (d) Capacity building for developing country Investment Promotion Agencies.

C. Resources provided by UNDP

12. UNDP provides the third source of the financing of UNCTAD operational activities. The declining trend in UNDP contributions that started in early 1990s continued. In 2005, UNDP-financed projects accounted for 6.4 per cent of total expenditures for technical cooperation. Until the early 1990s, and while UNDP was primarily a funding agency, it was a major source of financing of UNCTAD operational activities. At that time this source accounted for some 80 per cent of total expenditures of technical cooperation. This share,

however, has declined over the past decade and in the past two years reached its lowest level. The reason for the declining share of UNDP in financing operational activities should be seen in the context of both the changing role of UNDP and the very severe resource constraints under which UNDP had to operate. The decline in UNDP funding may be ascribed to the changing role of UNDP described in the Secretary-General's report on technical cooperation activities (A/58/382). As far as UNCTAD is concerned, UNDP is no longer the central funding agency for technical cooperation in the UN system that it once was. It has now increased funding for its own substantive and operational activities, while significantly reducing its financing to other UN entities. Most UNDP technical cooperation activities are delivered at the country or regional levels mostly through national or direct execution. This contrasts with its former role as primarily a funding agency to which UN normative and specialized agencies resorted for executing operational activities.

13. The decline in UNDP funding of UNCTAD technical assistance over the past decade was, however, offset by an increased level of funding from bilateral and multilateral donors. Nevertheless, UNDP continues to play an important role in assisting implementation of UNCTAD projects at the field level, and the intensive discussions under way with respect to the role of UN country teams should reveal

avenues for renewed pooling of UNCTAD expertise and UNDP resources within that context.

D. Financing of Associate Experts

14. In addition to the three main sources of financing technical cooperation referred to above, some donors, in support of both analytical and operational activities, participate in the Associate Expert Programme of UNCTAD. In 2005, the following donors were financing 11 Associate Expert posts in the various areas of UNCTAD work: Belgium, France, Germany, Italy and the Netherlands.

15. This very successful programme, which allows young professionals from both developed and developing countries to participate in the delivery of UNCTAD work, should be strengthened and more donors are invited to contribute to it. The donor commits resources to finance for a minimum of two years the salary and benefits of young professionals who during the period of their contract are fully integrated into the UNCTAD staff. The terms of reference of the Associate Expert are formulated by the UNCTAD secretariat according to the needs of the Divisions and proposed to the donor. The selection process is carried out by the secretariat in consultation with the donor.

II. THE CURRENT ALLOCATION OF TECHNICAL COOPERATION RESOURCES

16. The resources provided by the three funding sources mentioned above are allocated on the basis of consultations between the donors, beneficiaries and the secretariat, whereby the latter designs projects and programmes according to its knowledge of the beneficiaries' needs and demands.

17. Only a very limited number of donors engage in a programming discussion with UNCTAD and provide an annual overall contribution to UNCTAD operations (with a more or less predictable amount). The majority of donors provide funds on a project-specific basis. Project funds finance specific UNCTAD operations and cannot be merged with nor easily transferred to other projects or programmes without the express authorization of the donor. In most cases, direct contacts between the donor or the beneficiary and the secretariat lead to decisions

regarding the allocation of resources. Beneficiaries' needs are identified on a project-specific basis without recourse to a comprehensive vision of what assistance UNCTAD could provide to a country or a region.

18. The project-specific process of allocating the extrabudgetary resources underpins a fragmented structure of operations dominated by small projects and unpredictable funding. The need for more coherence and demand-driven operations – as per the 2003 technical cooperation strategy and subsequent decisions by the TDB – calls for a multifaceted strategy to strengthen the management, organization and programming of technical cooperation activities and to further systematize donor-secretariat-beneficiary dialogue. The following paragraphs expand on the current thematic and geographical

allocation of resources. Efforts are being intensified within the secretariat to ensure an improved, coherent and transparent process of fund-raising and monitoring of all UNCTAD technical cooperation.

A. Structure of technical cooperation projects

19. UNCTAD technical cooperation activities are designed for implementation at the interregional, regional or country levels (see chart 3). Total expenditures from all sources in 2005 amounted to \$30.5 million (see table 2).

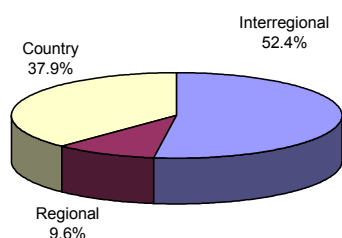
TABLE 2
UNCTAD's total expenditures on technical cooperation and source of funds, 2002-2005
(In millions of dollars)

| | 2002 | 2003 | 2004 | 2005 |
|--|-------------|-------------|-------------|-------------|
| UNDP | 3.4 | 4.9 | 2.6 | 1.9 |
| Trust Funds | 15.3 | 19.9 | 26.3 | 26.8 |
| Regular budget and development account | 3.1 | 3.0 | 1.7 | 1.7 |
| TOTAL | 21.8 | 27.8 | 30.6 | 30.5 |

1. Interregional projects

20. Interregional projects, encompassing all developing regions and groupings (including LDCs), account for the bulk of expenditures from UNCTAD Trust Funds. At \$15.9 million, they accounted for 52 per cent of overall expenditures of UNCTAD technical cooperation in 2005.

CHART 3
Technical cooperation expenditures, by type of project, 2005
(Percentage of total project expenditures)



21. Interregional projects are based on the thematic areas of expertise of the UNCTAD secretariat, with each project benefiting a number of countries in one or more regions: commodity trade, competition law and policies, biotrade, assessment of trade in services, commercial diplomacy, FDI statistics, support for investment promotion agencies, international investment agreements, support for trade facilitation policymakers and negotiators, corporate transparency, insurance markets, e-commerce and e-tourism, assistance on science and technology policies, and enterprise development. Some of the interregional projects entail assistance tailored to specific country needs, such as support for WTO-acceding countries, investment guides and investment policy reviews.

2. Regional projects

22. Regional projects are designed for activities that are undertaken in a specific region or subregion, combining donor-earmarked funding, a clearly defined regional need and demand, and the capacity of the secretariat (logistical and linguistic) to service projects in a certain region. Expenditures under these projects accounted for 9.6 per cent of overall expenditures of UNCTAD technical cooperation, amounting to \$3 million.

3. Country projects

23. Country projects are designed to respond to needs that are explicitly identified, and to undertake activities that can be delivered only, at the country level. In 2005, expenditures for such projects amounted to \$11.5 million, corresponding to more than one third of overall expenditures of UNCTAD technical cooperation. Two thirds of UNDP-supported projects fall into this category, usually arising from contacts between the beneficiary and UNDP at the national level. Other projects are self-financed (by the beneficiary) or are financed using resources made available to UNCTAD from the bilateral aid programmes of certain donors.

B. The thematic distribution of resources

24. In 2005, five UNCTAD programmes of technical cooperation, encompassing several specific projects in a given thematic area, accounted for 86 per cent of total delivery. The major programmes of UNCTAD technical cooperation in terms of expenditures were (a) ASYCUDA (29 per cent); (b) DMFAS (13 per cent); (c) trade negotiations and commercial diplomacy (13 per cent); (d) trade, environment and development (11 per cent); and (e) investment policy and capacity building (10 per cent).

25. Many of these programmes, as well as all others implemented by the UNCTAD secretariat, are based on analytical and research activities of the substantive divisions. In areas with a more operational profile (e.g. ASYCUDA and DMFAS), technical assistance is complementary to ongoing research, consensus building or technical assistance (e.g. trade facilitation and debt sustainability, respectively). The overall design and content of the programme and of each specific project utilize inputs provided by the research work of the concerned division. The main objective is to transform the analytical inputs into user-friendly services ready to be disseminated through training courses, used for institutional building or conveyed through policy advice. In each project, the UNCTAD staff involved in the research work are usually also involved in the design, delivery, monitoring and management of the programmes, thus promoting coherence between the research and the operational functions. The quality and the impact of UNCTAD operations largely benefit from this direct link between the knowledge of the topic and the content of the assistance delivered to the developing countries.

26. By definition, interregional programmes are designed so as to address needs that are generally shared by all developing regions and to disseminate the research work of UNCTAD on a global topic. However, in recent years, increasing attention has been devoted to the customization of UNCTAD general knowledge with a view to adapting the research to specific national or regional needs, priorities and policy concerns. This is the case, for instance, of the Training Courses on the Key Issues of the International Economic Agenda (as mandated by paragraph 166 of the Bangkok Plan of Action), which is based on the research done by all the Divisions, but is delivered through regional courses that take into account regional specificities. By contrast, country-specific projects are shaped in consultation with national authorities, so as to address their needs, and are usually implemented by involving national counterparts.

27. The tailoring of UNCTAD thematic knowledge according to national or regional specificities is a resource-intensive but effective way to ensure the best possible impact of the assistance delivered. It is important to recall that the UNCTAD secretariat is structured around thematic Divisions and does not include geographical units. This will always, and necessarily, remain a constraint on the direction in which UNCTAD can intensify its technical cooperation role in the future. Greater national or regional level involvement by UNCTAD can be successful only if balanced with more interdivisional

coordination and cross-cutting activities, so as to maximize knowledge-based assistance and the interface among the trade and development topics treated at UNCTAD. This calls for an enhanced systematic dialogue with donors on funding needs and priorities as well as increased sharing and coordination of resource management within the secretariat. More interdivisional operations require, first, strong support by donors since they have to agree on the allocation of resources to two or more Divisions.

28. When considering the wide thematic scope of UNCTAD technical cooperation, it is important to bear in mind that this assistance is undertaken with a view to contributing to achieve the Millennium Development Goals (MDGs) and implementing the mandates of the São Paulo Consensus. UNCTAD operational activities are a concrete contribution to achieving the MDGs, particularly partnerships for development, and to the role of trade and development-related assistance in reducing poverty and contributing to development strategies. Many of the mandates of the SPC indicate which specific goals guide the technical cooperation of UNCTAD. The annexes to the document on the implementation of the São Paulo Consensus mandates submitted to the First Meeting of the Mid-Term Review in May 2006, as well as Annex I of this annual report on technical cooperation, contain updated and detailed information in this regard.

C. The geographical distribution of regional and country-specific projects

29. With regard to the geographical distribution of technical cooperation activities, interregional projects, from which all regions and countries benefit, account for the major part of UNCTAD's operational activities. Such projects accounted in 2005 for 52.4 per cent of total delivery (as compared with 55.9 per cent in 2004).

30. Africa's share in total delivery of technical cooperation was 16.7 per cent, that of Asia and the Pacific 19.6 per cent and Latin America and the Caribbean 7.4 per cent. Europe's share (economies in transition) was 3.8 per cent.

31. The increase in the absolute amount and the share of Asia and the Pacific in total delivery is largely due to the initiation by UNCTAD of technical cooperation activities in Afghanistan and in particular the project on *Emergency Customs Modernization and Trade Facilitation*. This project alone accounted for about 19.4 per cent of total expenditures in the Asia and Pacific region in 2005.

TABLE 3
Technical cooperation expenditure, by region and by programme, 2002-2005
(In thousands of dollars)

| | 2002 | 2003 | 2004 | 2005 | |
|--|---------------|---------------|---------------|---------------|-------------|
| | Amount | Amount | Amount | Amount | % |
| Total | 21 832 | 27 788 | 30 594 | 30 485 | 100.0 |
| <i>By region:</i> | | | | | |
| Africa | 3 025 | 3 842 | 4 929 | 5 103 | 16.7 |
| Asia and the Pacific | 3 923 | 5 503 | 5 056 | 5 975 | 19.6 |
| Latin America and the Caribbean | 2 008 | 2 239 | 2 138 | 2 265 | 7.4 |
| Europe | 1 006 | 906 | 1 360 | 1 155 | 3.8 |
| Interregional | 11 871 | 15 299 | 17 111 | 15 987 | 52.4 |
| <i>By programme:</i> | | | | | |
| Globalization and Development Strategies | 2 818 | 3 185 | 3 809 | 4 206 | 13.8 |
| International Trade in Goods and Services, and Commodities | 4 394 | 6 881 | 7 281 | 8 880 | 29.1 |
| Investment, Technology and Enterprise Development | 4 260 | 5 339 | 5 083 | 3 972 | 13.0 |
| Services Infrastructure for Development and Trade Efficiency | 8 009 | 9 066 | 10 783 | 11 182 | 36.7 |
| Least Developed, Landlocked and Island Developing Countries | 365 | 725 | 1 045 | 1 128 | 3.7 |
| UN regular programme of technical cooperation (section 22) | 1 054 | 1 178 | 1 135 | 814 | 2.7 |
| Executive Direction and Management and Support Services | 933 | 1 413 | 1 252 | 228 | 0.7 |
| Resources Management Service | - | - | 206 | 75 | 0.2 |
| <i>Of which: LDCs</i> | <i>6 327</i> | <i>8 763</i> | <i>10 415</i> | <i>11 394</i> | <i>37.4</i> |

32. The increase in the absolute amount of delivery in Africa is attributable to increased activities of the regional projects of JITAP and the COMESA regional support project for ASYCUDA.

33. The increase in delivery in the Latin American Spanish-speaking countries is largely due to the new contribution of Spain, which allowed operations to be initiated in selected thematic areas during the last quarter of 2005.

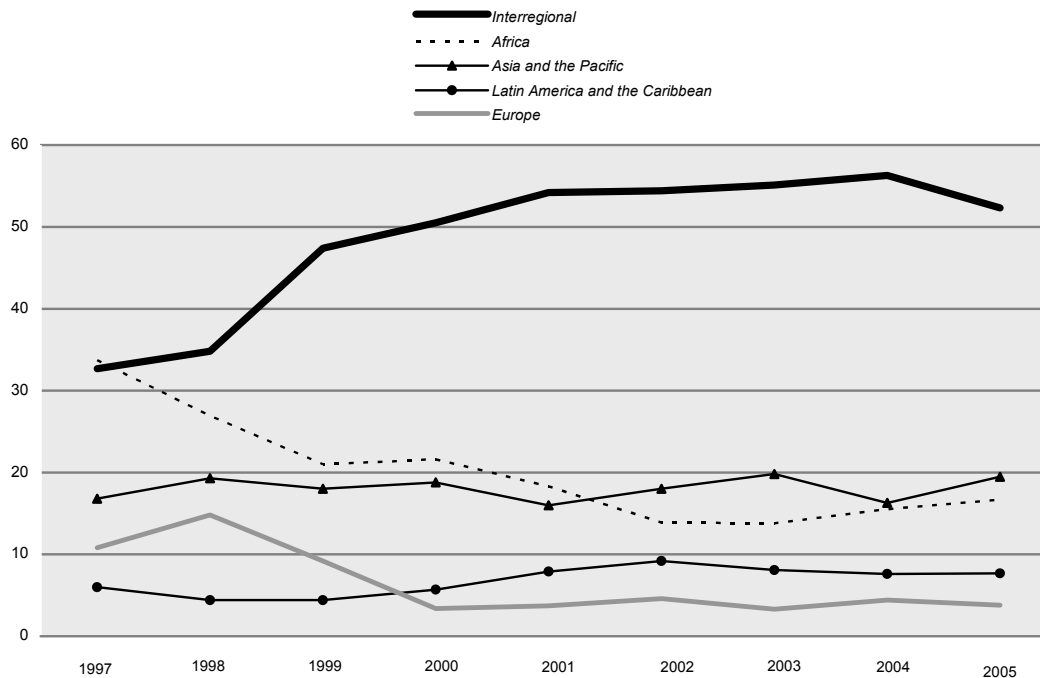
34. In consonance with the priority assigned to the least developed countries, and as in previous years, these countries benefited from the bulk of UNCTAD's technical cooperation activities. In 2005, total expenditures related to LDCs reached \$11.4 million. The share of LDCs in UNCTAD's overall expenditures on technical cooperation amounted to 37 per cent in 2005. The operations for the LDCs are jointly undertaken by the UNCTAD Special Programme for the least developed, small island developing States and landlocked developing countries, along with the relevant UNCTAD substantive Division. This is in addition to the special focus devoted to the LDCs in each Division and in all the interregional projects.

D. Closure of inactive projects and the persistence of small-scale projects

35. In 2005, some 330 projects funded by voluntary contributions were reflected in the accounts. The activities of about 50 were operationally completed and will be closed in the course of 2006. These projects included many projects that are small in terms of budget, owing to their funding arrangements; projects with residual amounts and activities; and some small dormant projects. In addition, UNCTAD implements approximately 190 UNDP-funded projects, of which about 100 are inactive.

36. The project agreement closure process is at once cumbersome and time-consuming, as the secretariat has to consult individual donors with a view to assessing their wish with respect to unspent balances, irrespective of the size of the residual balance. This process has now been simplified. For those donors that do not explicitly require the refund of unspent balances, UNCTAD now proposes a related project towards which these funds can be credited and asks donors to concur with this course of action. A deadline is set beyond which the donor's concurrence is assumed. In addition, UNCTAD proposes that unspent balances attributable to interest income of less than \$1,000 be reassigned at the Secretary-General's discretion. This will not apply

CHART 4
Technical cooperation expenditures, by region, 1997-2005
(Percentage of total yearly expenditure)



when funds are provided under conditions that explicitly require the return of unspent balances and/or interest income. Such a measure will facilitate improved Trust Fund management.

37. As part of ongoing financial management reforms, the United Nations intends to move towards the operation of a single, straightforward and flexible category of Trust Funds, such funds being sufficiently controlled at the project level. General Trust Funds will be used to finance technical cooperation and other project activities and can receive and expend unearmarked contributions. There will also be changes with regard to support costs policies. Support costs are defined as the indirect incremental costs incurred in supporting activities financed from voluntary contributions and expressed as a percentage of direct costs. The new support costs policy is expected to apply a lower overall rate of recovery, with deeper reductions applied to unearmarked contributions and contributions provided without special administrative conditions.

38. The large number of small projects (with project budgets of less than \$200,000) poses challenges in terms of management and delivery of

technical assistance services and the overall monitoring of the performance of such projects. Apart from country-specific projects that by their very nature are being operated under separate Trust Funds, the persistence of small projects is partly due to the need to respond to the concerns of those donors and beneficiaries that do not wish their funds to be commingled with those of others. A programme-clustering approach might go some way to consolidating the UNCTAD technical cooperation structure, but this requires both donor and beneficiary responsiveness.

E. Inter-agency operations – IF and JITAP

39. In most interregional, regional and national projects, cooperation with UN or system-wide partners is built into the delivery of UNCTAD technical assistance (expertise or logistical support). Most of this cooperation takes place on a case-by-case basis in the context of intra-secretariat working relations, while in some cases, formal memoranda of understanding or joint programme agreements provide the framework for more sustained collaboration between UNCTAD and other agencies.

The most recent developments with respect to two major programmes of UNCTAD involving intensive and structured inter-agency cooperation are highlighted below.

(i) *The Integrated Framework for Trade-Related Technical Assistance to the Least Developed Countries (Integrated Framework)*

40. UNCTAD continues to work in close collaboration with other Integrated Framework (IF) agencies in the implementation of the programme. In cooperation with UNDP and DFID, UNCTAD has published and circulated a practical IF Manual which explains the IF structures and processes, as well the scope of issues to be dealt with, and draws attention to the tools for trade-related capacity development available to LDCs. It also clarifies what can be expected from the IF process, and highlights the essential role and importance of national ownership and mainstreaming of trade into national development strategies and plans.

41. In December 2005, the WTO Ministerial Declaration in Hong Kong (China) endorsed the IF Enhancement and the establishment of a Task Force composed of representatives of LDCs and donors. The Task Force was mandated to provide recommendations to the Integrated Framework Steering Committee (IFSC) by April 2006 on the operationalization of the Enhanced IF based on three main elements:

- Provide increased, predictable and additional funding on a multi-year basis;
- Strengthen the IF in-country, including through mainstreaming trade into national development plans and poverty reduction strategies; more effective follow-up to diagnostic trade integration studies and implementation of action matrices; and achieving greater and more effective co-ordination amongst donors and IF stakeholders, including beneficiaries; and
- Improve the IF decision-making and management structure to ensure effective and timely delivery of the increased financial resources and programme.

42. The IF Task Force finalized its report at the end of May 2006 and it is to be submitted to the IF Steering Committee for consideration and adoption through the IF Working Group in June 2006.

(ii) *The Joint Integrated Technical Assistance Programme to Selected Least Developed and Other African Countries*

43. Under (JITAP), UNCTAD, WTO and ITC are jointly assisting selected least developed and developing African countries in strengthening their human, institutional and entrepreneurial capacities for better integration into the multilateral trading system. As part of this development partnership, UNCTAD supports country preparations for Doha trade negotiations and related trade policy formulation and implementation, primarily through strengthening the contribution of Inter-Institutional Committees (IICs) in the beneficiary countries to multi-stakeholder consultations, analysis, determination of priorities and follow-up.

44. UNCTAD organized and jointly serviced with ITC and WTO a side event on capacity building under JITAP on 14 December 2005 during the Sixth WTO Ministerial Conference. Participants from JITAP countries participated and discussed some of the lessons learnt from capacity building under JITAP and its contribution to countries' participation in the Doha negotiations and preparations for the ministerial conference. In support of these preparations, UNCTAD had commissioned a number of country studies assessing the impact of WTO agreements on national economies (Botswana, Cameroon, Malawi, Mali, Mauritania, Senegal, Zambia).

45. Following the WTO Sixth Ministerial Conference, UNCTAD provided financial, technical and advisory support for national retreats in 2006 in Malawi (March), Botswana (March), Mozambique (March), Senegal (April) and Mali (May). The national retreats discussed the results of the Conference and preparations for upcoming negotiations. Similar national retreats are planned in Mauritania, Cameroon and Zambia in June 2006. Such retreats constitute important elements in the national preparatory and consultative processes for informing and steering national participation in the Doha negotiations. In these retreats, when possible, the participation of Geneva-based negotiators is supported in order to strengthen the links between capitals and Geneva.

46. Substantive support was provided for a national workshop in Dakar, Senegal, in May 2006 on strengthening capacities on trade and environment. The main beneficiaries of the workshop were members of the National Inter-Institutional Committee. UNCTAD also participated in the JITAP networking workshop on services organized during the Second edition of the International Exhibition on Services (SISE), in Tunis, on 8 and 9 June 2006. The

workshop discussed and reviewed the opportunities for ways and means to ensure the sustainability of institutional and human capacities built or strengthened by JITAP in the area of trade in services.

47. UNCTAD participated in operationalizing and strengthening the reference centres on multilateral trade issues in Mauritania (February), Mali (March) and Senegal (May) with technical support and provision of documentation by UNCTAD, together with ITC and WTO. Similar joint ITC/UNCTAD/WTO missions are being planned for Malawi (June), Botswana (July), Mozambique (August) and Zambia (September).

48. A High Level Workshop of the Inter-Institutional Committees will be held from 24 to 28 July 2006 for capital-based senior trade officials, trade negotiators and other stakeholders from the JITAP countries to discuss the state of play in the

WTO Doha negotiations in the post-Hong Kong (China) phase and key issues facing JITAP countries that the Inter-Institutional Committees could help address.

49. A regional workshop on Doha negotiations targeted at media, women and civil society sectors in JITAP countries will be undertaken in September 2006. This is part of the training activities of JITAP, to be implemented by UNCTAD with WTO and ITC.

50. Phase II of JITAP is undergoing an external evaluation in which UNCTAD, as well as WTO and ITC, are providing substantive support. Two international evaluators and 16 National Evaluators from each JITAP country are conducting the evaluation. The JITAP Common Trust Fund Steering Committee will discuss the evaluation report in September 2006.

TABLE 4
Project expenditures by Division/Programme, as of 31 December 2005
(In thousands of dollars)

| <i>Division/Programme</i> | <i>UNDP</i> | <i>Trust Funds</i> | <i>Programme budget</i> | <i>Total</i> | |
|--|--------------|--------------------|-------------------------|---------------|--------------|
| | | | | <i>Amount</i> | <i>%</i> |
| <i>GDS: Total</i> | 169 | 3 817 | 221 | 4 206 | 13.8 |
| Macroeconomic and development policies | - | 114 | 190 | 303 | 1.0 |
| DMFAS Programme | 169 | 3 671 | 31 | 3 871 | 12.7 |
| Special programmes | - | 32 | - | 32 | 0.1 |
| <i>DITC: Total</i> | 321 | 8 259 | 301 | 8 880 | 29.1 |
| Trade analysis | - | 414 | - | 414 | 1.4 |
| Trade negotiations and commercial diplomacy | 320 | 3 573 | 222 | 4 115 | 13.5 |
| Trade analysis and information | - | 124 | - | 124 | 0.4 |
| Commodities | - | 413 | 82 | 495 | 1.6 |
| Trade, environment and development | - | 3 233 | - | 3 233 | 10.6 |
| Competition law and policy and consumer protection | - | 503 | -4 | 499 | 1.6 |
| <i>DITE: Total</i> | 334 | 3 443 | 195 | 3 972 | 13.0 |
| Investment issues analysis | 8 | 686 | - | 694 | 2.3 |
| Office of the Director | - | 210 | - | 210 | 0.7 |
| Policy and capacity building | 277 | 2 490 | 195 | 2 962 | 9.7 |
| Investment, enterprise and competitiveness | 49 | 57 | - | 106 | 0.3 |
| <i>SITE: Total</i> | 1 036 | 9 950 | 196 | 11 182 | 36.7 |
| Trade logistics | -2 | 734 | 107 | 839 | 2.8 |
| ASYCUDA | 1 039 | 7 733 | - | 8 772 | 28.8 |
| Information and training | 0 | 1 322 | 89 | 1 411 | 4.6 |
| Trade points | -1 | 39 | - | 38 | 0.1 |
| Electronic commerce | - | 122 | - | 122 | 0.4 |
| <i>LDCs: Total</i> | - | 1 129 | - | 1 129 | 3.7 |
| <i>UN regular programme of technical cooperation (section 22)</i> | - | - | 814 | 814 | 2.7 |
| <i>EDM: Total</i> | 82 | 146 | - | 228 | 0.7 |
| <i>RMS: Total</i> | - | 75 | - | 75 | 0.2 |
| GRAND TOTAL | 1 942 | 26 818 | 1 726 | 30 486 | 100.0 |

III. CONCLUDING REMARKS

A. Developments since UNCTAD XI

51. In June 2006, during the second session of the Mid-Term Review, member States examined the role of UNCTAD technical cooperation in the context of the strengthening of the three pillars of the organization, i.e. research and analysis, consensus building and technical cooperation. They emphasized that technical cooperation has to be anchored on, and interrelated with, the two other pillars in an appropriate sequenced manner. With view to strengthening the technical assistance pillar, member States recommended the following:

- (a) Ensuring more cross-divisional cooperation in the design and the implementation of technical cooperation activities;
- (b) Introducing integrated and multi-donor thematic programmes of technical cooperation in order to reduce the number of small and earmarked operations;
- (c) Improving management, evaluation and reporting of all technical cooperation activities according to best practices and UN Rules and Regulations;
- (d) Introducing better monitoring of technical cooperation and fund-raising;
- (e) Ensuring an effective role of UNCTAD at country level by providing analytical inputs to UN Country Teams and by improving cooperation with UNDP and UN Resident Coordinators;
- (f) Promoting synergies and strengthening the linkages between technical cooperation and the other two pillars;
- (g) Ensuring an important role for UNCTAD in the Aid for Trade Initiative, in accordance with UNCTAD's mandates, expertise and development approach;
- (h) Introducing an information-sharing system to enhance the flow of information on technical cooperation, as well as improve the information provided to donors on technical cooperation activities;
- (i) Maximizing the regional delivery of technical assistance activities, thus benefiting from pooled resources and enhancing relevance;
- (j) Ensuring that all technical assistance activities utilize to the maximum extent possible local

and regional expertise and material resources to enhance the institutional capacity of recipient countries and the sustainability of benefits; and

- (k) Within existing resources, delivering short training courses on key issues on the international development agenda for Geneva-based delegations in the context of paragraph 166 of the Bangkok Plan of Action.

52. The UNCTAD secretariat will implement the Mid-Term Review recommendations, and will also pay due attention to the relevant recommendations in the reports of the UNCTAD Task Force on Reform, the Panel of Eminent Persons and recent auditors' reports.

53. Paragraph 10 of the SPC provides that, "*UNCTAD should continue to contribute to, and participate effectively in, the ongoing United Nations reform process, which is aimed at inter alia deepening coherence and enhancing the effectiveness and impact of UN development activities*". In addition to a number of recent developments identified below, more developments are expected to take place in the context of the current UN reform process. These forthcoming changes will have implications for the structure and the delivery of UNCTAD operational activities.

➤ First, **the UN General Assembly Resolution on development operations** (UNGA 59/250, 17 December 2004, paras. 42-43) requests all UN entities to ensure "greater country-level programmatic coherence", "to foster teamwork among the organizations of the system", and "to improve its country-level coordination so as to optimize its support to national development efforts, at the request of national authorities". In recent months, UNCTAD has been an active participant in the UN Development Group (UNDG), which is the UN inter-agency mechanism in charge of the reform process concerning development operations of the UN system. One of the main focuses of the ongoing reforms concerns the strengthening of country operations, particularly through a greater role given to the UN Resident Coordinators (RC) and the UN Country Teams (CT). UNCTAD is increasing its contacts and joint work with some RC/CT, as appropriate in each case, but obstacles mainly derive from the non-resident status of UNCTAD, and from

the current structure of extrabudgetary funds that often do not allow for country-intensive operations. UNCTAD is regularly called on by developing countries to provide policy advice and technical support at the country level in a range of areas, emanating from its global perspective. This results in best practice development assistance tailored to specific (national) needs and responding to beneficiary priorities. A more dynamic functional relationship between UNCTAD and the CTs will require intensified internal coordination in UNCTAD as well as a clear understanding with UNDP and the CTs on the specificity of the contributions UNCTAD can make.

➤ Secondly, the **Secretary-General's High-Level Panel on UN System-Wide Coherence** established on 16 February 2006 will report to the UNGA on long-term, deep changes in the structure of the UN system beyond the ongoing reforms, which will have significant implications for UNCTAD technical cooperation. This Panel will make recommendations on policy coherence regarding, inter alia, the treatment of development in the multilateral system. The role of UNCTAD will be considered in this context. The Panel will focus on UN development activities with a view to increasing UN-wide country intensive operations, taking into account the growing number of competitors delivering assistance in the field. The Panel will also examine the different financial structures of the UN entities from the point of view of policy coherence and operational efficiency.

➤ The **“Aid for Trade” initiative** launched at the WTO Hong Kong (China) Ministerial Conference will have implications for the role of UNCTAD in the overall trade-related technical assistance delivered at the international level.

➤ The **introduction of UN-wide financial policy for extrabudgetary resources** as explained earlier in this report entails that all donors of UNCTAD technical cooperation, together with beneficiaries and the secretariat, need to integrate and simplify the current dispersed and earmarked UNCTAD structure of technical cooperation resources.

B. Towards a more coherent and integrated structure of UNCTAD technical cooperation

54. The concern for introducing more coherence in the thematic dispersion of UNCTAD operations, as well as simplifying the financial structure, has been reiterated several times in TDB decisions since 2003

and by the São Paulo Consensus. The main difficulties in this endeavour stem from:

- (a) The significant number of bilateral and multilateral donors providing individual contributions to specific thematic areas, regions or countries, frequently earmarked according to predetermined targets;
- (b) The relatively limited number of multidonor projects and programmes that group several contributions into multipurpose trust funds; and
- (c) The absence of an UNCTAD-wide indicative technical cooperation planning process whereby donors could allocate their contributions by wide thematic categories on a multiyear basis.

55. Some possible approaches have been discussed in the Working Party and the TDB since the adoption of the technical cooperation strategy in 2003, and have been included in the subsequent TDB decisions of 2004 and 2005. With a view to facilitating the transition from the current structure of UNCTAD voluntary contributions, some additional measures could be considered by member States, such as the following:

- ***Submit to donors, on an annual basis, proposals for multidonor and multiyear operations, designed in consultation with beneficiaries and reflecting their needs***, so as to maximize the multidisciplinary expertise available in two or more UNCTAD Divisions. The Divisions concerned would jointly manage the interdivisional operation from the substantive perspective, and would share the financial and human resources entailed by the project or programme. The reports on the content of these interdivisional activities would explain how the work of the Divisions concerned was merged, what value added was produced by the joint approaches and which difficulties emerged, while the financial reporting would not be different from the current individual reports to donors.
- ***As a corollary to the above, UNCTAD could organize regular consultations on wide thematic areas of UNCTAD work*** so that donors, beneficiaries and the secretariat can identify evolving needs and priorities regarding technical cooperation at the national, regional and interregional levels. The results of these consultations would provide useful inputs to the donors' decisions regarding the allocation of their voluntary contributions.

- ***Establish more visible links between the content of UNCTAD operations, the research work and the results of the intergovernmental machinery. Steps such as the following would be instrumental in this regard:*** project documents should spell out which analytical inputs will be used and disseminated through the operation; each research activity, report or publication should identify what kind of assistance could be undertaken regarding the topic analysed; and the intergovernmental bodies (particularly the Expert Meetings) should identify, as part of their consensus-building process, which technical cooperation may be needed in each thematic area discussed.
56. In order to improve the management and monitoring of technical cooperation activities as a whole, from the point of view of prioritization, coherence and efficiency, a number of measures will be undertaken. These include, at the secretariat level:
- The establishment of an interdivisional Project Review Committee chaired by the Deputy Secretary-General to review and authorize project proposals prior to engaging with donors and to ensure coherence and conformity with UNCTAD's technical cooperation mandates, strategy and priorities, as well as to assess logistical, resource and other implications. The Committee will help to formalize its decision-making process for initiating, reviewing and prioritizing projects.
 - An automated intranet-based system is being currently designed for roll-out in 2007, for the monitoring of and reporting on the financial administrative and substantive aspects of technical assistance projects (based on the ITC Portal which will be launched by the end of 2006). This will allow monitoring of both inputs and outputs at the project level and at the division and organizational levels. Managers in all Divisions and functional units will be able to obtain real-time information on project implementation. The automated system will encourage improved project evaluation and facilitate reporting within the secretariat as well as to donors and beneficiaries. It will also facilitate development of guidelines (desk procedures) for project managers to ensure that rules related to project management are widely communicated and complied with, as well as to provide guidance and ensure minimum quality standards; and
 - Further measures will be introduced in the secretariat to improve the overall supervision of the obtaining of voluntary contributions as well as the design and the implementation of UNCTAD operations.
57. In addition to the role of the secretariat, all member States' participation and commitment in the implementation of these mandates are crucial: the design and the delivery of UNCTAD technical cooperation requires intense cooperation among the three stakeholders involved – the donor countries the beneficiary countries and the secretariat.



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REVIEW OF THE TECHNICAL COOPERATION ACTIVITIES OF UNCTAD
Report by the Secretary-General of UNCTAD

Corrigendum

In paragraph 11, please delete the word million after \$826,500.

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