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

Note by the UNCTAD secretariat

**Executive summary**

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

* This document was submitted on the above date owing to the need to ensure consistency with other processes related to the follow-up and the work programme.

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## INTRODUCTION

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

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

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

4. The paper refers mainly to the outcomes of the International Conference on Financing for Development in Monterrey and the World Summit on Sustainable Development (WSSD) in Johannesburg, as well as the Geneva phase of the World Summit on the Information Society (WSIS) and the Doha Declaration of the Fourth Ministerial Conference of the World Trade Organization (WTO) at Doha. It also relates to the outcomes of the Third United Nations Conference on the Least Developed Countries at Brussels and the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation in Almaty (the Almaty conference), as well as the Barbados Programme of Action for the Sustainable Development of Small Island Developing States and its decennial review (Barbados+10). Finally, it is relevant for the 2005 comprehensive review of the implementation of the international development goals, including those contained in the Millennium Declaration.

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

## A. International trade

5. UNCTAD, through its intergovernmental, analytical and capacity-building work, has continued to contribute to the follow-up of trade-related provisions of major conferences and summits. Of particular relevance are the Millennium Declaration, the Monterrey Consensus (section C), the Johannesburg Plan of Implementation (JPOI, paragraphs 90 to 99) and the Doha Declaration. The overarching objective of UNCTAD's contribution is to promote development and poverty reduction in line with the international development goals, including those contained in the Millennium Declaration. The comprehensive outcome of UNCTAD XI (the Spirit of São Paulo[1] and the São Paulo Consensus[2]) on assuring development gains from international trade, the trading system and trade negotiations reinforces UNCTAD's role in the context of sustained follow-up and implementation of the outcomes of major conferences in trade and related areas.

6. The work of UNCTAD's intergovernmental bodies on trade and trade-related issues has helped member States to collectively survey, reflect on and develop consensus on cooperative policy responses to a comprehensive set of international trade and commodity issues of particular interest to developing countries, with a view to maximizing development gains from international trade, the trading system and trade negotiations. A particular focus has been to strengthen the capacities of developing countries to participate effectively and beneficially in international economic decision making and norm setting and in making international trade and the trading system effective instruments of development.

7. An important aspect of the Board's deliberations during its recent sessions related to developments and issues in the Doha work programme (DWP) of particular concern to developing countries. In 2002, the Board considered issues relating to the international trading system, particularly the evolution of multilateral trade negotiations, in its standard agenda item to review developments and issues in the DWP of particular concern to developing countries. In 2003, the Board extensively reviewed developments in the Doha negotiations, focusing on the outcome of the Fifth WTO Ministerial Conference at Cancún. It emphasized the role and significance of the multilateral trading system and the DWP, assessed the outcome of the Cancún conference, examined process-related difficulties, identified substantive issues in the post-Cancún period and highlighted UNCTAD's contribution to aid developing countries' effective participation in the negotiations. The Board's regular review of this issue is expected to make a positive contribution to enhancing the development dimension in the negotiations and thus achieving a balanced outcome.

8. The Commission on Trade in Goods and Services, and Commodities at its recent sessions considered various developmental aspects of international trade and the trading system, with special emphasis on trade negotiations and on commodity issues. Since 2002, the Commission has discussed and made a number of recommendations on such issues as the production and export capacities of

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[1] TD/L.382.

[2] TD/410.

developing countries with regard to agriculture and food products; energy services in international trade and their development implications; market access and market entry conditions facing developing countries; factors shaping the competitiveness of developing countries, including international market structures and anticompetitive practices; trade preferences and South-South trade; the interface between regional and global trade agreements and their development implications; export diversification; opportunities and challenges in the international trading system and the Doha negotiations; trade in services and its development implications, including market access issues in Mode 4 and effective implementation of Article IV; and trade, environment and development, including definitions and dimensions of environmental goods and services. The Commission called on UNCTAD to continue and intensify its work on trade and related issues, such as monitoring the post-Doha developments from a development perspective and providing support to developing members of the WTO as appropriate, and welcomed the plan for "Capacity Building and Technical Cooperation for Developing Countries, Especially LDCs, and Economies in Transition in Support of their Participation in the WTO Doha Work Programme", which responded to the related provisions of Monterrey and the JPOI.

9. UNCTAD's technical cooperation programmes for trade negotiations and commercial diplomacy, including the UNCTAD/WTO/ITC Joint Integrated Technical Assistance Programme, have been helping developing countries to assess their strategic trade and development interests in trade negotiations, to review their national trade policies and to prepare for negotiations based on identification of country- and region-specific trade and development interests. Benefiting from a close and complementary cooperation with the WTO, UNCTAD continued its longstanding role as a primary source of technical assistance to countries in trade negotiations and in the WTO accession process – two areas identified at all the major conferences as a key requirement for developing countries, particularly LDCs. Training activities were undertaken for a wide-ranging set of practical trade issues, such as market access, product standards and dispute settlement. Assistance was provided for better utilization of preferences granted to developing countries, including duty-free and quota-free access offered following commitments made at the major conferences. Responding further to the Monterrey Consensus's call to strengthen regional trade agreements, UNCTAD has been assisting developing countries with their regional economic integration processes.

10. UNCTAD's research and analytical tools have increased awareness of factors underlying developments in international trade and have been used to assess the impacts of varied trade policies. UNCTAD assisted developing countries in utilizing trade policy analysis tools to formulate and more effectively implement trade and development policies. Recently, particular attention was given to promoting greater participation by developing countries in dynamic and new sectors of world trade, and to developing a set of trade-related development benchmarks.

11. Since its establishment, UNCTAD has attached high priority to efficient and sustainable management and exploitation of natural resources and to helping developing countries maximize their development gains from commodities production and trade. Recent activities to support commodities-based development efforts reflect calls in the JPOI to help developing countries benefit from improved trade opportunities through improved commodity production and diversification and more effective participation in international commodity value chains. These activities and projects aimed, inter alia, to enhance the sustainability of cotton production; enhance revenue streams for timber producers; help communities affected by mine closures to explore commodity diversification; support the Global Dialogue of Governments on Mining/Metals and Sustainable Development; promote organic agriculture and fair trade for socially and environmentally sustainable production of commodities such as coffee; and support developing countries in adapting to abrupt price fluctuations and mitigating the consequences of depressed export revenues. They contribute to meeting objectives of the Monterrey

Consensus to gradually remove supply-side constraints, diversify export capacity, strengthen institutional development, enhance overall productivity and competitiveness, and improve compensatory financing mechanisms to offset commodity price fluctuations and declines. General Assembly resolution 58/204 invited the Board to review the commodity situation on a regular basis. The International Task Force on Commodities, launched at UNCTAD XI, will reinforce these efforts by ensuring broad and effective commodities stakeholder networking and generating improved approaches to technical cooperation.

12. In the area of trade, environment and development, UNCTAD engaged in promoting a wide set of objectives articulated in the JPOI, including through the Commission on Sustainable Development, WSSD partnerships for commodities and the UNEP-UNCTAD Capacity Building Task Force. Developing countries were assisted in negotiating international environment-related trade policies, understanding the interface between multilateral environmental agreements and the WTO process, meeting environmental requirements for their exports and ensuring that product standards were not disguised barriers to trade. UNCTAD also works on sustainable use of traditional knowledge, highlighted in the JPOI. Also in line with the JPOI, ongoing work on climate change focuses on helping developing countries derive sustainable benefits from the Clean Development Mechanism. Together with its public- and private-sector partners, UNCTAD assisted developing countries in exploiting growing opportunities for biotrade and environmentally preferable products, contributing to export diversification, poverty alleviation and rural community development

13. UNCTAD's work in trade facilitation has provided a better understanding of the wide range of measures that can facilitate trade, and of tools that enable countries to better apply the provision of the Doha Declaration (paragraph 27).

## B. Investment

14. Section B of the Monterrey Consensus contains provisions relating to "Mobilizing international resources for development: foreign direct investment and other private flows", while paragraph 84 of the JPOI is also relevant for this area. It is worth mentioning that UNCTAD's Commission on Investment, Technology and Related Financial Flows is the only intergovernmental body within the United Nations to deal with investment and investment-related issues.

15. Since 2002, the Commission has considered such issues as the impact of FDI policies on industrialization, local entrepreneurship and development of the supply capacity of developing countries, in particular LDCs; best practices for access to and measures to encourage transfer of technology with a view to capacity building in developing countries, especially LDCs; issues related to investment arrangements; Investment Policy Reviews (IPRs); and implications for the Commission of the Fourth WTO Ministerial Conference.

16. The Commission made a number of recommendations. It encouraged host countries to, *inter alia*, consider ways to promote FDI policies consistent with their overall development objectives and industrialization strategies; provide an efficient institutional and administrative framework; consider targeted FDI promotion policies; promote linkages between foreign affiliates and local suppliers and service providers; and assess the impact of FDI policies on gender equality in the economy and in individual sectors. The international community was invited to assist host countries in, *inter alia*, setting up appropriate institutional and financial frameworks; identifying concrete measures for strengthening linkages; helping local enterprises benefit from FDI; and, for LDCs, building and improving the infrastructure necessary for attracting FDI. It called upon UNCTAD to, *inter alia*, continue its in-depth analysis of host and home country measures; facilitate implementation of the

recommendations contained in IPRs; analyse issues related to good public and corporate governance for FDI, so as to identify best practices for enhancing developmental impact; strengthen data collection efforts and technical cooperation in improving and harmonizing FDI statistics; and disseminate country experiences on FDI policies and the interaction between foreign and domestic investment with its *World Investment Report*, IPRs and related work. Particular attention could be paid to FDI in services; measures to foster FDI at the regional level; and human and institutional capacity building at the subnational levels.

17. The Monterrey Consensus recognized the need to strengthen and develop the domestic financial sector by encouraging the orderly development of capital markets. UNCTAD has promoted better corporate governance and transparency and disclosure practices through, *inter alia*, the work of its Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, and assistance to strengthen and stabilize capital markets, particularly in the aftermath of some major corporate collapses that occurred in the last couple of years. UNCTAD also assisted member States in financing small and medium-sized enterprises by issuing guidance on accounting and financial reporting for these enterprises.

18. UNCTAD XI stressed that the financing of productive capacity building was central to any development strategy. Investment had a central role in building stronger supply capabilities and improving the competitiveness of enterprises, and it offered the potential to utilize foreign savings. Home countries of FDI could also contribute by assisting in the collection and dissemination of information on investment opportunities in developing countries; encouraging technology transfer; providing various forms of financial and fiscal incentives and helping mitigate risk; and enhancing national savings and investment through official development assistance (ODA) as a catalyst to attract FDI. The conference underlined the role of UNCTAD in collection and analysis of FDI data; policy analysis concerning the impact of FDI and related issues, such as the interaction of FDI and domestic investment, the relationship between ODA and FDI, the impact of FDI on industrialization and local entrepreneurship, the role of FDI in infrastructure development and export capacity building, and home country measures to encourage FDI flows to developing countries, particularly LDCs; and examining the potential of investment agreements to facilitate FDI flows and further the ability of countries to pursue development-oriented policies.

19. UNCTAD’s programme on International Investment Agreements (IIAs) assisted developing countries in ensuring that the development dimension of IIAs was adequately understood and addressed. It also organized two negotiation facilitation rounds for bilateral investment treaties, involving 28 countries and resulting in 36 such treaties. At the regional level, it assisted countries through preparatory events for regional approaches to investment integration, assistance in the drafting of agreements and provision of technical expertise. Since 2003, SADC, SACU, COMESA and UEMOA have benefited from this work. Some 121 developing countries have participated in training events on issues in IIAs within the joint UNCTAD/WTO follow-up work programme to the Doha Declaration.

20. To help developing countries attract FDI and increase the benefits from FDI, UNCTAD’s IPRs and their technical assistance follow-up have improved the regulatory, institutional and operational framework for FDI in host countries. Since 2003, five countries have had their reviews undertaken and discussed by the Commission. Further, the partnership forged in collaboration with UNCTAD by the World Association of Investment Promotion Agencies (currently with 165 members from some 140 countries) provided a venue for the exchange of information and experiences regarding investment promotion. Measures to engage businesses in the social and environmental aspects of development and building productive capacity have been the main focus of the UNCTAD/ICC Investment Advisory

Council for LDCs, in which diverse stakeholders, including the business sector, nongovernmental organizations and international organizations, proposed principles of corporate social responsibility.

## C. External debt and financial instability

21. Section E of the Monterrey Consensus contains provisions relating to "External Debt" (paragraphs 19, 47, 48, 51 and 60 on debt and paragraph 25 on financial instability).

22. The Board's 2002 discussion of economic development in Africa was based on an analysis of the requirements at the national and international levels to make debt relief under the Debt Initiative for Heavily Indebted Poor Countries (the HIPC Initiative) work for faster growth and poverty alleviation in the poorest countries. It was concluded that a concerted effort by debtors and creditors was required to find a lasting solution to the debt problem, but that greater domestic policy efforts and good governance could not make up for inadequate external financing and the adverse effects of protectionism in industrial countries. In 2004, the Board will again address the issue of African debt; based on an assessment of the results of the HIPC Initiative and the requirements for achieving long-term debt sustainability in Africa.

23. The external debt issue figured prominently in the debate at UNCTAD XI. The São Paulo Consensus acknowledged that, despite the progress achieved under the enhanced HIPC Initiative and the debt relief provided by bilateral official creditors, unsustainable debt burdens continued to be a serious obstacle to faster growth and development in many developing countries. Many debtor countries expressed difficulties in complying with the conditionality attached to debt relief and ODA flows and the complex process of preparing and implementing Poverty Reduction Strategy Papers (PRSPs). The São Paulo Consensus reiterated the need for increased and concerted efforts by the international community and debtor countries to reach a lasting solution to the external debt problem, and for speedy, effective and full implementation of the enhanced HIPC Initiative, fully financed through additional resources. It also called for HIPCs to take policy measures required to ensure the full implementation of the Initiative and discussed the need for continued review of debt sustainability analysis, keeping in mind the impact of debt relief on progress towards the achievement of the international development goals, including those contained in the Millennium Declaration. It also discussed, *inter alia*, innovative mechanisms for addressing debt problems, debt relief measures in the context of economic reforms, and concessional finance and modification of aid conditionalities in support of debt sustainability.

24. The UNCTAD secretariat has been contributing to the debate by the General Assembly on external debt through the reports of the Secretary-General on External Debt Crisis and Development, which analysed the evolution of external debt problems in developing countries, capital flows, and progress in the area of debt relief; examined how debt relief under the existing arrangements, particularly the HIPC Initiative, could be improved; proposed measures to help solve debt problems of middle-income countries whose debt was to a significant extent owed to private creditors; and suggested mechanisms to ensure more equitable burden sharing between borrowers and lenders and between the private and public sectors in case of financial crisis.

25. Both UNCTAD XI and the Board stressed the importance of technical assistance for external debt management for the resolution and prevention of unsustainable debt situations. UNCTAD's Debt Management–DMFAS Programme has provided computer-based debt management systems for debt recording and analysis, as well as a wide range of related training and advisory services. The programme works directly with around 65 low- and middle-income countries, whose economies

account for more than $500 billion[3] of outstanding public and public-guaranteed long-term debt, which represents approximately 40 per cent of the total long-term debt of all developing countries.

26. The secretariat has also regularly provided support to developing and transition countries seeking debt relief from the Paris Club, through analyses of their economic and financial situation and technical advice to their negotiators at the Paris Club.

27. The São Paulo Consensus stressed that volatility in international financial markets and private capital flows had often contributed directly to problems in macroeconomic management and the outbreak of financial crises in developing countries. The 2003 and 2004 issues of the *Trade and Development Reports (TDR)* provide further analyses of these problems. *TDR 2003* looked at the prospects for capital flows to developing countries from a historical perspective and pointed to the risks resulting from excessive reliance in developing countries on private external capital. *TDR 2004* examines the links between capital flows and exchange rates and their repercussions on domestic investment and trade performance, suggesting the need for multilateral action to stabilize exchange rates and financial flows, a task that developing countries have difficulty achieving by national policy measures.

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

28. Coherence of the international monetary, financial and trading systems has figured prominently in the Monterrey Consensus (e.g. paragraphs 52 and 69). UNCTAD has addressed this issue in its deliberations and analytical work on interdependence emanating from its role as the UN focal point for the integrated treatment of trade and development and interrelated issues.

29. The Board's 2002 debate on interdependence was based on the analysis of the situation of "developing countries in world trade" in *TDR 2002,* which showed that none of the developing countries that resorted to rapid trade liberalization had been able to raise its share in world manufacturing value added, even though some had been able to raise their shares in world trade of manufactures. The report concluded that the world trading system could contribute to lifting all boats together only if industrial countries dismantled protectionism in labour-intensive manufactures and eliminated trade-disrupting agricultural subsidies; if middle-income developing countries rapidly upgraded technology and moved out of labour-intensive manufactures to leave room for producers from lesser developed countries, notably the LDCs; and if large developing countries paid adequate attention to the development of domestic markets.

30. In 2003, the Board addressed the theme of "Capital accumulation, economic growth and structural change", based on the analyses in *TDR 2003.* It was suggested that improving growth prospects and meeting the international development goals, including those contained in the Millennium Declaration, especially the goal of halving poverty by the year 2015, required more growth-oriented policies in the developed countries, strengthened international financial cooperation, and a world trading and financial system more supportive of development. Since growth and poverty reduction cannot be sustained without an adequate level of capital accumulation, the need to rethink the design of national reform programmes and development strategies coherent with international arrangements was underlined. Trade liberalization alone was insufficient to boost development and accelerate income convergence; it had to be accompanied by active national policies to develop local industries and to manage their integration into the world economy in a more balanced manner. At the international

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[3] All references in this document to dollars ($) are to US dollars.

level, greater coherence was required, not only through strengthening the development dimension in the multilateral trading system, but also through an integrated approach to global economic governance and sufficiently funded programmes to protect developing countries from the impact of external shocks and to bridge the widening gap that separated them from the more advanced economies. In the absence of international arrangements to attain greater financial stability, it was important for developing countries to retain policy autonomy to so as limit their exposure to volatile international capital markets. More effort was needed from developed countries to provide technical and financial assistance, and especially to live up to the internationally agreed targets for ODA.

31. The issue of policy and systemic coherence for development was the central theme of UNCTAD XI, which addressed the coherence between the international monetary, financial and trading systems and between global economic processes and arrangements and national development strategies. The Board will take up the issue of "Policy coherence, development strategies and integration into the world economy" in 2004, based on *TDR 2004,* which examines the consequences of the fact that the system of global economic governance in its present form does not pay adequate attention to trade imbalances and distortions originating in the international monetary and financial systems, and which suggests that exchange rate changes should be governed by multilateral regulations in order to avoid adverse effects on trade and competitive currency devaluations.

32. UNCTAD's technical cooperation to the Intergovernmental Group of 24 has supported developing countries in their efforts to contribute to achieving greater coherence among the international trading, monetary and financial systems, through technical meetings and studies related, *inter alia*, to lessons from the East Asian financial crisis; IMF and World Bank conditionality; reform of international financial institutions; industrial strategy; and capital management techniques.

## E. Information and communication technologies for development

33. The WSIS Geneva Plan of Action called for action by all stakeholders, including international organizations, in the promotion of ICT for development. It specified that, by 2005, countries are encouraged to develop national e-strategies and an ICT partnership, and that international organizations should develop strategies for the use of ICT for development and should publish information on experiences with mainstreaming ICT.

34. The Commission on Enterprise, Business Facilitation and Development in 2004 recognized that particular emphasis should be placed on actively engaging in the implementation of the Action Plan and follow-up to the Declaration of Principles adopted at the first phase of the Summit, and that it was necessary to undertake research and produce relevant studies to highlight key development aspects of pending issues to be discussed in Tunis at the second phase. The Plan of Action included a comprehensive list of "action lines" to be implemented by various stakeholders, making a number of suggestions on the development of statistical indicators for benchmarking and performance evaluation, to follow up the implementation of the Plan of Action and to track global progress in the use of ICT.

35. The São Paulo Consensus reiterated the need for developing countries to take advantage of new technologies such as ICT so as to formulate and implement ICT policies and strategies to improve the competitiveness of enterprises, and it reaffirmed the need to build partnerships in ICT for development. UNCTAD will contribute fully to existing initiatives in areas, ranging from activities that enable developing countries to take full advantage of free and open-source software; e-tourism; the development of national e-strategies and e-policies; e-measurement and ICT indicators; and activities regarding e-business and e-finance.

36. Much of the Internet and a distinguished list of technology businesses use infrastructures based on free and open-source software (FOSS) for mission-critical tasks. Nevertheless, FOSS is often insufficiently understood from an economic, human capacity and intellectual property perspective, issues with important development implications. An UNCTAD expert meeting considered key issues on the economic and social development implications of FOSS and the particular interest it presented for developing countries and economies in transition.

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

### A. International trade

37. The Spirit of São Paulo and the São Paulo Consensus emphasize that trade is not an end in itself but a means to growth and development, and they stress the importance of not only the "quantity" but also the "quality" of trade for beneficial integration of developing countries into the international trading system that contributes to growth, sustainable development and poverty eradication. Improvements in quality can best be achieved by increasing supply capacity and the competitiveness of exports of goods, services and commodities; improving market access and market entry conditions; and responding to interrelated areas of trade, debt and finance, and technology transfer.

38. UNCTAD XI stressed that all countries have a shared interest in achieving concrete development-oriented outcomes to the DWP. Key development components include special and differential treatment; implementation issues; recognition that market entry barriers, including product standards and technical regulations, are a major challenge for effective market access; the centrality of agriculture in the negotiations; negotiations concerning non-agricultural products; services negotiations, including rule making; infrastructure services, and, in sectors of export interest to developing countries, notably Mode 4; accession to the WTO by LDCs, developing countries and countries with economies in transition consistent with WTO agreements and their development status; addressing unilateral actions inconsistent with WTO rules; problems of small, vulnerable developing countries, including small island developing states; problems of landlocked developing countries within a new global framework for transit transport cooperation for landlocked and transit developing countries; preference erosion and utilization issues, including strategies to promote adjustment by preference-dependent firms and industries; and duty-free and quota-free market access for LDCs.

39. An important step towards implementation of the development promises in the DWP was the decision by the WTO General Council on 1 August 2004 setting out frameworks for key areas of the DWP's future negotiations on agriculture, non-agricultural products, services, development issues and trade facilitation, while dropping a number of contentious issues (investment, competition policy and government procurement) from the current negotiations.[4] In breaking the stalemate that has prevailed in the negotiations since the setback of the Fifth WTO Ministerial Conference in Cancún (2003), the decision puts negotiations back on track. The new decision also restated the priority attached to the multilateral trading system and the development dimension of the DWP. It confirmed the Doha decision on the elimination of agricultural export subsidies, linking this to other trade-distorting measures on exports. The agreement that cotton subsidies "will be addressed ambitiously, expeditiously and specifically" promises an early harvest of significant results, particularly for African

4 WT/L/579, 2 August 2004. For a fuller assessment, see "Review of Developments and Issues in the Post-Doha Work Programme of Particular Concern to Developing Countries: A Post-UNCTAD XI Perspective" (TD/B/51/4).

LDCs' cotton producers and exporters. The modalities for negotiations on trade facilitation positively address development concerns by linking the extent and timing of commitments to the implementation capacities of developing and least developed countries, and at the same time should ensure that technical assistance be provided to raise their capacities. This reflects important progress in integrating some key principles of special and differential treatment and implementation issues that have been raised by developing countries and advanced by UNCTAD and other development advocates. Successful negotiations should yield a package that enables developing countries to realize commercially meaningful gains, and that contributes to the internationally agreed objectives of achieving an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system. To that end, developing countries will continue to need capacity-building support.

40. In parallel, the rapid expansion and deepening of regional trade agreements offers expanded trading opportunities for developing countries and thus can contribute to economic growth and the realization of the international development goals, including those contained in the Millennium Declaration. However, these agreements also represent a challenge to the non-discriminatory principle of the multilateral system and introduce considerable complexity into international trade relations. The implications of regional trade agreements and their interface with the multilateral trading system need to be kept under constant review.

41. South-South trade is an important aspect of an emerging international trade geography whereby developing countries as a whole are progressively becoming a source of growth for the world economy. While the volume of South-South trade is just over 10 per cent of total world trade, in recent years it has been growing at an annual rate of around 11 per cent. Over two-fifths of developing-country exports are to other developing countries. An invigorated and more comprehensive Global System of Trade Preferences (GSTP) could help expand South-South trade. A major step in this direction was taken with the announcement at UNCTAD XI of the agreement to launch the third round of GSTP negotiations.

42. UNCTAD XI noted the importance of a continued and concerted focus on commodities, including the instability of world commodity prices and the difficulties faced by commodity-dependent developing countries. Efforts by these countries to restructure, diversify and strengthen the competitiveness of their commodity sectors, including through local processing and reduced tariff escalation, need to be supported. The potential for regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts should be exploited.

43. The São Paulo Consensus advocates that trade and environment should be mutually supportive and be guided by a development-oriented approach. Developing countries continue to require support on a comprehensive range of cross-cutting issues at the interface of trade, environment and development, such as market access, agriculture, traditional knowledge, environmentally sound technology, environmentally preferable products, eco-labelling and certification, biotrade and other trade-related issues contained in the JPOI.

44. Strengthened efforts are needed to prevent and dismantle anti-competitive structures and practices and promote responsibility and accountability of corporate actors at the national and international levels. Many developing countries still need to find and consider establishing competition laws and frameworks best suited to their development needs, taking fully into account national policy objectives and capacity constraints.

## B. Investment

45. Net private capital flows to developing countries grew in 2003 by more than $70 billion, although their level remained substantially below the average figures attained in the early 1990s. The recovery in flows was accompanied by declines in both interest rates and spreads on bonds and commercial bank credits. Although there was a sharp decline in net inflows linked to direct investment in 2003, these flows remained positive and continued to be the largest component of private capital flows to developing countries. However, this positive picture of overall improvement in private capital market flows and conditions for developing countries should be seen against the background of negative net financial transfers for a large number of developing countries and economies in transition at a level of close to $250 billion for all developing countries in 2003.

46. The question of how to attract and encourage the efficient use of FDI in a greater number of developing countries, including LDCs, thus remains a major challenge. FDI flows remain highly concentrated in the larger emerging market economies, and the 10 largest recipient countries account for three fourths of total FDI inflows to developing countries. China alone accounts for nearly one third of the total.

47. To attract additional direct investments, a growing number of developing countries have strengthened their efforts to reform regulations on foreign investment and have become more aware of the importance of a favourable domestic investment environment. Many countries have entered into bilateral and multilateral investment agreements. The number of bilateral investment treaties and double taxation treaties totalled 2,260 and 2,315, respectively, by the end of 2003. Moreover, an increasing proportion of free trade agreements or regional trade agreements contain FDI provisions, and a number of countries are making efforts to establish regional and bilateral arrangements in trade and financial cooperation.

48. There are continuing efforts to strengthen the collection and dissemination of information for the benefit of both foreign and local investors in developing countries. There have been various initiatives by both public and private sectors, including calls for collaboration between public and private sectors to enhance the use of technology and the Internet for information dissemination and for capacity building in information infrastructure in developing countries.

49. An increasing number of developing countries have improved physical infrastructure, such as transport, power and telecommunications, as an important factor for attracting FDI. Investment in infrastructure not only provides an enabling environment for FDI but also plays a crucial role in achieving the international development goals, including those contained in the Millennium Declaration, by delivering services that are key to human development and gender equality. Deficiency in these areas is particularly acute in low-income countries and in rural areas, and a major increase in investment is required.[5] Not only will this require a reversal of the decline over the past decade in public spending on infrastructure, increased external assistance will also be necessary.

50. Since the response of private investment in this area has not been adequate to meet the challenge, the financing of certain infrastructure projects calls for collaboration between the public and private sectors to provide the necessary tools to mitigate the risks facing investors. Revisiting the question of the role of public-sector investment and its support by the multilateral financial institutions may be

5 See "Global Monitoring Report, Policies and Actions for Achieving the MDGs and Related Outcomes", Washington, D.C., 2004, DC2004-0006/Add. 1, Background Paper.

appropriate. The IMF has initiated a new approach to lending programme design that would provide greater flexibility to accommodate additional high-quality public investment, when the latter is consistent with macroeconomic stability and fiscal sustainability. It allows commercially run public enterprises to be excluded from fiscal indicators and targets and clarifies the accounting treatment of public-private partnerships.

## C. External debt and financial instability

51. Growth and development in many low-income countries and some middle-income countries are still severely constrained by persisting debt problems. Implementation of the HIPC Initiative has continued to advance slowly, the main reason for delays being compliance of eligible countries with the conditions attached to debt relief. Reconciling the objectives of achieving and maintaining debt sustainability, promoting long-term growth and reducing poverty is particularly difficult in the context of PRSPs, where priority must be given to spending in social sectors, mostly for health and education. While there is no doubt about the need to increase expenditure for these purposes, sustained poverty reduction and debt sustainability also require increased domestic investment in infrastructure and production capacity to increase economic growth and employment.

52. The HIPC Initiative was conceived on the basis that the debt relief provided would be a net addition to the total volume of ODA. This additionality is necessary to simultaneously achieve the Initiative's multiple objectives. Since the introduction of the original HIPC scheme in 1995, however, there has been a sharp fall in total net transfers of ODA compared to previous trends, and levels have not recovered despite a rise in bilateral aid flows after 2001. It is notable that bilateral loans to HIPCs have been increasingly replaced by grants. While such grants rose by 31 per cent from 2000 to 2002, however, this was almost entirely accounted for by an increase in debt forgiveness. Bilateral ODA flows to HIPCs after deduction of debt forgiveness have been stagnant since 1997, and food and emergency aid have increased at the expense of project-related grants, which have the largest potential impact on long-term growth.

53. Little progress has been achieved in finding agreement on a sovereign debt workout mechanism. In light of recent financial crises and disruptions in emerging-market economies, several proposals to facilitate the restructuring of sovereign bond debt have been under discussion since 1998. The proposal of a Sovereign Debt Restructuring Mechanism, which contained a number of elements that had been advocated in TDR 2001, did not find sufficient support. More recently, attention has shifted to Collective Action Clauses, which, however, would take years to have a significant impact on overall debt restructuring, and on a Code of Conduct for private creditors and sovereign debtors.

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

54. Achieving greater coherence between the international trading, monetary and financial systems is a time-consuming and politically complex task. So far no tangible progress has been achieved in this regard or in strengthening the collective influence of developing countries in the existing system of global economic governance. Little progress has been made at the international level to find arrangements to reduce the instability of the international financial system; consequently, developing countries are forced to continue accumulating reserves as a cushion against external shocks. Nor has there been much progress at the international level in strengthening macroeconomic policy coordination. Serious imbalances in demand growth among the major economic blocs hence persist, carrying the risk of generating new protectionist pressures and increased instability in foreign exchange and capital markets.

## E. Information and communication technologies for development

55. The São Paulo Consensus recognized the role of ICT in economic development and in the achievement of the international development goals, including those contained in the Millennium Declaration. Yet large disparities exist between countries in their access to, and ability to use, ICT. The Spirit of São Paulo confirmed a commitment to bridge the digital divide and ensure harmonious, fair and equitable development for all, and to build an inclusive information society, which will require partnership and cooperation among Governments and other stakeholders.

56. The Geneva phase of the WSIS established a broad framework for building an information society, which resulted in the adoption of a Declaration of Principles and a Plan of Action. Preparations are now under way for the second phase of WSIS, to take place in Tunis in 2005. This includes negotiations on unfinished business in the area of Internet governance and finance for development.

57. UNCTAD will continue to contribute to the implementation of the Geneva Plan of Action and to the preparatory process of the Tunis phase, focusing on the potential of ICT for enhancing productivity, trade and competitiveness in developing countries. Accordingly, support to ICT-related policy making in developing countries as well as development of the statistical measurement of ICT adoption and use by enterprises and households need to be further developed.

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

## A. Least developed countries

58. The Monterrey Consensus referred to the particular situation and problems of LDCs, not only with regard to ODA but also in relation to trade-related issues discussed a few months earlier in Doha. In particular, the Monterrey Consensus echoed the Doha Declaration on the marginalization of LDCs in the multilateral trading system (paragraphs 31, 38), market access for LDCs (paragraph 34) and LDCs' accession to the WTO (paragraph 30).

59. The importance of strengthening the productive capacities of LDCs was recognized by member States in Monterrey (paragraphs 19, 36), as was the necessity to create the best possible environment for attracting domestic and foreign investment in these countries (paragraph 20). The Monterrey Consensus explicitly calls for renewed efforts by the development partners to financially support these countries (paragraphs 39, 42 and 43).

60. All these issues were prominently highlighted in the São Paulo Consensus, which echoed the Monterrey Consensus on the importance of enhancing ODA to the LDCs (paragraph 15) and meeting the 0.15 to 0.2 per cent of GNP target (paragraph 20). The Least Developed Countries Report 2004 noted that average yearly ODA disbursements to all LDCs from OECD Development Assistance Committee (DAC) member countries and multilateral agencies mainly funded by them were 14 per cent lower (at current prices) in 2000–2002 than they had been in 1990–1992. The decline in total

ODA disbursements, which corroborates the concerns expressed in Monterrey, was observed in nearly three quarters of LDCs for which relevant data are available.

61. The Doha Declaration reaffirmed several commitments made by the Third UN Conference on LDCs. In accordance with the Declaration (paragraph 42), the WTO's Sub-Committee on the Least Developed Countries adopted a work programme for LDCs, with seven areas of action relevant to economic or legal issues (productive capacities, market access) and accession.

62. Most of these areas of WTO action have been complemented by UNCTAD action in favour of LDCs. A range of project proposals for policy analysis and capacity building was presented to the Commission on Trade in Goods and Services, and Commodities. The São Paulo Consensus recognized the marginalization of LDCs (paragraph 1) and the severe consequences of commodity dependency (paragraph 64). It stressed the importance of preferential market access for the LDCs in their trade not only with large developed market economies (paragraphs 66, 83) but also with other developing countries (paragraph 69), as well as non-reciprocity in liberalization commitments (paragraph 77) and technical support to the accession of LDCs to the WTO (paragraphs 85, 98). It highlighted the paramount objective of strengthening the productive capacities of LDCs (paragraphs 49, 54) and the need to intensify the Integrated Framework for Trade-Related Technical Assistance to LDCs (paragraph 108).

63. The issue of market access was discussed by the Board in 2003, based on a preliminary assessment of "the expected impact of the most recent initiatives in favour of LDCs in the area of preferential market access". The Board recognized the efforts made by LDC Governments to promote political stability and create conducive macroeconomic conditions for encouraging investment and taking advantage of market access opportunities, and the potential contribution of preferential market access to the sustained economic growth and development of LDCs, including for poverty reduction, through employment creation and income generation. At the same time, it expressed concern about the consequences for LDCs "of the possible erosion of preferences" resulting from continued trade liberalization and requested the secretariat to recommend measures to assist LDCs in mitigating the adverse consequences. At UNCTAD XI, LDCs reiterated their concerns regarding the erosion of preferences.

64. The JPOI reiterated the problems facing LDCs that had been emphasized earlier in Doha and Monterrey, including the importance of enhanced preferential market access (paragraphs 67c, 92, 93); non-reciprocity in liberalization commitments (paragraph 92b); accession to the WTO (paragraph 90a); enhancing the productive capacities of LDCs (paragraph 47c), and to that end, attracting FDI (paragraph 84a); the need for increased ODA to LDCs (paragraph 85a); strengthening human and institutional capacities in LDCs (paragraph 162b); and the need to fully support the implementation of the Integrated Framework (paragraph 90e).

## B. Landlocked developing countries and transit developing countries

65. The Doha Declaration made no explicit reference to the particular problems of landlocked developing countries (LLDCs). Yet a group of 18 LLDC members of the WTO[6] submitted a paragraph for the draft ministerial text of the Fifth Ministerial Conference in Cancún in 2003,[7] less

[6] Afghanistan, Armenia, Azerbaijan, Bolivia, Botswana, Bhutan, Burkina Faso, Kazakhstan, Kyrgyz Republic, Malawi, Mali, Mongolia, Paraguay, Rwanda, Swaziland, Uganda, Zambia, Zimbabwe.

[7] WTO Fifth Ministerial Conference, Paragraph 18 of the Draft Ministerial Text [JOB(03)150/Rev.2] – Small Economies, Joint Proposal by Landlocked Developing Countries, WT/MIN(03)/W/23, 14 September 2003.

than a month after the Almaty Conference. This unprecedented submission on behalf of LLDCs involved a reaffirmation by these 18 States of their "commitment to the Work Programme on Small Economies" of the WTO. The Almaty Programme of Action had emphasized the need to give particular attention to the specific interests of landlocked and transit developing countries in WTO negotiations, suggesting that the accession process for such countries should take into account the level of development of relevant individual countries, in particular the problems caused by their geographical disadvantage, and calling on development partners to provide assistance in this regard.

66. The Work Programme on Small Economies (WPSE) was established by the WTO Committee on Trade and Development (WTO/CTD) after the Doha Declaration, given a recognition of the particular problems of small and vulnerable economies and the need to "frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system", while ruling out the creation of a new subcategory of WTO members and the notion of "small economies" or "small and vulnerable economies". The absence of a definition of the country group for WPSE has hence become a major limitation in the WTO/CTD to efficient discussion of possible modalities of special treatment on grounds of smallness or vulnerability. A number of developing WTO member States envisaged that a threshold of 0.06 per cent of total world trade in goods and services could be used as a yardstick for identifying "small economies". This threshold accommodates 26 of the 31 LLDCs, as well as all 29 small island developing States (SIDS), according to UNCTAD's operational definition. It was noted that 17 of the 18 landlocked developing members of the WTO that submitted a joint proposal as landlocked developing countries in Cancún did have a trade ratio under 0.06 per cent in 1998–2000 (the reference period used at that time).

67. In 2004, three of the 18 LLDCs pursued their attempt to highlight the particular case of LLDCs in a communication to the WTO/CTD.8 This echoed a number of requests made earlier by a wider circle of developing-member States under the auspices of WPSE without explicit reference to LLDCs and covering, inter alia, market access, export diversification, tariff quotas, sanitary and phytosanitary measures and technical barriers to trade, productive capacities and accession to the WTO.

68. As part of its follow-up assistance to the Doha process, UNCTAD assisted LLDCs in explaining their particular problems in the multilateral trading system and their need for targeted technical assistance, and it is responding to a request via the Ministerial Communiqué of Landlocked Developing Countries at UNCTAD XI, through an expert meeting of trade negotiators and other officials of LLDCs, to assist them in developing strategies for further WTO negotiations.

69. The JPOI made one explicit reference to landlocked developing countries (paragraph 47c) that stressed the importance of enhancing productive capacities through, inter alia, "transportation and communication infrastructure development".

## C. Small island developing states

70. The JPOI devotes one of its chapters to the sustainable development of small island developing States (SIDS), keeping with the context that brought about the first Global Conference on the Sustainable Development of Small Island Developing States in the wake of the first Earth Summit (Rio de Janeiro, 1992). Chapter VII touches on a wide range of environmental, economic and social issues, some of which are directly relevant to UNCTAD's work (trade, tourism, vulnerability measurement). UNCTAD, in the preparation for Barbados+10, particularly in its support to SIDS in

[8] WTO/CTD, Communication by Paraguay on behalf of Bolivia, Mongolia and Paraguay, WT/COMTD/SE/W/10, 27 April 2004.

the Commission for Sustainable Development, underlined the importance of enhancing the credibility of the UN classification of SIDS – through the eventual introduction of criteria to define this category – to see the recognition of island-specific problems translate into modalities for fairer treatment of these countries.

71. The Monterrey Consensus referred to SIDS in relation to the same issues as for LLDCs (ODA, FDI, market access, human and institutional capacity building). UNCTAD, in the preparations for Barbados+10, provided analytical evidence of the "island paradox" in the multilateral arena: SIDS tend to be regarded as relatively prosperous based on their income performance, although remaining severely handicapped and economically marginalized by structural costs, and often vulnerable to external shocks beyond domestic control. Concessionary financing for development is still of critical importance to most SIDS to partly offset the competitive disadvantage from their structural handicaps. The discussion of graduation from LDC status, on which UNCTAD has been assisting ECOSOC's Committee for Development Policy, has focused on SIDS cases over the last decade.

72. SIDS, as members or observers of the WTO, have a keen interest in the WTO's WPSE, although the specific issues of island-ness were not raised in the Doha Declaration. Unlike LLDCs, which have singled out their case on two occasions, SIDS members of the WTO have never made any submission explicitly on behalf of SIDS as a subcategory. In a WTO/CTD session on small economies in 2004, six SIDS members made a communication to the Committee, under the auspices of WPSE,[9] that elaborated on earlier proposals for modalities of special treatment in favour of small economies. Nowhere does it refer explicitly to island-specific issues, although it identifies or explains a number of modalities for action (especially on trade preferences, investment preferences and subsidies) in favour of SIDS.

[9] WTO/CTD, Communication from Barbados, Fiji, Mauritius, Papua New Guinea, Solomon Islands and Trinidad and Tobago, WT/COMTD/SE/W/11, 6 May 2004.