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

Note by the UNCTAD secretariat*

Executive summary

Pursuant to General Assembly resolution 50/270B, UNCTAD contributes to the review of the implementation of commitments made in key areas of development. In the same resolution, the Trade and Development Board was invited to contribute, within its mandate, to the implementation and to the review of progress made in the implementation of the outcomes of the major United Nations conferences and summits. This document provides a brief review of the progress made in the relevant thematic areas and UNCTAD's contribution thereto.

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

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Introduction

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

2. The São Paulo Consensus indicates that UNCTAD is expected to make substantial contributions to the implementation of the outcomes of recent global conferences (para. 2), and that it has a special responsibility to contribute to the achievement of international development goals, including those contained in the Millennium Declaration (para. 10).

3. This note contains a review by the UNCTAD secretariat of progress made in the implementation of the outcomes of the major United Nations conferences and summits and the contribution of UNCTAD in this respect.

I. International trade

4. International trade has been identified in the outcomes of major United Nations conferences and summits as an important component of development. The Millennium Declaration called for the realization of an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system. General Assembly resolutions 59/221 and 60/184 stressed the importance of a balanced and development-oriented outcome to the negotiations. The contribution and opportunities provided by trade for the sustainable development of developing countries were also highlighted at the World Summit on Sustainable Development.

A. Progress made in the implementation of the outcomes

5. The Doha round of multilateral trade negotiations launched in November 2001 offers a unique opportunity to mainstream development into the multilateral trading system. The completion of the round is also imperative in realizing Millennium Development Goal 8, which includes developing further an open, rule-based, predictable and non-discriminatory trading and financial system. Today, the multilateral trading system stands at a crossroads. Following the sixth ministerial conference of the World Trade Organization (WTO), held in Hong Kong, China, in December 2005, the Doha round has entered its most crucial phase. There is an urgent need to find solutions on key issues, namely, agricultural market access, domestic support in agriculture, industrial tariffs and services. Agriculture is central to the negotiations. Ambitious structural adjustments in agricultural policy are needed if the outcome is to be ambitious, balanced and development-focused. While the Doha round is due to be

concluded by the end of 2007, there is a risk that the negotiations will continue beyond that date.

B. UNCTAD's contribution

6. UNCTAD contributes to promoting an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system by assisting member States in engaging in intergovernmental policy dialogue and building consensus on new and emerging issues on the international trade agenda and in the Doha negotiations. It does so, inter alia, through the Trade and Development Board's review of developments and issues in the post-Doha work programme that are of particular concern to developing countries, through the discussions of the Commission on Trade in Goods and Services, and Commodities, and through expert meetings.

7. UNCTAD also helps enhance national capacities to analyse and assess trade barriers and to develop policies and strategies to deal with them, by providing such analytical tools as the Trade Analysis and Information System operated by World Integrated Trade Solution, developed jointly with the World Bank, and the Agricultural Trade Policy Simulation Model. UNCTAD has also initiated a project to define, classify, collect and quantify non-tariff barriers, which has drawn on the expertise of many international organizations.¹ A pilot project focused on selected developing countries and major developed countries is scheduled to start before the end of 2007. UNCTAD's recent research has also dealt with the trade-distorting effects of "green box" subsidies.

8. The 2007 Trade and Development Index provides developing countries with an analytical framework that they can use to enhance the enabling environment for economic and social policies and to support and promote a mutually beneficial interplay between trade and development. The Secretary-General of UNCTAD has set up an advisory board to guide and support UNCTAD in addressing the opportunities and challenges of globalization, development and trade, with a special focus on issues and problems faced by developing countries. It will consist of international scholars drawn from academia, international organizations, think tanks and the private sector, and will be serviced by the UNCTAD secretariat.

9. UNCTAD continues to highlight new trends in the world economy and explore their development implications. Its research has shown that during the last two decades the shares of the emerging economies (comprising mostly big developing countries) in international merchandise and services trade have grown spectacularly. Seven countries in particular have contributed to this trend: Brazil, China, India, Mexico, the Republic of Korea, the Russian Federation and South Africa, or the "emerging seven" (E-7). The growing importance of developing countries in international trade is a new reality in the world economy, and this new reality has brought unprecedented opportunities for growth and development. The participation of emerging countries in international trade will not only increase trade flows, but will also be key to the achievement of the Millennium Development Goals. In its research into emerging economies, UNCTAD is actively collaborating with leading institutions such as Goldman Sachs, Global Insight and the University of

¹ Multi-Agency Support Team (MAST) for the UNCTAD Secretary-General's Group of Eminent Persons on Non-Tariff Barriers, consisting of the Food and Agriculture Organization of the United Nations (FAO), the International Monetary Fund (IMF), the International Trade Centre (ITC), the Organization for Economic Cooperation and Development (OECD), the United Nations Industrial Development Organization (UNIDO), the World Bank and the World Trade Organization (WTO).

Pennsylvania. The secretariat has been reporting on the trade and growth prospects of several key countries such as Brazil, China, India and the Russian Federation on a bimonthly basis.

10. With a view to enhancing its analysis of the dynamics of South-South trade, UNCTAD has started to develop the South-South Trade Information System, which will provide comprehensive information on bilateral trade flows among developing countries.

11. UNCTAD conducts analytical studies and organizes intergovernmental discussions on new and dynamic sectors such as energy products. At the field level, one of UNCTAD's activities to promote the development of new competitive production capacities in Africa is a public-private partnership with Philips Electronics to explore possibilities and prerequisites for establishing an energy-saving light-bulb industry in southern Africa.

12. Non-tariff barriers such as environmental requirements often pose serious obstacles to developing countries wishing to take advantage of market access opportunities. UNCTAD, through its consultative task force on environmental requirements and market access for developing countries, has facilitated the sharing of national experiences on proactive adjustment strategies to new environmental, health and food-safety requirements in export markets and the identification of export opportunities for environmentally friendly products. Together with WTO, the task force has also addressed the developmental and market-access impact of standards set by the private sector. These standards apply to many global supply chains, in particular in industries of special export interest to developing countries, such as garments, footwear and horticultural and electronic products. About one third of global trade is affected by such requirements. UNCTAD's *Trade and Environment Review 2006* elaborated on the interface between new environmental, health and food-safety requirements and market access for developing countries, not only highlighting generic findings, but also drawing key lessons from several sector-focused studies. Through two partnerships (the international task force on harmonization and equivalence in organic agriculture, a partnership between UNCTAD, the Food and Agriculture Organization of the United Nations (FAO) and the International Federation of Organic Agriculture Movements (IFOAM); and the capacity-building task force on trade, environment and development, a partnership between UNCTAD and the United Nations Environment Programme (UNEP)), UNCTAD has implemented activities that facilitate production and export-market access for organic products from developing countries. For example, with such assistance the East African Community has developed a regional organic produce standard due to be officially adopted in June 2007.

II. Commodities

13. The 2005 World Summit Outcome emphasized "the need to address the impact of weak and volatile commodity prices and support the efforts of commodity-dependent countries to restructure, diversify and strengthen the competitiveness of their commodity sectors" (General Assembly resolution 60/1, para. 33). The Monterrey Consensus states that "multilateral assistance is also needed to mitigate the consequences of depressed export revenues of countries that still depend heavily on commodity exports" (para. 37). The General Assembly, in its resolution 61/190, on commodities, stressed the urgent need to ensure the full implementation of an earlier resolution on the same subject, resolution 59/224, and recalled, among other things, the Millennium Development Goals and other internationally agreed development goals.

A. Progress made in the implementation of the outcomes

14. The progress made in achieving the above goals has been modest. General Assembly resolution 61/190 expressed deep concern that, despite the recent increase in some commodity prices, the causes underlying the declining price trend in other commodities had not been addressed, including supply capacity problems, difficulties with effective participation in value chains and lack of diversification of developing countries' production and export base, all of which prevented many of them from obtaining full benefits from the current positive conditions.

B. UNCTAD's contribution

15. In response to the above concerns and to General Assembly resolution 61/190, UNCTAD has taken a number of initiatives to analyse international commodity policy, to promote technical assistance and capacity-building support and to support training and awareness-building programmes.

16. In accordance with the request made by the General Assembly in its resolution 59/224, UNCTAD prepared a report on world commodity trends and prospects (A/61/202) for submission to the General Assembly at its sixty-first session.

17. UNCTAD continued to implement the United Nations Development Account project on strengthening capacity in developing countries – particularly least developed countries, African countries and small economies – with a view to achieving the Millennium Development Goals through policies and actions in trade and trade-related areas, particularly with respect to commodities. For example, a workshop on the integration of the Millennium Development Goals in trade policies, with the emphasis on commodities, was held in Dakar, Senegal, in June 2006.

18. In addressing commodity-related issues in a comprehensive manner, in accordance with the relevant General Assembly resolutions and the provisions of the São Paulo Consensus, and in strengthening cooperation with other relevant bodies, UNCTAD, jointly with the Common Fund for Commodities, the African, Caribbean and Pacific Group of States (ACP) and the United Nations Development Programme (UNDP), organized a conference entitled “Global initiative on commodities: re-launching the commodity agenda” (7–11 May 2007, Brasilia, Brazil). The conference, the first pre-event for the twelfth session of UNCTAD (UNCTAD XII, to be held in Accra, Ghana, from 20 to 25 April 2008), covered major issues related to commodity development, including supply-side constraints, value-chain issues, the financing of diversification and the use of resource rents. The report adopted at the conference (TD/XII/BP/1) will serve as a basic background document for the UNCTAD XII discussions on commodities.

19. Special attention has been paid to technical assistance, capacity-building and awareness-raising. Particular progress has been made in strengthening two web portals on commodities – Infocomm and, especially, Infoshare, a project which uses information and communication technologies to improve the transparency of commodity markets in developing countries and thereby strengthens the bargaining position of domestic producers. In 2005, this project was one of the 10 “stories the world should hear more about” chosen annually by the United Nations Department for Public Information.

20. The importance of expanded South-South trade and investment in commodities has been reiterated on different occasions and at several summits.² In pursuance of decisions of the African Union Conference of Ministers of Trade on Commodities (Arusha, United Republic of Tanzania, November 2005), at which ministers agreed on an ambitious plan of action for African commodities, UNCTAD has stepped up its work on commodities in the African region, as well as on Africa's trade and cooperation with other developing regions. In this context, UNCTAD organized numerous activities, including the long-standing African Oil and Gas, Trade and Finance Conference and Exhibition. This is the largest energy event in Africa, and is attended by key decision makers, investors, executives of major and independent oil companies and representatives of non-governmental organizations.

21. The international community has, on various occasions, pointed to the need to facilitate access to market-based instruments to manage price risks. UNCTAD continues to play a pioneering role in this area, cooperating with the World Bank and FAO, by providing support for the establishment of national commodity exchanges in Africa and India. Such exchanges, established and operated within the context of national development plans, make the use of risk-management instruments easier, facilitate the introduction of industry standards, provide functioning markets and facilitate access to finance.

III. Investment

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

A. Progress made in the implementation of the outcomes

23. As reported in the *World Investment Report*, global foreign FDI inflows grew in 2006 for the third consecutive year to reach US\$ 1.3 trillion, an increase of some 40 per cent over the previous year. Within this, FDI inflows expanded by about 50 per cent to developed countries, 10 per cent to developing countries and 55 per cent to countries with economies in transition. Among developed countries, the United States of America recovered its position as the largest single host country for FDI in the world, and the European Union as a whole continued to be the largest host region. The increase in FDI inflows to developing regions and economies in transition was widespread, including most least developed countries (LDCs) and major emerging countries (though the level fell slightly in China).

24. At the same time, FDI outflows from developing countries continued to increase in 2006, with a particularly large increase in investment by

² See, for example, General Assembly resolution 61/190, para. 4.

transnational corporations (TNCs) from Latin America and the Caribbean. The mushrooming of developing-country FDI has stimulated a fruitful debate about South-South cooperation, especially since the bulk of such FDI goes to other developing countries. In fact, until 1990 only around half of FDI from developing countries went to the South, but since the step change of the early 1990s – now that an increasing number of developing countries have become source countries – this share has jumped, rising to over 90 per cent in some years. Furthermore, South-South investment now accounts for 10–15 per cent of world investment flows in any one year. The *World Investment Report 2006*, on “FDI from developing and transition economies: implications for development”, highlights the growing significance of this trend and analyses its impact on development. On this basis, UNCTAD has initiated a research-and-analysis work programme on South-South FDI.

25. Meanwhile, the flows of foreign portfolio investment to developing countries more than doubled between 2003 and 2005, and, at over \$100 billion in 2005, are at their highest level for 15 years. More than 85 developing countries and economies in transition have introduced stock exchanges, and renewed efforts are under way in many countries to strengthen the financial infrastructure, including by implementing international standards of corporate accounting and reporting.

26. The proliferation of international investment agreements has also continued. At the end of 2006, there were 2,573 bilateral investment treaties, 2,651 double-taxation treaties and 241 other agreements with investment provisions.

B. UNCTAD’s contribution

27. On the basis of the mandates given to it at UNCTAD XI and by the Commission on Investment, Technology and Related Financial Issues, UNCTAD collects and disseminates data on FDI and TNCs globally through its publications, including the *World Investment Report* and the *World Investment Directory*, and its dedicated website. It also analyses recent trends in investment flows in its annual *World Investment Report*. The development implications of South-South FDI (*World Investment Report 2006*) and the development prospects of relying on transnational corporations to extract natural resources (*World Investment Report 2007*) are two of the most recent issues examined. UNCTAD also provides technical cooperation to collect data based on international methodological standards and to enhance skills to use them. The lack of reliable and timely data on FDI and TNC activities, and a limited capacity to analyse them, prevents a number of developing countries (particularly LDCs) from formulating appropriate development policies on FDI. In 2006 and 2007, two national workshops, one in the Maldives and one in Morocco, and a regional workshop for West Asia, held in Bahrain, were organized on FDI statistics and policy formulation. In September 2007 there will be another regional workshop for member States of the Common Market for Eastern and Southern Africa (COMESA).

28. UNCTAD’s investment policy reviews (IPRs) and the follow-up to them help improve the enabling environment for investment in developing countries, including LDCs. IPRs have helped Governments draft policies to integrate foreign investment into their private-sector development strategies and to maximize the benefits of FDI. As a result of their implementation and follow-up, IPRs can lead to major improvements in the investment climate through targeted regulatory, legislative and strategic initiatives. To date, UNCTAD has completed

20 IPRs, a third of which are for LDCs. The most recent reviews dealt with Morocco, Rwanda and Zambia. Another four IPRs are under way and there are 23 requests in the pipeline. To accelerate the implementation of the follow-up to IPRs, efforts have been made to allocate initial funds for an immediate response. In order to ensure a timely response to requests from interested countries, the UNCTAD secretariat also expanded its series of blue books on best practice in investment promotion and facilitation, prepared in cooperation with the Japan Bank for International Cooperation. Recent additions to the series include books for Ghana and Zambia. The blue books draw on best practices that can be implemented within a year.

29. UNCTAD's investment guides are an illustration of specific efforts being made to raise investors' awareness of investment potential and opportunities in LDCs. Twelve guides have been completed so far, including one prepared in 2006 for Rwanda.

30. UNCTAD also supported a forum on investment among the countries of the South, making a contribution to the second regional investment conference of the World Association of Investment Promotion Agencies (WAIPA), held in Sharm el-Sheikh, Egypt, on "IPA capacity-building and investment promotion strategy in Africa and the Middle East".

31. Developing countries often lack the expertise, financial resources and bargaining power to participate effectively in the highly fragmented and increasingly complex, multilayered and multifaceted network of international investment rules. While the greater variety of international investment agreements (IIAs) offers new options for developing countries to conclude treaties and use such agreements to further their development objectives, it also creates unprecedented challenges with regard to the negotiation of the "right" agreement, the proper implementation of IIA obligations and the need to keep the IIA patchwork transparent and coherent.

32. UNCTAD's programme on international investment agreements addresses these various challenges through; (a) research and policy analysis on the latest trends in international investment rule-making from a development perspective; (b) technical assistance aimed at deepening the understanding of the international legal framework for investment and building capacity in the negotiation and implementation of IIAs; and (c) the maintenance of databases on IIAs and disputes between investors and States. Recent work has included a new study on "Preserving flexibility in iiAs: the use of reservations" as part of its series on international investment policies for development, and a comprehensive review of "Bilateral investment treaties 1995–2006: trends in investment rulemaking". Various workshops and training courses have also been conducted, including a regional training programme for IIA negotiators and workshops on managing investment disputes and revising developing countries' model bilateral investment treaties.

33. In March 2007, the Commission on Investment, Technology and Related Financial Issues recommended that consideration be given to the possibility of establishing a standing expert group to foster a greater understanding of the complex issues related to IIAs and their development implications. Accordingly, UNCTAD held an expert meeting on the development implications of international investment rule-making on 28–29 June 2007 in Geneva. Another expert meeting, on comparing best practices for creating an environment conducive to maximizing development benefits, economic growth and investment in developing countries and countries with economies in transition, is scheduled for 24–25 September 2007.

34. Information on corporate governance is an important driver of investment, and yet many developing countries lack adequate disclosure in this area. UNCTAD furthered its promotion of corporate governance by organizing a regional workshop in Cairo for the Middle East and North Africa entitled “Investment and corporate governance disclosure”. In order to assist enterprises in reporting on additional non-financial issues, UNCTAD further developed its guidance on corporate responsibility indicators in annual reports.

35. Through its Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, UNCTAD has also been working to assist developing countries and countries with economies in transition in implementing international financial reporting standards (IFRS) by identifying practical implementation issues and facilitating the sharing of experiences among member States. During the reporting period, UNCTAD conducted new case studies on the practical implementation of IFRS in Pakistan, South Africa and Turkey. UNCTAD disseminated its findings on the practical implementation of IFRS at the symposium on international convergence of accounting in emerging markets and transition economies that was held in Beijing in July 2007. UNCTAD is also updating its guidance on accounting and financial reporting for level-3 small and medium-sized enterprises (SMEs).

36. In order to help build competitiveness of developing countries’ economies, UNCTAD assisted in the establishment of competitive and well-regulated insurance markets in developing countries and countries with economies in transition. In order to assist Africa and LDCs in particular, UNCTAD has proposed five technical assistance projects in the area of insurance for Africa. These projects were initiated at the request of the African Insurance Organization, and are considered of key importance for the development of trade and investment activities throughout Africa.

37. UNCTAD continued to develop its entrepreneurship and SME capacity-building programme, EMPRETEC. At present, there are 51 national EMPRETEC centres in 28 countries and over 110,000 entrepreneurs have received entrepreneurship training. In 2006, an international meeting of EMPRETEC directors was organized in Geneva back-to-back with the intergovernmental expert meeting on best practices in the creation of business linkages. On that occasion, the African EMPRETEC directors launched the “EMPRETEC Africa Forum”, in order to facilitate networking and South-South cooperation in the area of SME and entrepreneurial-skills development. UNCTAD also participated in a joint research project on enhancing the participation of SMEs in global value chains, financed by the Geneva International Academic Network and conducted jointly with the Organization for Economic Cooperation and Development (OECD) and the universities of Fribourg and Geneva. The project highlighted the main policy measures that would enable SMEs in developing countries to become global suppliers for TNCs, including supply-chain financing, technology-upgrading, clustering and networking.

IV. External debt and international financial cooperation for development

38. As referred to in the Monterrey Consensus (paras. 47–51) and supported by both the 2002 World Summit on Sustainable Development (Johannesburg Declaration on Sustainable Development, para. 89) and the 2005 World Summit (Outcome, para. 26), sustainable external debt is a crucial element in the context of development finance both in low- and middle-income countries. Additionally,

debt relief for highly indebted countries should rather come as additional finance than crowd out existing flows of official development assistance (ODA).

39. Furthermore, the Monterrey Consensus (paras. 39–42) highlights the need for a substantial increase in ODA if the target of 0.7 per cent of GNP as ODA to developing countries (and 0.15–0.20 per cent to least developed countries) is to be met, as well as for the effective allocation and delivery of ODA (para. 43) and for exploring innovative sources of finance (para. 44).

A. Progress made in the implementation of the outcomes

40. Favourable external conditions with continuous growth of the world economy, accompanied by low interest rates and high commodity prices, have provided many developing countries with the opportunity to reduce or restructure their external debt during the last 12 months. Debt relief has been a second major component in the reduction of sovereign external debt, notably in sub-Saharan Africa. Debt relief came mainly from three sources: the enhanced Heavily Indebted Poor Countries Debt Initiative, the Multilateral Debt Relief Initiative and the Paris Club.

41. There are, however, signs that the situation may change. Long-term interest rates in the developed world are rising and the first half of 2007 has seen an increase in volatility in some emerging and developed economies. Moreover, a few developing and transition countries are still characterized by large current-account deficits and overvaluation of their exchange rates.

42. Under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative, four countries reached completion point in 2006 and early 2007, and two others reached decision point.³ However, out of 41 eligible HIPCs, only 22 have so far reached completion point, where full debt relief is available. While ten countries have not yet qualified for the decision point, nine are between decision and completion point.⁴ Thirty countries have already benefited from interim debt relief of US\$ 63 billion (at 2005 prices). This amounts to a reduction in the debt stock of about 65 per cent.

43. Poverty-related expenditures in post-decision point HIPCs increased by two percentage points in the period 1999–2005. However, while this positive trend continues, the increase in poverty-reduction expenditures is likely to be insufficient to achieve the Millennium Development Goals by 2015 in the countries concerned.⁵

44. The additional debt relief introduced under the Multilateral Debt Relief Initiative in 2006 is therefore welcome. Under this initiative, 22 HIPCs have benefited from the cancellation of 100 per cent of their outstanding multilateral debt claims from the International Monetary Fund (IMF), the International Development Association and the African Development Bank.⁶ For the countries that had already reached decision point, this has resulted in a total reduction in their debt stock (in net present value terms) of almost 90 per cent, as compared with 65 per cent previously (at 2005 prices).

³ Cameroon, Malawi, São Tome and Príncipe, and Sierra Leone reached completion point; the Congo and Haiti reached decision point.

⁴ Note that some of the HIPCs that have not yet reached decision point are either post-conflict countries (e.g. Liberia) or have only recently been granted HIPC relief under the sunset clause (e.g. Nepal).

⁵ See table 3.A2 of the *Trade and Development Report, 2006* (pp. 124–125).

⁶ At the end of 2006 the Inter-American Development Bank also announced its intention to cancel the debt of countries that reached the HIPC completion point.

45. There have been six Paris Club meetings over the last 12 months. For three countries that had reached the HIPC completion point, 100 per cent of the Paris Club debt was cancelled.⁷ The debt of Haiti, which had reached the HIPC decision point, was treated under Cologne terms, with a special agreement on deferring the moratorium interest due over the consolidation period until 2010. The Central African Republic, which has not yet reached the HIPC decision point, obtained a rescheduling of its arrears and debt obligations falling due between 2006 and 2008 under Naples terms, with the prospect of Cologne treatment once the decision point is reached.

46. Meanwhile, the trend towards the prepayment of Paris Club debt has continued in the last 12 months, with Peru and the former Yugoslav Republic of Macedonia repaying US\$ 2.5 billion and US\$ 104 million respectively.

47. Notwithstanding favourable recent trends in external debt and debt relief, ODA levels have fallen short of the targets set out in the Monterrey Consensus and the 2005 World Summit Outcome, as well as those announced by the G-8 at the Gleneagles summit. While ODA increased sharply in 2005, donors on average still commit only about 0.33 per cent of their gross national income to ODA. The bulk of the increase in ODA in 2004–2005 from US\$ 79.6 billion to US\$ 106.5 billion was due to one-off debt relief granted to a few countries.

48. New tools for development financing have been explored since the International Conference on Financing for Development held in Monterrey, and in 2006 a ministerial meeting on innovative financing mechanisms, held in Paris, resulted in the establishment of a “leading group on solidarity levies to fund development”. Progress in internationally agreed levies or taxes for development purposes is still weak, with only one mechanism on air-travel taxes in place.⁸ However, the leading group continues to explore other sources of innovative financing such as a currency-transaction tax, advance market commitments for vaccines and public-private partnerships for microfinance.

49. While the harmonization of aid flows and aid effectiveness has been prominent on the international agenda since the 2005 Paris Declaration on Aid Effectiveness, progress in this direction is still limited.

B. UNCTAD’s contribution

50. In the reporting period, UNCTAD continued its analytical and operational work on debt and development finance, which includes monitoring the external debt situation of developing countries and studies on debt and development finance, as well as the provision of assistance to developing countries in the area of debt management.

51. UNCTAD’s research has highlighted the growing importance of new borrowing strategies and debt instruments (such as credit default swaps and collateralized debt obligations), which continued to evolve in the reporting period. While the trend to move to bonded debt, which began in the early 1990s, came to a halt in 2006, the issuance of domestic debt was partly responsible for the refinancing of external debt obligations. As there is a growing consensus that the composition of a debt stock is as important as its level, UNCTAD continues to analyse the potential vulnerabilities or scenarios stemming from this development. The results of this work are directly translated into UNCTAD’s work on improving existing debt sustainability frameworks.

⁷ Sao Tome and Principe, Sierra Leone and Malawi.

⁸ Twenty countries decided to introduce an air-travel tax; six countries already operate it, with expected revenues of US\$ 344 million in 2007.

52. UNCTAD's Debt Sustainability Analysis Project (which comes under the Development Account) departs from the narrow perspective of reducing current debt levels and moves towards an integrated development strategy for countries, along with development of the capacity of policymakers to approach the problem of indebtedness from a more comprehensive structural perspective. By doing this, it helps developing countries to better understand the analytical frameworks for debt sustainability as well as practical debt management issues. The importance of UNCTAD's work in this area was reiterated at the 2006 mid-term review, which called upon the secretariat to develop "policy options and development opportunities ... [in] debt and debt sustainability, especially linked to the impact of debt on national capacities and the allocation of financial resources to different sectors".⁹

53. UNCTAD continues to participate in Paris Club meetings and attended those in 2006–2007 concerning Afghanistan, the Central African Republic, Haiti, Malawi and Sierra Leone. The secretariat provides assistance to debtor countries upon request.

54. In line with the support for technical assistance for debt management stressed in the Monterrey Consensus, UNCTAD's Debt Management and Financial Analysis System (DMFAS) programme, has made an important contribution to achieving active debt management and debt sustainability. The DMFAS programme currently works with 66 countries, covering 46 per cent of developing countries' debt. Furthermore, the programme is in the process of negotiating new projects with six countries. The demand for DMFAS and related services remains very strong and the expansion of the number of countries and institutions is expected to continue with the introduction (in response to requests from user countries) of the new version of the DMFAS debt-management software in 2008.

55. UNCTAD participated in the Oslo Conference on Innovative Finance Mechanism for Development, convened in February 2007 by the Government of Norway.

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

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

A. Progress made in the implementation of the outcomes

57. Progress in reforming the international financial architecture has been mixed. While surveillance activities and new financial market standards and codes have been introduced or improved after the financial crises of the 1990s, there still needs to be better provision for coping with global imbalances, short-term packages for financial crises and a more appropriate voice for developing countries in international financial institutions. The unprecedented accumulation

⁹ Report of the Trade and Development Board on the third part of its twenty-third special session (mid-term review) (TD/B(S-XXIII)/7 (vol. I), para. 5).

by developing countries of reserves of over US\$ 2.5 trillion by the end of 2006 is symptomatic of systemic weaknesses.

B. UNCTAD's contribution

58. The Trade and Development Board, in paragraph 30 (b) of the 2006 mid-term review, recommended that UNCTAD's research and analysis be strengthened by examining systemic issues of the international economy of particular importance to developing countries. The *Trade and Development Report, 2006* highlights the importance of multilateral mechanisms for imposing discipline on exchange rate policies.

59. In order to strengthen the voice of developing countries in international forums, UNCTAD continued to provide support to the activities of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24) with an grant from the International Development Research Centre aimed at supporting the group's research activities, by providing substantive contributions to meetings of the G-24 technical groups and by assisting the group in preparing their communiqués for the IMF International Monetary and Financial Committee.

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

60. The World Summit Outcome stressed the vital role of science and technology in development and called for the United Nations to play a more proactive role in bridging the technology gap and the digital divide between the North and the South (para. 60). The World Summit on the Information Society (WSIS) adopted a common vision and commitment to building a "people-centred, inclusive and development-oriented Information Society". The summit also adopted four outcome documents that seek to translate this vision into concrete objectives, goals and targets to be met by 2015, along a series of 11 action lines and main themes.¹⁰ The Commission on Science and Technology for Development has been designated by the Economic and Social Council to act as the focal point in the system-wide follow-up to the WSIS outcomes.¹¹

A. Progress made in the implementation of the outcomes

61. Access to information and communication technology (ICT) is increasing in developing nations, particularly rapidly in the case of mobile telephony, and the distribution of ICT services is becoming more equitable.¹² The gap in ICT penetration rates between developed economies and developing nations is narrowing for basic ICTs, such as fixed-telephone lines, mobile phones and television sets. Developing countries accounted for over 60 per cent of the world's telephone lines (fixed and mobile) in 2005, up from less than 20 per cent in 1980.¹³ By the end of 2005, the worldwide number of mobile phone subscribers reached 2.17 billion, over one third of the world population. Growth has been particularly strong in Africa, where the number of subscribers increased from 15 million in 2000 to over 135 million in 2005. The gap in

¹⁰ Geneva Declaration of Principles, Geneva Plan of Action, Tunis Commitment and Tunis Agenda for the Information Society.

¹¹ Economic and Social Council resolution 2006/46, entitled "Follow up to the World Summit on the Information Society and review of the Commission on Science and Technology for Development".

¹² International Telecommunication Union/UNCTAD, (2007). *World Information Society Report 2007*.

¹³ World Bank (2006). *Information and Communications Technology for Development 2006: Global Trends and Policies*.

mobile phone penetration has significantly diminished over time between developed and developing countries. Growth in Internet use has been equally impressive. The number of Internet users in the world increased exponentially during the last decade to exceed, by the end of 2005, one billion people. At current rates of growth, it is likely that the WSIS goal of half the world's population having access to ICTs will be reached by 2008, at least for mobile phones.

62. Although the gap in terms of mobile phone and Internet penetration has diminished between developed and developing countries, the penetration rate in developing economies continues to be well below that of developed countries. In some developed countries, the penetration rate for mobile phones is over 100 per cent, while in almost half of the developing countries it is under 10 per cent. A significant gap also persists in terms of Internet penetration: whereas developed economies account for more than half of Internet users worldwide, approximately one third of developing economies have a penetration rate of less than 5 per cent. A gap also exists in terms of gender: women's rates of Internet access do not automatically rise in tandem with national rates of Internet penetration.

63. However, wide gaps are evident in newer technologies such as broadband or third-generation (3G) mobile technology. As a result, the Internet is developing along two different paths: one for the broadband-rich and another for the narrowband-poor. Some 80 per cent of all international bandwidth was used by Europe and North America in 2005, while Africa accounted for only 0.3 per cent of international bandwidth, despite being home to 14 per cent of the world's population.

B. UNCTAD's contribution

64. In the light of the Commission on Science and Technology for Development's mandate in respect of the system-wide follow-up to the implementation of the outcome of the World Summit on the Information Society, the UNCTAD secretariat sought information from the relevant United Nations system entities tasked with implementation of that outcome and reported its findings to the Commission at the latter's tenth session, held from 21 to 25 May 2007. The UNCTAD secretariat, in collaboration with the International Telecommunication Union, has continued to track progress towards the goals set out at the World Summit on the Information Society.

65. The 2005 World Summit Outcome calls for supporting the development of national strategies for human resources and science and technology. In addition, it underscored the need to support initiatives on research and development, to address the special needs of developing countries in such areas as health, agriculture, conservation, the sustainable use of natural resources and environmental management, energy, forestry and the impact of climate change (para. 60). To this end, UNCTAD has undertaken a number of initiatives.

66. First, it produces science, technology and innovation policy (STIP) reviews, which are designed to help developing countries and economies identify policies and measures to integrate science and technology into their national development strategies and serve as effective tools for meeting the Millennium Development Goals. Reviews on Angola and Mauritania are under way and are expected to be completed before the end of 2007. These reviews are being carried out in close collaboration with the Office for Science and Technology of the New Partnership for Africa's Development (NEPAD) and the World Bank. Reviews on Ghana, Mauritius and Palestine are being initiated.

67. Second, a partnership project called “Connect Africa” was set up in late 2004 in cooperation with Geneva’s Information Technology Centre. The project provides hands-on training to ICT engineers and technicians from the least developed countries of Africa. Personal computers, servers and other telecommunications equipment have been shipped to the latest beneficiary – Mali – where it has been installed in school districts nationwide, along with Internet connectivity. Some 100 teaching staff have also been trained in the use of ICTs.

68. Third, the “Network of Centres of Excellence” project works with selected outstanding scientific and technological institutions in developing countries, using them as regional hubs of learning and training for African scientists and researchers. The network runs advanced and basic training courses for scientists and engineers in selected subject areas, such as biotechnology and information and communication technology. There are currently six such centres, in China, Egypt, India, Pakistan, South Africa and the United Republic of Tanzania. Over one hundred young African scientists have benefited from the training courses.

VII. Competition law and policy

69. The United Nations Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, dating from 1980, aims “to ensure that restrictive business practices do not impede or negate the realization of benefits that should arise from the liberalization of tariff and non-tariff barriers affecting world trade, particularly those affecting the trade and development of developing countries”. The Set also recognizes that the basic norms of competition law, which have long been in use in developed countries, should extend to the operations of enterprises, including TNCs, in developing countries. The Fifth United Nations Conference to Review All Aspects of the Set (Antalya, November 2005) discussed problems arising from monopolization, hard-core cartels, abuses of dominance and anti-competitive mega-mergers and reviewed the national and international measures needed to prevent anti-competitive practices that would impede the realization of benefits from the liberalization of trade and investment in developing countries.

A. Progress made in the implementation of the outcomes

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

B. UNCTAD’s contribution

71. UNCTAD is the focal point for all work related to competition policy and consumer protection within the United Nations system, as part of its work on trade and development. Pursuant to the provisions of the United Nations Set – the only multilateral agreement on competition policy – UNCTAD continued its work of: (a) monitoring trends and developments in competition law and policy, including the prevalence of anti-competitive practices or concentrated market structures, as well as measures taken by Governments to address them; (b) assisting developing countries in adopting competition laws and policies, establishing competition authorities, and tailoring the laws and policies to their

development needs, policy objectives and capacity constraints; and (c) facilitating international cooperation through advocacy and information dissemination, periodic revision of the commentary to the Model Law and voluntary peer reviews on competition law and policy.

VIII. Countries in special situations

72. The Programme of Action for the Least Developed Countries for the Decade 2001–2010, agreed at the Third United Nations Conference on the Least Developed Countries, contains a number of quantified and time-specific development targets in seven commitment areas.¹⁴ These are: fostering a people-centred policy framework; good governance at the national and international levels; building human and institutional capacities; building productive capacities to make globalization work for LDCs; enhancing the role of trade in development; reducing vulnerability and protecting the environment; and mobilizing financial resources. In 2003, the International Ministerial Conference of Landlocked and Transit Developing Countries adopted the Almaty Programme of Action, which addresses the special needs of landlocked and transit developing countries within a new global framework for transit transport cooperation. The need to also address the special circumstances of small island developing States was recognized in the Programme of Action for the Sustainable Development of Small Island Developing States, adopted at the Global Conference on the Sustainable Development of Small Island Developing States, held in Barbados in 1994, which was subsequently reviewed in Mauritius in January 2005.

A. Progress made in the implementation of the outcomes

73. The high-level meeting of the sixty-first session of the General Assembly on the mid-term comprehensive global review of the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001–2010 undertook a comprehensive review of progress towards the goals and objectives of the Programme of Action. In its declaration, the high-level meeting noted that, “while the Programme of Action has, since its adoption, registered some progress in its implementation, at the same time the overall socio-economic situation in the least developed countries continues to be precarious”.¹⁵ This assessment is in line with the analysis of UNCTAD. For instance, of the 40 LDCs for which data are available, only 7 have experienced sustained economic growth.¹⁶ Similarly the incidence of poverty shows a declining trend in only 6 of the 14 countries for which data are available. Reviews of progress towards graduation from the list of LDCs by the Committee for Development Policy have shown that Cape Verde, the Maldives and Samoa are expected to graduate between 2008 and 2011. In 2006, the Committee noted that three other LDCs, namely, Kiribati, Tuvalu and Vanuatu, were eligible for graduation for the first time.

74. Progress in mainstreaming the Almaty Programme of Action into national development strategies differs across landlocked developing countries. More advanced landlocked developing countries, particularly in Central Asia and Latin America, continue to make better use of the Almaty platform for designing domestic policies, articulating their needs to development partners and positioning themselves in the international arena. Other landlocked developing

¹⁴ A/CONF.191/11.

¹⁵ General Assembly resolution 61/1, para. 6.

¹⁶ Bangladesh, Bhutan, Burkina Faso, Cape Verde, Lao People’s Democratic Republic, Lesotho and Nepal.

countries, particularly in Africa, are challenged by their limited institutional capacity to efficiently implement the programme. Transport costs continue to be a serious obstacle to trade for landlocked developing countries, often accounting for as much as 40 per cent of the total value of their exports. The mid-term review of progress towards the implementation of the Almaty Programme of Action is scheduled for 2008.

B. UNCTAD's contribution

75. UNCTAD has been undertaking extensive activities in support of the least developed and landlocked developing countries and small island States, through such research and policy analysis as its annual report on LDCs and various technical cooperation and capacity-building activities. A detailed report of UNCTAD's activities in the implementation of the Programme of Action for Least Developed Countries, the Almaty Programme of Action and the Programme of Action for the Sustainable Development of Small Island Developing States is contained in document TD/B/54/2.

76. UNCTAD's contribution to the Almaty Programme of Action includes facilitating the development of transit corridors, the adoption of transit facilitation measures and the management of transport infrastructure and related facilities. Landlocked and transit developing countries in transport corridors in Latin America, Africa and Asia received technical assistance related to: (a) guidelines and analytical tools to assess their needs and priorities in trade and transport facilitation; (b) assistance in implementing specific institutional development mechanisms; and (c) sustainable capacity-building to plan and implement regional initiatives. UNCTAD also continued to contribute to the implementation of the World Bank-funded emergency customs modernization and trade facilitation project in Afghanistan. In 2007, special emphasis was placed on setting up a training programme for Afghan freight-forwarders. The establishment of the Afghan Trade Facilitation Committee was another important step forward.

77. UNCTAD has continued to draw the attention of the international community to the special development challenges faced by small island developing States and the need for special support measures in their favour. This involves research and analysis, technical assistance and policy advice to individual small island developing States or regional organizations, and advocacy at and technical inputs to international forums. UNCTAD cooperates with the Committee for Development Policy in its triennial review of the list of LDCs by providing conceptual, methodological and statistical inputs, notably on the vulnerability profiles of countries deemed eligible for graduation. In accordance with the Mauritius Strategy, UNCTAD has also assisted graduating countries in formulating and implementing strategies to secure a smooth transition in anticipation of the loss of LDC status.