International trade, finance and transport

In 2004, international trade continued to grow, with the volume of world merchandise trade increasing markedly by an estimated 10.5 per cent, from 6.2 per cent in 2003. As manufacturing gathered pace and domestic demand improved in more economies, the brisk economic environment further raised the prices of commodities and manufactures, resulting in a nearly 19 per cent increase in the dollar value of global trade, to $8.6 trillion. Although developed countries, particularly North American States and Japan, accounted for much of the growth, many developing countries and economies in transition also experienced remarkable trade performance.

In June, the United Nations Conference on Trade and Development (UNCTAD) held its eleventh session, UNCTAD XI, in São Paulo, Brazil. The Conference concluded with the adoption of The Spirit of São Paulo, a declaration by which member States reaffirmed their commitment to support UNCTAD in fulfilling its mandate as the UN focal point for the integrated treatment of trade and development and for improving the coherence of the international monetary, financial and trading systems in order to respond better to development needs. The Conference also adopted the São Paulo Consensus, a policy statement and analysis confirming the 2000 Plan of Action adopted by UNCTAD X, as the guide to the future work of UNCTAD. The General Assembly stressed the need to implement the Consensus, and invited UNCTAD to analyse the role of enterprise development in alleviating poverty in the least developed countries.

Unprecedented diplomatic efforts during the year enabled the resumption of multilateral trade negotiations under the Doha (Qatar) work programme adopted at the 2001 World Trade Organization (WTO) Ministerial Conference. The talks culminated on 1 August in the adoption by the WTO General Council of a decision setting out frameworks for future negotiations in the areas of agriculture, non-agricultural market access, development issues, services and trade facilitation.

In April, the high-level meeting between the Economic and Social Council and the Bretton Woods institutions (the World Bank Group and the International Monetary Fund) discussed coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus, adopted at the 2002 International Conference on Financing for Development. Also during the year, a study commissioned by the United Nations proposed innovative sources of financing for development.

The Trade and Development Board, the governing body of UNCTAD, adopted agreed conclusions on the review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 and recommended that the outcomes of UNCTAD XI be considered when allocating resources to the Programme for the 2006-2007 biennium. The Board adopted further agreed conclusions on economic development in Africa: issues relating to Africa’s debt sustainability, and a decision on the review of UNCTAD technical cooperation activities.
Declaration and Consensus

The Conference [TD/412] concluded on 18 June with the adoption of The Spirit of São Paulo, a political declaration by which UNCTAD member States affirmed their continuing commitment to support UNCTAD in fulfilling its mandate as the focal point within the United Nations for the integrated treatment of trade and development and to joint efforts towards the attainment of the international development goals set forth in previously adopted instruments and initiatives, including the United Nations Millennium Declaration [YUN 2000, p. 49]. They further committed themselves to eradicating poverty and hunger, and to improving coherence among the international monetary, financial and trading systems in order to respond better to development needs, giving utmost attention to the plight of the least developed countries (LDCs).

Also adopted was the São Paulo Consensus, an analytical, policy action and programmatic statement, which reaffirmed the two-part Plan of Action (Bangkok Plan of Action) adopted at UNCTAD XI [YUN 2000, p. 89] as the continuing guide to UNCTAD’s future work, and described UNCTAD XI as an opportunity to identify new trade and development issues. Its overarching goal was to generate greater understanding of the interface and coherence between international processes and negotiations on the one hand, and development strategies and policies that developing countries needed to pursue on the other. Under each of the four Conference sub-themes, the Consensus identified problems, formulated appropriate national and international responses and specified actions to be undertaken by UNCTAD.

Regarding the first sub-theme on development strategies in a globalizing world economy, the Consensus noted that the central challenge was how globalization could improve living standards for all people. In that regard, UNCTAD should maintain its role of delivering policy analysis and identifying policy options at the global and national levels and of examining and analysing, through the annual report on LDCs (see p. 857), the causes of decline in their share of world trade and the linkages among trade, growth and poverty reduction, with a view to identifying long-term solutions.

As to the second sub-theme on building productive capacities and international competitiveness, the Consensus noted that an enabling international environment was essential for developing countries and economies in transition to integrate successfully into the world economy and stressed the need to harness domestic resources for investment in productive capacity and technological upgrading, to be complemented by external capital flows, particularly in LDCs. UNCTAD was to assist developing countries to design and implement policies in that regard.

Addressing the third sub-theme on ensuring development gains from the international trading system and trade negotiations, the Consensus pointed to the dependence of over 50 developing countries on exports of three or fewer commodities for more than half of their export earnings, and to the decline and instability of world commodity prices and consequent terms-of-trade losses that had reduced economic growth in many of those countries and had increased poverty and indebtedness. UNCTAD was to build on and strengthen the implementation of the Bangkok Plan of Action through measures to assist developing countries to integrate trade and development concerns into their national development plans and poverty reduction strategies.

Regarding the fourth sub-theme on partnership for development, the Consensus noted that efforts to meet the challenges and opportunities of globalization could benefit from enhanced cooperation among all relevant partners, including developing countries from all geographic regions. Noting the specific partnerships launched at the Conference—in information and communication technology (ICT) for development, commodities, investment and capacity-building, and training (the UNCTAD Virtual Institute on Trade and Development)—the Consensus called on TDB to review the implementation of partnerships annually for their funding and continued relevance. The Conference report [TD/412] contained information on UNCTAD XI multi-stakeholder partnership activities to be built around the objective of "ICT applications for improving the economic competitiveness of developing countries", and on future partnerships in the other fields named above.

Annexed to the report were: a ministerial declaration on the occasion of the fortieth anniversary of the Group of 77; a declaration by the par-
liamentary meeting on the occasion of UNCTAD XI; a declaration of the LDC ministerial meeting; a ministerial communique of landlocked developing countries; and the Civil Society Forum declaration. In addition, the report contained two resolutions (below) and statements of position on the outcome of the Conference.

**Other action.** On 18 June, the Conference adopted two resolutions: one expressing gratitude to the Government and people of Brazil for hosting the Conference [res. 177(XI)] and the other approving the Credentials Committee report [res. 178(XI)].

The Conference called on TDB to conduct in 2006 a mid-term review of the implementation of the Bangkok Plan of Action and the Sao Paulo Consensus, based on the framework established by General Assembly resolution 58/269 [YUN 2003, p. 1395].

**Preparatory process**

At the twenty-first special session (Geneva, 14 May) of TDB [A/59/15] (see below), its President, acting also as Chairman of the UNCTAD XI Preparatory Committee, reported on the results of the Committee’s work on the draft negotiated text for the Conference [TD/L.368 & Add.1], which TDB transmitted to the Conference following amendments to the text.

**UNCTAD XI follow-up**

At its fifty-first session (Geneva, 4-5 October) [A/59/15], TDB discussed the follow-up to UNCTAD XI: new developments in international economic relations. Before it were UNCTAD secretariat background notes on the new geography of international trade [TD/404] and on international economic relations [TD/B/38/6]. It considered three key interlinked determinants shaping the new trade geography: the developing countries’ increasing role in trade and growth; the vigorous growth of South-South trade and economic cooperation; and the changing context of North-South interdependence and terms of engagement. Other matters considered concerned: policy options and complementary measures by the North for enhancing South-South trade; official development assistance flows to help build supply capacity and competitiveness; policy space; corporate responsibility; and the restrictive impact of security-related measures on the ability of developing countries to trade in goods and services.

UNCTAD, in its continuing analysis and interpretation of the evolving new trade geography from a development standpoint, was encouraged to take a disaggregated view of differential performance and to further elaborate strategic approaches to enhancing South-South trade; a challenge would be to determine whether current developments portended a decisive or qualitative change in the economic situation of the South. UNCTAD was to examine the impact of the multiplicity of free trade agreements on North-to-South investment flows, contribute to confidence-building between developed and developing countries, and play a complementary role in technical assistance.

In resolution 59/245 (see p. 861), the General Assembly stressed the need to implement the Sao Paulo Consensus and, in that regard, to pursue actively the examination of and responses to issues relating to the trade of small vulnerable economies to facilitate their full integration into the multilateral trading system. In resolution 59/244 (see p. 857), the Assembly welcomed the UNCTAD XI decision to examine the causes of the decline in the share of LDCs in world trade and invited UNCTAD to analyse the role that enterprise development could play in alleviating poverty in LDCs and to recommend measures to develop their private sector.

**International trade**

The Trade and Development Report, 2004 [Sales No. E.04.II.D.29] stated that global trade increased significantly in 2003, after sluggish growth in 2002 and a slight contraction in 2001. Import volumes rose by 6 per cent and export volumes by 4.9 per cent (compared to increases of 2.7 per cent and 2.6 per cent, respectively, in 2002). The growth rate in 2003 was characterized by a surge in the unit value of both manufactures and commodities, due mainly to the depreciation of the United States dollar vis-à-vis other major currencies. The origins of most global exports shifted in 2003 from developed to developing countries, with the latter accounting for 66 per cent of the increase in the volume of world exports, while developed countries accounted for about 21 per cent and transition economies for some 12 per cent. The shift was attributable to sluggish exports in most developed countries and the rapid expansion of export volumes in the developing regions of East and South Asia and in the transition economies of Central and Eastern Europe and the Commonwealth of Independent States (CIS).

The contribution of developed and developing countries to the growth of world imports by volume was more balanced, at about 40 per cent and
50 per cent, respectively. In Western Europe, the low growth of export volumes was due to faltering domestic demand within the region. In the United States, where both exports and imports were affected by the economic downturn in 2001 and the global slowdown of growth, relative recovery could not contain a widening trade deficit equivalent to 5 per cent of gross domestic product (GDP). Japan’s trade surplus continued to grow as its import volumes picked up following the yen’s appreciation and improved domestic economic conditions. In the developing economies, East and South Asia experienced rapid growth of both imports and exports, continuing their strong growth trend of recent years. In Africa, both exports and imports rose by almost 8 per cent each in volume, and by 22 per cent and 17 per cent in value, respectively. Much of the export expansion came from a few oil exporters (Algeria, Angola, Egypt, the Libyan Arab Jamahiriya and Nigeria), which accounted for approximately 60 per cent of the growth in regional export value. In Latin America, trade continued to recover from its downturn of 2001 and 2002, although the situation differed by country and subregion. In transition economies, both imports and exports expanded by 27 per cent at current values. For the Central and Eastern European countries that acceded to the European Union (EU) in May 2004, expectations from accession generated additional trade flows between them and the EU.

According to the World Economic and Social Survey 2004 [Sales No. E.04.II.C.1], after a tentative beginning brought about by the build-up of tensions over Iraq and the outbreak of severe acute respiratory syndrome, international trade resumed its recovery. Growth in the volume of world trade more than doubled to almost 6 per cent in real terms in 2003, with developing countries accounting for most of the increase. It was even higher in nominal terms (almost 15 per cent), owing to the depreciation of the United States dollar, a factor partly responsible for increases in the international prices of many commodities, notably the surge in the price of oil.

The World Economic Situation and Prospects 2005 [Sales No. E.05.II.C.2], jointly issued by UNCTAD and the UN Department of Economic and Social Affairs (DESA), stated that, in 2004, international merchandise trade grew markedly at an estimated 10.5 per cent (up from 6.2 per cent in 2003), reflecting the cyclical strength of the global economic recovery, as manufacturing picked up pace in the first half of the year and domestic demand improved in more economies. The brisk global economic environment further raised the prices of commodities and, to a lesser extent, of manufactures, leading to an increase in the dollar value of global trade of almost 19 per cent, to $8.6 trillion.

Much of the growth originated in developed countries, supported by their faster economic growth, particularly in North America and Japan, and the continued expansion of China’s economy. After a lull in United States exports around mid-year, largely due to a slowdown in some Asian economies and a deceleration in ICT exports, its exports rebounded in the last quarter, and the annual growth of real exports for the year was about 10 per cent. Exports from Canada rebounded from a 2003 decline in volume terms. In the EU, strong external demand offset the decrease in competitiveness stemming from the euro’s appreciation since 2000. Despite some slowdown during the second half of 2004, real export growth in the region accelerated to an estimated 6.9 per cent (from 1.5 per cent in 2003). EU import demand also accelerated, boosted in part by the appreciation of the euro and an increase in investment spending. Japan continued to experience an exceptionally strong real export growth, which reached over 15 per cent in the first half of 2004 before decelerating in the third quarter to an annual rate of 1.5 per cent. Australia and New Zealand both achieved import growth of over 10 per cent due to robust domestic demand, as well as export recovery, despite a continuing trade deficit in both of about 5 per cent of GDP.

The surge in world commodity prices, particularly oil and gas, and the upturn in the global economy boosted the value of exports of resource-rich CIS countries. In the Russian Federation, real export growth was estimated at 10 per cent, led by oil and gas, ferrous and non-ferrous metals and chemicals. Meanwhile, robust domestic demand and exchange-rate appreciation led to fast import growth.

Developing economies also maintained a remarkable trade performance; Africa’s exports continued to grow, although at a slower pace than in 2003. In East Asia, merchandise trade expanded by over 18 per cent in real terms, with merchandise exports driven by the positive global economic environment and strong demand from China. In South Asia, the larger countries recorded double-digit growth of both exports and imports. Western Asia’s exports grew by 6.7 per cent, driven by increased oil production by the region’s oil-exporting countries. Non-fuel exports also expanded due to strong performances by Israel, Jordan and Turkey. In Latin America and the Caribbean, trade gained strength as both exports and imports experienced a broad-based recovery.
Multilateral trading system

Report of Secretary-General. In response to General Assembly resolution 58/197 [YUN 2003, p. 968], the Secretary-General submitted an August report [A/59/305] on international trade and development, prepared in collaboration with UNCTAD. The report reviewed recent trends in international trade, the outcome of UNCTAD XI (see p. 955), developments in the multilateral trading system in the context of the WTO trade negotiations under the Doha work programme and developments in regional trade arrangements, a major component of the evolving international trading system. The decision adopted by the WTO General Council on 1 August was also examined (see below).

The report noted several positive trends in developing countries, among them the trend towards diversification, indicated by the fact that manufactures currently represented nearly three quarters of their exports. Growth in the share of the South in world trade, currently at 30 per cent, signalled the emergence of a trade geography in which developing countries were increasingly important to the trade of developed countries, especially the United States and Japan. South-South trade, which accounted for just over one tenth of total world trade, was growing significantly: over 40 per cent of developing-country exports were destined for other developing countries and trade among them was increasing at the rate of 11 per cent a year; trade in services was also on the rise. That transformation was further underlined by intraregional and interregional investment, transfer of technology and enterprise-level interaction. Perhaps the most important trend was the continuing rise of oil prices, which was largely due to the economic recovery and increasing demand from such countries as the United States, China and some newly industrialized countries.

The report noted that, during the past decade, a major development in the expansion of regional trade agreements was the emergence of such agreements between North and South. The challenge to developing countries in that regard was to design the appropriate degree and pacing of regional liberalization and to retain policy space and differential treatment.

The report concluded that the positive outcomes of UNCTAD XI and recent developments in WTO negotiations underscored the shared interests of the international community in advancing multilateral trade negotiations under the Doha work programme and in identifying practical inputs for achieving the MDGs, the objectives of the Monterrey Consensus of the International Conference on Financing for Development [YUN 2002, p. 953] and the Plan of Implementation of the World Summit on Sustainable Development [ibid., p. 821].

Negotiating frameworks

As noted in the Secretary-General’s August report [A/59/305], unprecedented diplomatic efforts were mounted to resume the multilateral trade negotiations under the Doha work programme that were stalled at the WTO Fifth Ministerial Conference [YUN 2003, p. 1535]. Negotiations resumed in July, culminating in the WTO General Council’s adoption, on 1 August, of a decision setting out frameworks for a future negotiating package in five core areas: agriculture, market access of non-agricultural products, services, development issues and trade facilitation (improving the movement, release and clearance of goods, including goods in transit).

The General Council reiterated calls for completing the review of the WTO provisions on all categories of special and differential treatment in favour of developing countries, agreed that special attention would be given to their specific trade and development-related needs, and affirmed that developing countries and low-income countries in transition should be provided with enhanced trade-related technical assistance and capacity-building. It also extended the moratorium on imposing customs duties on electronic transmissions until the WTO conference in 2005.

The General Council reaffirmed the commitment to progress in the negotiating areas of rules, trade and environment; trade-related aspects of intellectual property rights; and dispute settlement. It agreed that the decision and its annexes should not be used in any dispute settlement proceeding under the WTO Dispute Settlement Understanding or for interpreting existing WTO agreements. It further agreed to continue the Doha round of negotiations beyond the January 2005 time frame set in the Doha declaration [YUN 2001, p. 132], leading to the Sixth Ministerial Conference, scheduled for December 2005.

UNCTAD consideration. TDB, in October [A/59/15], discussed UNCTAD secretariat background notes on developments and issues in the post-Doha work programme of particular concern to developing countries from a postUNCTAD XI perspective [TD/B/5/14], and on assuring development gains from trade negotiations with respect to the implications of the termination on 31 December 2004 of the Agreement on Textiles and Clothing (ATC) [TD/R/5/CRP.1].

The President noted that a fundamental lesson of the most recent trade negotiations was that negotiators had to ensure that WTO agreements addressed the trade-related concerns of its mem-

YUN04—4th proofs / OF
July 6 2006
ners, and that they had to place the development needs of developing countries at the heart of the Doha work programme if the current round of multilateral trade negotiations was to conclude successfully. While it might prove impossible to conclude negotiations by the time of the Sixth Ministerial Conference in December 2005, the prospects were good for their conclusion by 2006. Addressing development issues required a concerted effort by all parties to incorporate special and differential treatment in all areas of negotiations and to address implementation-related issues and concerns; it would also require finding appropriate solutions to specific trade and development needs. It was particularly important that the multilateral trading system be sensitive to the special needs of LDCs, small island developing States, and landlocked and transit developing countries. The specific trade and development concerns of commodity-dependent countries needed to be addressed, as they remained marginalized in international trade.

Also noted were: the recommendations and modalities of the 1 August decision for negotiations on trade in services and on trade facilitation; the complete phase-out effective 1 January 2005 of the quotas in the textile and clothing sector as required by ACP negotiations on WTO rules; and accelerating the accession of all developing countries and transition economies to WTO.

In pointing to the mutually supportive relationship between the UNCTAD and WTO processes, the President encouraged both organizations to strengthen their cooperation to assist countries to derive development gains from related agreements.

**GENERAL ASSEMBLY ACTION**

On 22 December [meeting 75], the General Assembly, on the recommendation of the Second (Economic and Financial) Committee [A/59/481/Add.1], adopted resolution 59/221 by recorded vote (166-2-6) [agenda item 83 (a)].

**International trade and development**

_The General Assembly_,

Recalling its resolutions 56/178 of 21 December 2001, 57/235 of 20 December 2002 and 58/197 of 23 December 2003 on international trade and development,

Recalling also the provisions of the United Nations Millennium Declaration pertaining to trade and related development issues, as well as the outcomes of the International Conference on Financing for Development, held in Monterrey, Mexico, from 18 to 22 March 2002 and the World Summit on Sustainable Development, held in Johannesburg, South Africa, from 26 August to 4 September 2002,

Noting the Ministerial Declaration and decisions adopted at the Fourth Ministerial Conference of the World Trade Organization, held in Doha from 9 to 14 November 2001, and the full commitment of all members of the World Trade Organization to give effect to them, in accordance with the decision of 1 August 2004 of the General Council of the World Trade Organization,

Reaffirming the role of the United Nations Conference on Trade and Development as focal point within the United Nations for the integrated treatment of trade and development and the interrelated issues in the areas of finance, technology, investment and sustainable development,

Recalling its resolutions 57/250 of 20 December 2002 and 57/270 B of 23 June 2003, in which it invited the United Nations Conference on Trade and Development, as well as the Trade and Development Board, to contribute, within its mandate, to the implementation and to the review of the progress made in the implementation of the outcomes of the major United Nations conferences and summits and invited the President of the Trade and Development Board to present the outcomes of such reviews to the Economic and Social Council,

Recalling also that, to benefit fully from trade, which in many cases is the single most important external source of development financing, the establishment and the enhancement of appropriate institutions and policies in developing countries, as well as in countries with economies in transition, are needed and that, in this context, enhanced market access, balanced rules and well-targeted, sustainably financed technical assistance and capacity-building programmes for developing countries also play an important role,

Noting the significant contribution of the multilateral trading system to economic growth, development and employment and the importance of maintaining the process of reform and liberalization of trade policies, as well as the importance of rejecting the use of protectionism, so that the system plays its full part in promoting recovery, growth and development, in particular of developing countries, bearing in mind paragraph 10 of General Assembly resolution 55/182 of 20 December 2000,

Reaffirming that agriculture remains a key sector for the overwhelming majority of developing countries, and stressing the importance of the successful conclusion of the World Trade Organization Doha work programme in accordance with the decision of 1 August 2004 of the General Council of the World Trade Organization,

Reaffirming also the urgency, subject to national legislation, of recognizing the rights of local and indigenous communities that are holders of traditional knowledge, innovations and practices and, with the approval and involvement of the holders of such knowledge, innovations and practices, of developing and implementing benefit-sharing mechanisms on mutually agreed terms for the use of such knowledge, innovations and practices,

Recalling that it is particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for an appropriate balance between national policy space and international disciplines and commitments,
Bearing in mind the special needs of the least developed countries, the small island developing States and the landlocked developing countries, as identified, respectively, in the Brussels Programme of Action and the Barbados Programme of Action and within a new global framework for transit transport cooperation for landlocked and transit developing countries as set out in the Almaty Programme of Action,

Noting with concern that a number of developing countries, in particular the least developed countries and commodity-dependent developing countries, have not fully benefited from the global economy and trade liberalization,

Recognizing that countries must take appropriate and necessary security measures, but also underlining the importance of taking these measures in the manner that is least disruptive of normal trade and related practices,

Taking note of the review undertaken by the Trade and Development Board at its fifty-first session of developments and issues in the post-Doha work programme of particular concern to developing countries following the eleventh session of the United Nations Conference on Trade and Development, and its contribution to an understanding of the actions required to help developing countries integrate, in a beneficial and meaningful manner, into the multilateral trading system and the global economy and to achieve a balanced, development-oriented and successful conclusion of the Doha negotiations,

Taking note also of the report of the Trade and Development Board and the report of the Secretary-General,

1. Recognizes that a universal, rule-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can substantially stimulate development worldwide, benefiting countries at all stages of development, thereby promoting economic growth and sustainable development necessary to achieve the internationally agreed development goals, including those contained in the United Nations Millennium Declaration;

2. Reaffirms the value of multilateralism to the global trading system, and in this regard welcomes the progress achieved in the Doha work programme, with the adoption by the General Council of the World Trade Organization of its decision of 1 August 2004 on frameworks for further negotiations, which re-energizes the Doha round of the multilateral trade negotiations and recommit the members of the World Trade Organization to fulfilling the development dimension of the Doha work programme;

3. Welcomes the eleventh session of the United Nations Conference on Trade and Development, held in São Paulo, Brazil, from 13 to 18 June 2004, and the adoption of The Spirit of São Paulo and the São Paulo Consensus, which, building upon the Plan of Action adopted at its tenth session, held in Bangkok from 12 to 19 February 2000, reaffirm the continued commitment of the international community to supporting the United Nations Conference on Trade and Development in fulfilling its mandate in consensus-building, research and policy analysis, and in technical assistance on trade and development;

4. Welcomes also the commitment made at the Fourth Ministerial Conference of the World Trade Organization, held in Doha from 9 to 14 November 2001, and in the decision of 1 August 2004 of the General Council of the World Trade Organization, to place development at the heart of the Doha work programme and to continue to make positive efforts to ensure that developing countries, especially the least developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development;

5. Reaffirms that all countries have a shared interest in the success of the Doha work programme, which aims both at further increasing trading opportunities and reducing barriers to trade among nations and at making the trading system more development-friendly, which would contribute to the objective of upholding and safeguarding an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system, and recalls that a major contribution of the Doha Ministerial Declaration was to place the needs and interests of developing countries at the heart of the Doha work programme and that this important objective needs to be pursued with a view to bringing about concrete development-oriented outcomes from the multilateral trade negotiations;

6. Looks forward to the early development of the frameworks outlined in the decision of 1 August 2004 of the General Council of the World Trade Organization, in an inclusive and transparent manner, into concrete, detailed and specific modalities for the early and successful conclusion of the negotiations, while ensuring balance and parallel progress within and between areas under negotiation bearing in mind the needs and concerns of developing countries, and ensuring a fair and development-oriented outcome of the Doha work programme based on a broad agenda, including enhanced market access, balanced rules and well-targeted, sustainably financed technical assistance and capacity-building programmes;

7. Recognizes, in regard to the decision of 1 August 2004 of the General Council of the World Trade Organization and consistent with the Doha work programme, the following issues of particular interest and concern to developing countries:

(a) Reviewing special and differential treatment provisions with a view to making them more precise, effective and operational and, in this regard, expeditiously completing the review of the outstanding agreement-specific proposals and cross-cutting issues, and finding appropriate solutions to outstanding implementation issues, by July 2005, as provided for in paragraph 1 (d) of the decision;

(b) The elaboration of modalities under the framework on agriculture, as contained in annex A to the decision, for negotiations, in accordance with paragraph 13 of the Doha Ministerial Declaration, noting that reforms in all three pillars of market access, domestic support and export competition form an interconnected whole and must be approached in a balanced and equitable manner with operationally effective and meaningful special and differential treatment for developing countries, and recalling that agriculture is of critical importance to the economic development of developing country members of the World Trade Organization, particularly to the least developed countries and the net food-importing developing countries, and that they must be able to pursue agricultural poli-
cies that are supportive of their development goals, poverty reduction strategies and food security and livelihood concerns, and that non-trade concerns will be taken into account;

(c) Implementing concretely the commitment to address cotton issues ambitiously, expeditiously and specifically within the agriculture negotiations, as provided for in annex A to the decision;

(d) The elaboration of modalities on market access for non-agricultural products pursuant to annex B to the decision, with the aim of reducing or, as appropriate, eliminating tariffs, including the reduction or elimination of tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries, with a comprehensive product coverage and without a priori exclusions, and recalling also the importance of special and differential treatment and less than full reciprocity in reduction commitments for developing countries as integral parts of the modalities;

(e) Negotiations on trade in services, as provided for in annex C to the decision, with a view to providing effective market access to all members of the World Trade Organization; in order to ensure a substantive outcome, members shall strive to ensure a high quality of offers by May 2005, particularly in sectors and modes of supply of export interest to developing countries, giving special attention to the least developed countries, and aiming to achieve progressively higher levels of liberalization with no a priori exclusion of any service sector or mode of supply; special attention shall be given to sectors and modes of supply of export interest to developing countries, noting the interest of developing countries, as well as other members, in mode 4;

(f) Enhancing trade-related technical assistance and capacity-building to increase the effective participation of developing countries in the negotiations, to facilitate their implementation of World Trade Organization rules and to enable them to adjust and diversify their economies;

(g) Advancing the negotiations aimed at clarifying and improving disciplines under the agreements in the areas of anti-dumping, subsidies and countervailing measures, while preserving the basic concepts, principles and effectiveness of those agreements, taking into account the needs of developing countries, in accordance with paragraph 1 (f) of the decision;

(h) Advancing negotiations under the review of the dispute settlement understanding, in accordance with paragraph 1 (f) of the decision;

(i) Negotiations on trade facilitation, the results of which should fully into account the principle of special and differential treatment for developing and least developed countries, in accordance with annex D to the decision;

8. Reaffirms the importance of market access, and in this context recalls the importance of respect for World Trade Organization disciplines, including in the area of anti-dumping, inter alia, to avoid the abusive application of anti-dumping and other trade-distorting measures;

9. Reaffirms also the importance of the full implementation of the Agreement on Textiles and Clothing of the World Trade Organization, which provides for the complete phase-out of the quotas on textiles and clothing by 31 December 2004;

10. Reaffirms further the importance of the development dimension of the Agreement on Trade-related Aspects of Intellectual Property Rights;

11. Invites all members of the World Trade Organization to effectively implement the decision adopted by the General Council of the World Trade Organization on 30 August 2003 on the implementation of paragraph 6 of the Doha Declaration on the Agreement on Trade-related Aspects of Intellectual Property Rights and Public Health to address the problems faced by countries with insufficient or no manufacturing capacity in the pharmaceutical sector in accessing medicines at affordable prices when combating serious public health problems afflicting many developing and least developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics, and, as agreed by the World Trade Organization Council for Trade-related Aspects of Intellectual Property Rights on 16 June 2004, to expeditiously establish a permanent solution by amending the Agreement on Trade-related Aspects of Intellectual Property Rights on the basis of the recommendations by the Council to be presented by March 2005;

12. Invites the World Intellectual Property Organization to continue further its development activities and to continue to cooperate with relevant international organizations;

13. Stresses that the adoption or enforcement of any measures necessary to protect human, animal or plant life or health should not be applied in a manner that would constitute arbitrary or unjustified discrimination or a disguised restriction on international trade, while recognizing the rights of members of the World Trade Organization to determine their own appropriate level of sanitary and phyto-sanitary protection in accordance with World Trade Organization rules, and recognizes the need to facilitate the increased participation of the developing countries in the work of relevant international standard-setting organizations as well as the importance of providing financial and technical assistance and capacity-building efforts to enable them to respond adequately to the introduction of any new measures;

14. Emphasizes that issues related to trade, debt and finance and transfer of technology duly covered in the Doha work programme should be addressed as a high priority in accordance with the Doha work programme and the World Trade Organization General Council decision of 1 August 2004;

15. Recalls the commitment of the members of the World Trade Organization, in line with the Doha mandates, to progress in the areas of rules, trade and environment, and trade-related aspects of intellectual property rights, as stated in the World Trade Organization General Council decision of 1 August 2004;

16. Stresses the importance of an open, transparent, inclusive and democratic process and of procedures for the effective functioning of the multilateral trading system that allow for internal transparency and the effective participation of members, including in the decision-making process, and that enable them to have their vital interests duly reflected in the outcome of trade negotiations;

17. Also stresses the importance of facilitating the accession of all developing countries, in particular the least developed countries, as well as countries with
economies in transition, that apply for membership in the World Trade Organization, consistent with its criteria, bearing in mind paragraph 21 of resolution 55/182 and subsequent developments, and calls for the effective and faithful application of the World Trade Organization guidelines on accession of the least developed countries;

18. Invites members of the international community to consider the interests of non-members of the World Trade Organization in the context of trade liberalization;

19. Emphasizes that bilateral and regional trade arrangements should complement the goals of the multilateral trading system, and in this context stresses the importance of clarifying and improving disciplines and procedures under the existing provisions of the World Trade Organization applying to regional trade agreements in accordance with paragraphs 29 of the Doha Ministerial Declaration, taking into account the developmental aspects of regional trade agreements, and notes the work programme of the United Nations Conference on Trade and Development, in accordance with its mandate, to provide technical inputs in this respect;

20. Notes with appreciation the autonomous steps taken by some countries in providing trade-related assistance and by simplifying administrative procedures to facilitate access to their markets for exports from developing countries;

21. Reaffirms the commitments made at the Fourth Ministerial Conference of the World Trade Organization, and at the Third United Nations Conference on the Least Developed Countries, held in Brussels from 14 to 20 May 2001, in this regard calls upon developing countries that have not already done so to work towards the objective of duty-free, quota-free market access for all least developed country exports, and notes that the consideration of proposals for developing countries to contribute to improved market access for the least developed countries would also be helpful;

22. Welcomes the commitment to actively pursue the work programme of the World Trade Organization with respect to addressing the trade-related issues and concerns affecting the fuller integration of countries with small, vulnerable economies into the multilateral trading system in a manner commensurate with their special circumstances and in support of their efforts towards sustainable development, in accordance with paragraph 25 of the Doha Ministerial Declaration;

23. Recognizes also the importance of addressing seriously the concerns of commodity-dependent developing countries, owing to the continuing volatility of world commodity prices and other factors, and of supporting the efforts of such countries to restructure, diversify and strengthen their commodity sectors, and in this regard notes the formation of an international task force on commodities by the United Nations Conference on Trade and Development;

25. Emphasizes the importance of addressing the concerns of a number of developing countries in respect of the erosion of preferences and the impact of liberalization on their tariff revenues;

26. Stresses the importance of enhancing South-South trade and cooperation in the context of an emerging new trade geography that complements North-South trade and cooperation, and takes note of the decision, adopted in June 2004, to launch the third round of negotiations on the Global System of Trade Preferences among Developing Countries;

27. Recognizes that it is important for developing countries and countries with economies in transition to consider reducing trade barriers among themselves;

28. Expresses its concern about the adoption of a number of unilateral actions that are not consistent with the rules of the World Trade Organization, harm the exports of all countries, in particular those of developing countries, and have a considerable bearing on the ongoing World Trade Organization negotiations and on the achievement and further enhancement of the development dimension of the trade negotiations;

29. Emphasizes the importance of developing human, institutional, regulatory and research and development capacities and infrastructures aimed at enhanced supply-side capacity and competitiveness, as well as ensuring a conducive international environment for the full and effective integration of developing countries and countries with economies in transition into the international trading system;

30. Stresses the importance of strengthening and enabling the trade, investment and business environments through the adoption of appropriate domestic measures and conditions to encourage local, regional and international investment and efforts to prevent and dismantle anti-competitive practices and promote responsibility and accountability of corporate actors at both the international and the national levels, thereby enabling developing countries’ producers, enterprises and consumers to take advantage of trade liberalization, and encourages developing countries to consider establishing competition laws and frameworks best suited to their development needs, complemented by technical and financial assistance for capacity-building, taking fully into account national policy objectives and capacity constraints;

31. Notes that the outcome documents of the eleventh session of the United Nations Conference on Trade and Development emphasized the importance for all countries of enhancing coherence between national development strategies and global economic processes towards economic growth and development, in particular of developing countries, and, in that context, reinforced the consensus that trade is a means to growth and development and that the international trading system and trade negotiations should facilitate development gains;

32. Also notes the important and unique mandate of the United Nations Conference on Trade and Development, which was reaffirmed at its eleventh session, and supports the continued work of the United Nations Conference on Trade and Development in support of the effective and beneficial integration of developing countries and countries with economies in transition
had before it the following: a note by the UNCTAD secretariat on access, market entry and competitiveness [TD/B/COM.1/65]; the report of the Expert Meeting on Market Entry Conditions Affecting Competitiveness and Exports of Goods and Services of Developing Countries: Large Distribution Networks, Taking into Account the Special Needs of LDCs [YUN 2003, p. 973]; an UNCTAD secretariat note on trade in services and development implications [TD/B/COM.1/62]; the report of the Expert Meeting on Market Access Issues in Mode 4 (Movement of Natural Persons to Supply Services) and Effective Implementation of Article IV on Increasing the Participation of Developing Countries [YUN 2003, p. 972]; and a progress report on the implementation of agreed conclusions and recommendations of the Commission, including the post-Doha follow-up [TD/B/COM.1/64].

In agreed recommendations adopted on 13 February, the Commission underscored the significance of interrelationships among market access, market entry and competitiveness in shaping the pace and scope of gains accruing to developing countries from international trade and trade negotiations, and emphasized the importance of UNCTAD’s work in that regard.

The Commission recommended that UNCTAD continue its development-oriented policy analysis, confidence and consensus building, exchange of experience and information, and capacity development activities, focusing on, among other issues, market entry and market access conditions facing developing-country exports, including commodities; examine tariff and non-tariff barriers, including technical barriers and other market entry conditions that obstructed international trade, with special attention to those affecting developing-country exports; continue its work on factors shaping developing countries’ competitiveness; and deepen its work on preferences, South-South trade (including GSP among developing countries) and the interface between regional and global trade agreements and processes, together with their implications for trade and development.

The Commission further recommended that UNCTAD continue to enhance its work on international commodity markets, policies and measures to improve the contribution of the commodity sector to development, focusing on: the relationship between poverty reduction and commodity production and trade; enhancing the competitiveness of the commodity sector in-de-

Trade policy

Trade in goods and services, and commodities

The Commission on Trade in Goods and Services, and Commodities, at its eighth session (Geneva, 9-13 February) [TD/B/COM.1/67 & Corr.1], into the global economy in cooperation with relevant international organizations:

33. Invites the United Nations Conference on Trade and Development, in accordance with its mandate, to monitor and assess the evolution of the international trading system and of trends in international trade from a development perspective, and in particular to analyse issues of concern to developing countries and countries with economies in transition, supporting them in the formulation, implementation and review of national trade policies and trade-related policies and programmes with a view to maximizing their share of world trade;

34. Recommends the importance of supporting the programmes and technical cooperation and capacity-building activities of the United Nations Conference on Trade and Development that assist developing countries, especially the least developed countries and countries with economies in transition, in international trade and trade negotiations, in particular in support of their participation in the Doha work programme, including the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries and the Joint Integrated Technical Assistance Programme;

35. Requests the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development, to report to the General Assembly at its sixty-sixth session on the implementation of the present resolution and on developments in the multilateral trading system under the sub-item entitled “International trade and development”.

RECORDED VOTE ON RESOLUTION 59/221:

In favour: Afghanistan, Albania, Algeria, Andorra, Angola, Antigua and Barbuda, Argentina, Armenia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chile, China, Colombia, Comoros, Congo, Costa Rica, Côte d’Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic People’s Republic of Korea, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guyana, Haiti, Holy See, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Lao People’s Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Liechtenstein, Lithuania, Luxembourg, Madagascar, Maldives, Mali, Malta, Marshall Islands, Mauritius, Mexico, Micronesia (Federated States of), Monaco, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nauru, Netherlands, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of Moldova, Romania, Russian Federation, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia and Montenegro, Sierra Leone, Singapore, Slovakia, Slovenia, Solomon Islands, Somalia, South Africa, Spain, Sri Lanka, Sudan, Suriname, Switzerland, Syrian Arab Republic, Thailand, the former Yugoslav Republic of Macedonia, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, United Arab Emirates, United Kingdom, United Republic of Tanzania, Uruguay, Vanuatu, Venezuela (Bolivarian Republic of), Viet Nam, Yemen, Zambia, Zimbabwe.

Against: Australia, Canada, China, Israel, Japan, New Zealand, Republic of Korea.
veloping countries; the strategic positioning of developing-country producers in value chains; diversifying the commodity sector in developing countries towards activities generating higher development gains; further work on the concentration of commodity distribution chains and their impact on commodity sectors; and financing and risk management mechanisms for commodity sector development. UNCTAD was to maintain its role in building effective partnerships among relevant stakeholders to find viable solutions to commodity problems. It was also to contribute to greater coherence between policies on poverty reduction, trade, commodities and financial flows; support development-oriented follow-up to the Doha work programme; promote implementation of the United Nations Millennium Declaration [YUN 2000, p. 49]; and maintain technical assistance to developing countries on their accession to WTO. UNCTAD should contribute to assuring development gains to developing countries accruing from international trade and trade negotiations in: the assessment of trade benefits to developing countries; identifying opportunities in new and dynamic services sectors and through outsourcing; assisting developing countries in implementing the General Agreement on Trade in Services (GATS); analysing approaches to fur- ther commitments in GATS Mode 4; identifying opportunities for integrating developing countries into regional trade arrangements; enhancing analytical work on cross-cutting issues of special interest to them; and analysing the economic implications of security measures on trade in services.

At its thirty-fourth executive session (Geneva, 10 March) [A/59/15], TDB took note of the Commission’s report and endorsed its recommendations.

Subsidiary body. During the year, the Expert Meeting on Financing Commodity-Based Trade and Development: Innovative Financing Mechanisms was held (Geneva, 16-17 November) [TD/B/COM.1/EM.29/5]. Before it was an UNCTAD report providing an overview of innovative mechanisms for agricultural finance [TD/B/COM.1/EM.24/2]. The Meeting proceeded from the premise that lack of financing was a major impediment to the development of the agriculture sector in developing countries and that available finance was provided mostly to larger borrowers to the exclusion of the majority of small producers from the formal credit system.

Noting the integration of farmers, processors and traders in the national or global supply chain, the experts felt that financiers could use that chain to strengthen their financing mecha-
economic policy space at the national level, and comprise good governance of globalization with inclusive and transparent structures of international economic decision-making. The Trade and Development Report 2004 (see p. 957) provided useful data, analyses and ideas regarding the interplay among trade, monetary and financial factors shaping trade performance. However, a collective approach was needed to foster coherence among those factors. TDB stated that UNCTAD could contribute to the debate towards that end by putting forward strategies in certain parts of the world, should also present alternative scenarios, including possible action by the international community.

**Trade promotion and facilitation**

In 2004, UN bodies maintained assistance to developing countries and transition economies in promoting their exports and facilitating their integration into the multilateral trading system. The main originator of technical cooperation projects in that area was the International Trade Centre, under the joint sponsorship of UNCTAD and WTO.

**International Trade Centre**

In 2004, the UNCTAD/WTO International Trade Centre (ITC) increased its delivery of technical assistance by 5 per cent to $21.1 million, from $20.1 million in 2003 [ITC/AG(XXXVIII)/202]. Between 2000 and 2004, total delivery rose by 82 per cent.

In addition to providing assistance to 135 countries, ITC established new strategic alliances and programmes so as to contribute better to the achievement of the MDGs, refining business processes, and servicing inspection and evaluation activities. Against the background of global trade growth and resumed trade negotiations under the Doha work programme, the need for supply-side responses became more critical to ensure that benefits from growth in global trade did not bypass developing countries. In that context, ITC focused on providing small and medium-sized enterprises (SMEs) with comprehensive business support services, including targeted business information; access to analytical and operational tools; and training in identifying market opportunities, adapting products and services to demand and developing capabilities for converting business opportunities into actual trade.

ITC focused its activities on its five corporate goals. Under the first goal, facilitating the integration of enterprises into the multilateral trading system, ITC increased its field activities in 67 countries and provided specific country-level assistance on WTO agreements and initiatives, promoted business advocacy, held interactive workshops on a number of trade topics, and conducted business analyses for the textile and clothing industry.

On the second goal, supporting the design of trade development strategies, although significant results were achieved at the national level, ITC attempted to ensure that its tools and back-stopping capacities were adequate to meet the high demand in that area. However, national capacities needed to be improved and capacity-building integrated into ITC country-level programmes.

As to the third goal, strengthening key trade support services (both public and private), ITC helped trade support institutions (TSIs) deliver high-quality services; TSIs in over 100 countries benefited from ITC partnerships. The challenge for ITC was to provide the TSI community with locally adaptable capacity-building tools and services in a timely and efficient manner to enable it to be proactive in its response to quickly changing business requirements.

Under the fourth goal, improving sector performance, ITC provided product sector-specific assistance to 27 LDCs and assisted 17 others in the area of services. New export opportunities were created through buyers-sellers meetings in nine product areas, including publishing and printing, pharmaceuticals, leather and the aid procurement market across Africa. Those meetings resulted in new business worth more than $22 million for over 500 SME exporters from 66 countries.

With regard to the fifth goal, building enterprise competitiveness, ITC delivered 80 projects to improve the competitiveness of SMEs through access to key information, human, financial and network resources. Its programmes helped companies to identify and realize market opportunities in growing markets, such as herbal medicines, cosmetics, tourism, services and creative industries. Over 1,300 SMEs in 20 services subsectors benefited from a direct training programme held in 17 countries.

In 2004, its fortieth anniversary year, ITC consolidated its achievements in terms of rapid delivery, established the basis for better attaining its goals and sharpened its vision for the future.

**JAG action.** The ITC Joint Advisory Group (JAG), at its thirty-seventh session (Geneva, 26-30 April) [ITC/AG(XXXVII)/200], considered the reports of ITC on its 2003 activities [YUN 2003, p. 974] and on its technical cooperation projects in 2003 [ITC/AG(XXXVIII)/97/Add.1,2], the report of the Consultative Committee of the ITC Global Trust Fund [ITC/AG(XXXVIII)/98] and the ITC proposed
The Group endorsed the overall orientation of ITC, encouraged it to continue its activities in accordance with the 2006-2007 proposed strategic framework and welcomed its focus on human and institutional trade capacity-building. Noting that ITC had increased its delivery target by a further 20 per cent in 2004 and maintained double-digit growth in its 2004-2006 Business Plan, the Group expressed concern over the implications that such an ambitious growth rate might have for the quality of ITC field assistance; in that regard, it endorsed the principle of growth through intensification rather than diversification of activity. It also endorsed ITC’s unique approach to supporting national, sectoral and enterprise competitiveness through specialized, practical technical assistance targeting SMEs and TSIs servicing them.

In terms of the value of the enterprise-level programme in support of South-South trade, the Group encouraged ITC to expand the programme within the region to cover additional sectors and to include cross-regional trade. It urged ITC to pay increased attention to the supply-side aspects of competitiveness, particularly regarding product adaptation and development issues, and recommended that it broaden its focus to include future industries and subsectors of untapped potential. It encouraged ITC to be proactive in consolidating partnerships with multilateral and bilateral organizations and in pursuing new technical relationships with specialized technical organizations. The Group endorsed ITC’s focus on the needs of the business sector and individual SMEs and recommended that it expand its field activities under both its Export-led Poverty Reduction Programme and projects funded under the Integrated Framework for Trade-related Technical Assistance to LDCs Trust Fund. Concerned about the falling share of ITC field support to LDCs, particularly those in Africa, and to Arab, Eastern European and CIS countries, the Group encouraged ITC to increase its development activities on behalf of all stakeholders.

Pledges of trust fund contributions to ITC were announced by Canada, Denmark, Finland, France, Germany, India, Norway, Switzerland, United Kingdom and the United States.

In October [A/59/15], TDB took note of JAG’s report on its thirty-seventh session.

ITC administrative arrangements

OIOS report. Pursuant to General Assembly resolution 54/244 [YUN 1999, p. 1274], the Secretary-General transmitted an August report [A/59/229] of the Office of Internal Oversight Services (OIOS) on the inspection of ITC’s programme management and administrative practices. The inspection, which focused on assessing the efficiency and effectiveness of ITC’s operations, examined programme planning and delivery, and arrangements for monitoring and evaluating programme implementation and for managing financial and human resources.

OIOS found that ITC had successfully established its niche and strengthened its comparative advantages in enhancing the capacity of the business community in developing countries and in countries with economies in transition, especially of their SMEs, for successful participation in international trade. Its services to beneficiaries were relevant and of high quality and its contribution to trade development was increasingly recognized by member States. The inspection highlighted good practices, such as the Global Trust Fund, established in 1995 for financing multi-donor, multi-country and multi-year projects. For many countries, the Fund was the sole source of funding for ITC assistance, and OIOS believed it was an effective mechanism, ensuring adequate operational flexibility in the use of technical cooperation resources while maintaining control by recipient and donor countries over the parameters of their use. Other good practices included the projects portal, an online database designed to improve project monitoring and evaluation; the Senior Management Committee, which played a key role in directing ITC activities; and the effective use of information technology.

OIOS ascertained that ITC’s products and services, in respect of product and market development, trade support services, and information and promotion met the needs of clients and were considered of high quality. Nonetheless, enhanced horizontal communication and strengthened interdivisional and intersectional cooperation in project development and implementation would further increase the value of ITC activities to developing and transition economies. While acknowledging ITC’s success in expanding and intensifying its specialized trade-related technical assistance, OIOS recommended measures to further enhance programme performance monitoring and reporting, increase internal cohesion and strengthen human resources management.

Report of Secretary-General. Pursuant to General Assembly decision 57/572 [YUN 2002, p. 942], the Secretary-General submitted an October report [A/59/405] on the ITC administrative arrangements. Prepared in consultation with WTO and ITC, the report made recommendations to simplify those arrangements and adapt them to recent changes in the budgetary processes of the ITC parent organizations: in the case of the...
United Nations, the replacement of the four-year medium-term plan by a biennium-based strategic framework; and at WTO, the replacement of the annual budget, in force until the end of 2003, by a biennium budget cycle coinciding with that of the United Nations.

Instead of the budget outline required under the current administrative arrangements, ITC would submit a simplified fascicle to both the UN General Assembly and the WTO General Council for them to take note of, with a full proposal to be submitted for decision by both in the fall. The ITC 2006-2007 strategic framework, in the UN format, would be reviewed by JAG in the spring of the first year of a financial period. The amended framework would be submitted to the Committee for Programme and Coordination (CPC). The JAG report would be submitted for review to TDB and the WTO Committee on Trade and Development. The CPC-approved version of the framework would be sent to WTO for information. ITC should continue to prepare two budget fascicles with the same financial and substantive information in different formats, and Endeavour to harmonize the two fascicles in consultation with the UN and WTO secretariats.

Annexed to the report was a detailed time line of the current and proposed simplified procedures for the review of the ITC proposed budget by the United Nations and WTO.

In October [A/59/443], the Advisory Committee on Administrative and Budgetary Questions (ACABQ) recommended that the Assembly take note of the Secretary-General’s report and endorse its recommendations.

In resolution 59/276 of 23 December (see p. 1383), the Assembly took note of the report of the Secretary-General and of the related ACABQ report. It also took note of the OIOS report (see p. 966) and requested the Secretary-General to ensure the expeditious implementation of its recommendations.

Enterprise, business facilitation and development


The Commission requested the UNCTAD secretariat to continue its policy analysis, technical assistance and capacity development to enhance the export competitiveness of SMEs.

On efficient transport and trade facilitation, it asked UNCTAD to continue implementing the Commission’s 2003 recommendations related to the topic with respect to: analysing developments, transferring technological and managerial capabilities and examining their implications for developing countries; providing guidance and assistance to those countries on ICT use; analysing the impact of security measures; cooperating with other intergovernmental organizations engaged in the development of international legal instruments affecting international transport and trade facilitation, disseminating information on their implications for developing countries and providing negotiating assistance with regard to ongoing work related to the Doha work programme; and analysing trade facilitation developments, with particular attention to the Almaty Plan of Action [YUN 2003, p. 875] and to identifying the related needs and priorities of developing countries.

Recommendations on electronic commerce for development called for UNCTAD research on and policy-oriented analysis of the economic implications for developing countries of ICT trends and business applications, and for the dissemination of information on international discussions of the technological, commercial, legal and/or financial aspects of ICT, e-business and e-commerce. UNCTAD was asked to assist developing countries in building their capacity to formulate and implement the economic components of their national e-strategies for development; to be actively involved in the implementation of the Action Plan and follow-up to the Declaration of Principles adopted at the first phase of the World Summit on the Information Society [Ibid., p. 857]; to continue its work in the statistical measurement of ICT use by enterprises and households and to contribute to the establishment of a set of internationally comparable ICT statistical indicators designed for monitoring progress between the first and second phases of the Summit; and to continue to provide a forum for the discussion of ICT-related policy issues relevant to economic development, facilitate the exchange of experiences in the economic applications of ICT and ensure inclusion of the development dimension in international discussions on such matters.
In March [A/59/15], TDB took note of the Commission’s report and endorsed its recommendations.

Subsidiary bodies. A number of expert meetings were held in Geneva during the year. The Expert Meeting on Free and Open-Source Software: Policy and Development Implications (22-24 September) [TD/B/COM.3/EM.21/2] had before it an UNCTAD secretariat paper on the subject [TD/B/COM.3/EM.21/3]. The meeting discussed the question of free and open-source software development from a policy perspective and advanced the notion that it promoted digital inclusion and provided a good foundation for an ICT software industry, as future programmers could learn from the best source code by freely inspecting, modifying and including it in their own work. The experts were fully reassured that a number of prominent global ICT industry players had embraced some or all of the principles and processes of FOSS and that any doubts about its suitability for economic activities were unfounded. However, the UN system and UNCTAD needed to address it further from many other perspectives. UNCTAD, in particular, would pursue the implementation of an ICT-for-development partnership so as to promote human-capacity development and awareness-building with regard to FOSS.

The Expert Meeting on the Design and Implementation of Transit Transport Arrangements (24-26 November) [TD/B/COM.3/EM.22/3] had before it an UNCTAD secretariat note on the subject [TD/B/COM.3/EM.22/2]. The meeting discussed the constraints confronting countries depending on transit trade, notably the landlocked countries, that increased the logistics costs of their international trade. Those constraints related to border and customs procedures, different sets of administrative regimes and commercial practices of transit countries, poor and inadequate transit infrastructure, insufficient use of information systems, and commercial risks from broken container seals and aged fleets. Transit arrangements aimed at diminishing those constraints needed to take account of new developments, such as the recent trade facilitation negotiations regarding articles V (free transit of goods), VIII (trade fees and formalities) and X (transparency of information about trade regulations) of the General Agreement on Tariffs and Trade; the customs transit regime known as the Transport International Routier applicable to intermodal containerized transport, whereby goods could not be removed without leaving traces or breaking customs seals; the Automated System for Customs Data whose transit module included forgery-proof electronic documents, electronic signature and registration of all transactions; and new security and trade facilitation initiatives in the form of cargo tracking based on radio frequency identification devices and smart and secure trade lanes.

In order to develop effective solutions to transit trade, the meeting called for national and regional cooperation in the planning, organization and administration of transit transport arrangements; appropriate coordination mechanisms; and international community support.

The Expert Meeting on Promoting the Export Competitiveness of SMEs (8-10 December) [TD/B/COM.3/EM.23/3] had before it an UNCTAD secretariat note on the subject [TD/B/COM.3/EM.23/2]. The meeting examined different patterns of internationalizing SMEs through exports and discussed policies and measures that could help to strengthen their export competitiveness in developing countries. Special attention was devoted to possible link-ups with transnational corporations (TNCs), perceived as a way for SMEs to solve their traditional problem of access to the critical resources of finance, technology, managerial skills and new markets. While reaffirming the important role of Governments in enhancing the productive capacity of SMEs, the sustainability of government interventions emerged as a common concern among the experts. Difficulties in creating and strengthening the domestic supplier base were noted, and it was argued that, while TNCs could play a role in upgrading technological capabilities, their interests were not always in alignment with those of host countries. National policies were therefore important for solving and preventing problems that could arise from that conflict of interests.

Commodities

The UNCTAD/DESA report World Economic Situation and Prospects 2005 [Sales No. E.05.II.C.2] stated that, due mainly to the global economic recovery, particularly the rapidly increasing demand in Asia, notably China, and the concurrent depreciation of the United States dollar, prices of non-oil commodities rose by an average of 10 per cent in 2004, continuing the upward trend that had emerged in 2003 [YUN 2003, p. 977]. That did not, however, offset the setback recorded for 1980-2002, when prices fell by 40 per cent. At the end of 2004, for example, the price index for all food products remained almost 20 per cent below the average for 1995. Developing countries exporting agricultural commodities thus continued to face prices that were low by historical standards. Oil prices also increased and remained volatile throughout 2004, driven by a strong demand in a
context of low and declining inventories and limited spare capacity, an unsettled security situation, speculative movements and natural disasters that disrupted production in the Gulf of Mexico. Despite some slowdown in the second quarter of the year, world oil demand increased by 3.3 per cent to 81.8 million barrels a day, the fastest growth rate and the largest absolute increase since 1977.

**Report of Secretary-General.** In keeping with General Assembly resolution 57/236 [YUN 2002, p. 945], the Secretary-General, in an August report [A/59/304], provided an overview of world commodity trends and prospects and discussed converting opportunities for increased commodity exports into development and poverty reduction. The report addressed progress in implementing Assembly resolution 58/204 on commodities [YUN 2003, p. 978], which called for actions by Governments and international financial institutions to continue assessing the effectiveness of the systems for compensatory financing of export-earnings shortfalls, by the Secretary-General to undertake open discussions on enhancing the impact of existing instruments to support efforts of commodity-dependent developing countries to diversify their exports, and by UNCTAD and other relevant UN system bodies to strengthen their capacity-building and technical cooperation activities.

The report concluded that, in the past several decades, commodities had not been an engine of growth; however, with an expected demand increase resulting from rapid growth, especially in developing countries, prospects might improve and lead to increased commodity exports from those countries. For the resultant benefits to be shared equitably and to reach the poorest developing countries and their poorest population segments, national and international policies and action were required. At the national level, productivity needed to be improved, especially in LDCs and African countries, through such measures as improved extension services, the rational use of inputs and adoption of better yielding plant varieties and better farming practices. Improvements in the quality of products and quality control were also necessary; the role of Governments in that regard was to establish an enabling environment for producers, processors and traders.

At the international level, the international trading system needed to be reformed so as to offer substantially improved opportunities to developing-country agricultural exporters. Also needed were financial and technical assistance to support developing countries’ efforts to participate more effectively in international commodity trade, and international support to mitigate the consequences of price instability through user-friendly and operational approaches to schemes intended to address earnings shortfalls.

**GENERAL ASSEMBLY ACTION**

On 22 December [meeting 75], the General Assembly, on the recommendation of the Second Committee [A/59/481/Add.4], adopted resolution 59/224 without vote [agenda item 83 (d)].

**Commodities**

Recalling its resolutions 57/236 of 20 December 2002 and 58/204 of 23 December 2003, and stressing the urgent need to ensure their full implementation,

Recalling also the United Nations Millennium Declaration adopted by Heads of State and Government on 8 September 2000,

Taking note of the Monterrey Consensus of the International Conference on Financing for Development,

Taking note also of the Plan of Implementation of the World Summit on Sustainable Development,

Taking note further of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 and the Least Developed Countries Report, 2004,

Recalling the Doha work programme adopted at the Fourth Ministerial Conference of the World Trade Organization, on 14 November 2001, and welcoming the decision adopted in this context by the General Council of the World Trade Organization on 1 August 2004,

Taking note of the São Paulo Consensus adopted at the eleventh session of the United Nations Conference on Trade and Development, particularly the paragraphs relating to commodities,

Taking note also of the report of the Trade and Development Board on its fifty-first session,

Recognizing that commodity prices are an important element for heavily indebted poor countries that are dependent on commodities for maintaining long-term debt sustainability,

Taking note of the targets set out in the Rome Declaration on World Food Security and the Plan of Action of the World Food Summit and the outcome document of the World Food Summit: five years later, which reaffirms the pledge to end hunger and poverty,

Recognizing that structural changes in international commodity markets, particularly the increasing concentration in trade and distribution, constitute new challenges for small farmers, commodity producers and exporters in developing countries,

Expressing its concern about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes, which are essential for sustainable development and for attaining access to markets for their commodities,

1. **Takes note** of the report of Secretary-General on world commodity trends and prospects, including the fact that while prices have improved for some commodities, the real prices of others remain on a declining trend;

2. **Recognizes** that many developing countries are highly dependent on primary commodities as their principal source of export revenues, employment, income generation and domestic savings and as the driv-
ing force of investment, economic growth and social development.

3. Reiterates the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing diversification efforts in commodity-dependent developing countries.

4. Emphasizes the need for efforts by the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

5. Reaffirms that each country has primary responsibility for its own economic and social development, and recognizes that an effective enabling environment at the national and international levels entails, inter alia, a sound macroeconomic framework, competitive markets, clearly defined property rights, an attractive investment climate, good governance, an absence of corruption and well-designed regulatory policies that protect the public interest and generate public confidence in market operations;

6. Encourages developing countries, with the necessary support of donor countries and the international community, to formulate specific commodity policies so as to contribute to the facilitation of trade expansion, the reduction of vulnerability and the improvement of livelihood and food security, by:
   (a) Creating an enabling environment that encourages the participation of rural producers and small farmers;
   (b) Continuing the diversification of the commodity sector and enhancing its competitiveness in developing countries that are heavily dependent on commodities;
   (c) Increasing technology development and improving information systems, institutions and human resources;

7. Notes that the supply capacity and adaptability of many countries is constrained by weak institutional and technical capacity, and invites the international community to support commodity-dependent developing countries in addressing the loss of competitiveness and negative commodity production and trade trends and in taking the measures necessary to improve livelihoods and food security in commodity-dependent developing countries by supporting the design and implementation of commodity chain strategies, and welcomes initiatives taken in this regard;

8. Emphasizes the importance of official development assistance for agriculture and rural development, and invites developing countries to prioritize agriculture and rural development in their national development strategies and programmes, inter alia, in the New Partnership for Africa’s Development, and in this regard invites developed countries and the donor community to further reinforce their assistance to those sectors in developing countries by providing financial and technical support for activities aimed at addressing commodity issues, particularly the needs and problems of commodity-dependent developing countries;

9. Welcomes the decision taken by members of the World Trade Organization on 1 August 2004, and stresses the importance of a successful conclusion of the Doha work programme;

10. Reiterates the importance of maximizing the contribution of the commodity sector to sustained economic growth and sustainable development, while continuing diversification efforts in commodity-dependent developing countries.

11. Recalls the potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts;

12. Calls upon developed countries that have not already done so to work towards the objective of providing duty-free and quota-free market access for all least developed country products, and encourages developing countries in a position to do so to contribute to improved market access for the least developed countries;

13. Recognizes that developed countries account for two thirds of world non-fuel commodity imports, and expresses the urgent need for supportive international policies and measures to improve the functioning of the commodity markets through efficient and transparent price-formation mechanisms, including commodity exchanges, and through the use of viable and effective commodity price risk-management instruments;

14. Also recognizes that market exigencies can constitute formidable challenges to developing country commodity producers and exporters, in particular small farmers, and urges both developing and developed countries to take appropriate steps to enable those producers to enter global supply chains and to facilitate their effective participation in supply chains, and invites the private sector to promote partnerships that contribute to the effective participation of small producers in supply chains;

15. Encourages the United Nations Conference on Trade and Development, the Food and Agriculture Organization of the United Nations, the World Bank and other relevant international organizations, within their respective mandates, to enhance their efforts to facilitate access to market-based instruments, with prudential oversight for managing commodity risks due to price fluctuation and natural disasters, so as to address the commodity problems in developing countries;

16. Regrets that schemes to mitigate earnings shortfalls have not reached the originally envisaged goals, and urges Governments and invites international financial organizations to continue to assess the effectiveness, including prudential oversight for managing commodity risks due to price fluctuation and natural disasters, and in this regard invites the private sector to promote partnerships that contribute to the effective participation of small producers in supply chains;

17. Reaffirms that each country has primary responsibility for its own economic and social development, and recognizes that an effective enabling environment at the national and international levels entails, inter alia, a sound macroeconomic framework, competitive markets, clearly defined property rights, an attractive investment climate, good governance, an absence of corruption and well-designed regulatory policies that protect the public interest and generate public confidence in market operations;

18. Notes with concern that the real prices of some commodities are still on a declining trend, and requests the United Nations Conference on Trade and Development and the Food and Agriculture Organization of the United Nations, within their respective
mandates, to explore appropriate ways of addressing this problem and identifying best practices for dealing with persistent oversupply situations;

19. Calls upon the United Nations Conference on Trade and Development to continue to work, in cooperation with all interested stakeholders, including donor countries and organizations, for the effective operation of the International Task Force on Commodities launched at the eleventh session of the United Nations Conference on Trade and Development, and invites interested parties to provide voluntary financial support for its effective operation;

20. Underlines the need to strengthen the Common Fund for Commodities, and encourages it, in cooperation with the International Trade Centre UNCTAD/WTO, the United Nations Conference on Trade and Development and other relevant bodies, to continue to strengthen the activities covered by its Second Account in developing countries with its supply chain concept of improving access to markets and reliability of supply, enhancing diversification and addition of value, improving the competitiveness of commodities, strengthening the market chain, improving market structures, broadening the export base and ensuring the effective participation of all stakeholders;

21. Invites all relevant stakeholders, including the United Nations Conference on Trade and Development, the Common Fund for Commodities and the Food and Agriculture Organization of the United Nations, within their respective mandates, and other donors to intensify their support for the financing of commodity diversification, focusing on developing private sector capacity, strengthening market institutions, developing strong producer associations for commodities with a proper role for producers, including women and small farmers, developing key infrastructure and stimulating investments;

22. Requests the Secretary-General of the United Nations, in collaboration with the Secretariat of the United Nations Conference on Trade and Development, to report on the implementation of the present resolution and on world commodity trends and prospects to the General Assembly at its sixty-first session;

23. Decides to include in the provisional agenda of its sixty-first session, under the item entitled “Macroeconomic policy questions”, the sub-item entitled “Commodities”.

**Individual commodities**

**Timber.** The United Nations Conference for the Negotiation of a Successor Agreement to the International Tropical Timber Agreement, 1994 [YUN 1994, p. 887] reconvened in 2004 (Geneva, 26-30 July). It had before it proposals prepared by the Chairperson and Vice-Chairperson of the Preparatory Committee [TD/TIMBER.3/4] and an UNCTAD secretariat note containing a review of related work of the International Tropical Timber Organization [TD/TIMBER.3/3]. The Conference adopted a resolution [TD/TIMBER.3/L.2] requesting the UNCTAD Secretary-General, in cooperation with the Executive Director of the International Tropical Timber Organization, to prepare the working document resulting from the current Conference session, to maintain contact with producing and consuming countries with a view to assisting the Conference in reaching a successful conclusion, and to make arrangements to reconvene the Conference from 14 to 18 February 2005.

As requested, UNCTAD, in October [TD/TIMBER.3/L.3], presented the working document resulting from the July Conference session. During the year, Mexico acceded to the Agreement, bringing the number of parties to 60. The signatories numbered 49.

**Olive oil and table olives.** The International Olive Oil Council (29 November–2 December) extended, with effect from 1 January 2005, the International Agreement on Olive Oil and Table Olives, 1986, as amended and extended, 1993 [YUN 1993, p. 760], until 31 December 2005. It also extended until 30 June 2005 the time limit for depositing the instrument of accession by Turkey. In 2004, Iran acceded to the Agreement, bringing the total number of parties to 16.

**Sugar.** As at 31 December, the International Sugar Agreement, 1992 [YUN 1992, p. 825] had 22 signatories and 49 parties. During the year, the International Sugar Council (29 November) extended until 31 December 2005 the time limit for the deposit by signatories of their instrument of ratification, acceptance or approval.

**Coffee.** As at 31 December, the International Coffee Agreement 2001 [YUN 2001, p. 880] had 11 signatories and 60 parties. During the year, Colombia, the Dominican Republic, Greece, Paraguay, Venezuela and Zimbabwe became parties. The International Coffee Council (19-21 May) extended until 31 May 2005 the time limit for the deposit of instruments of ratification, acceptance or approval or accession, including by States applying the Agreement provisionally.

**Cocoa.** As at 31 December, the International Cocoa Agreement, 2001 [YUN 2001, p. 880] had 11 signatories and 15 parties, including Brazil, Papua New Guinea and Trinidad and Tobago, which became parties during the year.

**Common Fund for Commodities**

The 1980 Agreement establishing the Common Fund for Commodities [YUN 1980, p. 621], a mechanism intended to stabilize the commodities market by helping to finance buffer stocks of specific commodities and such commodity development activities as research and marketing, entered into force in 1989, and the Fund became operational later that year. As at 31 December 2004, the number of parties to the Agreement stood at 110.
Finance

Financial policy

The World Economic and Social Survey 2004 [Sales No. E.04. II.C.1] stated that macroeconomic policies had played a crucial role in stimulating global recovery in 2003 and 2004, and that the current challenge was to transform the cyclical upturn into sustained long-run growth that generated additional employment. That required striking a balance between accommodating strong growth and at the same time managing potential risks for the escalation of inflation. Additional actions, which would vary from country to country, were necessary to accelerate growth and development beyond the cyclical recovery. Net financial flows to developing countries had increased in 2003, when official development assistance (ODA) rose from 0.23 per cent to a record 0.25 per cent of developed countries’ gross national income, although still far short of the target of 0.7 per cent. For countries with access to international capital markets, private capital flows increased markedly, despite a decline in inflows of foreign direct investment (FDI). In that regard, low interest rates and ample liquidity in developed economies encouraged international investors to search for higher returns and thus to purchase higher-risk financial instruments, including the high-yield corporate bonds of developed countries and bonds and stocks of emerging markets. Despite the encouraging prospects in international commodity and financial markets, both commodity prices and capital market conditions were highly volatile so that a possible tightening of monetary policy or a market-driven correction in the United States posed risks for developing countries heavily dependent on international capital flows or with substantial amounts of dollar-denominated debt. Thus, although the expansion in 2003 and 2004 of the United States economy remained a key locomotive for the world economy, its large fiscal and trade deficits continued to be of major concern for the downside risks they posed for the United States itself and for the rest of the world.

The UNCTAD/DESA report World Economic Situation and Prospects 2005 [Sales No. E.05.II.C.2], based on information available as at 30 November 2004, stated that macroeconomic policy stimulus was reduced in many developed countries as recovery gained momentum in 2004. Many central banks began to raise interest rates, gradually reversing the monetary easing they had adopted following the slowdown in 2001; nevertheless, the process was incremental, as policy makers recognized the fragility of the recovery in some countries. In the United States, for example, the Federal Reserve raised the Federal Funds rate five times in the second half of 2004, but by a total of only 125 basis points. In developing economies, monetary policy was mixed: some countries tightened policy modestly in response to emerging inflationary pressures; a few others—the Republic of Korea, Hungary, South Africa and Turkey—reduced interest rates because of weakening growth, currency appreciation or diminished inflationary pressures, notwithstanding higher oil and commodity prices. Barring a supply-side shock that would raise inflation substantially, such as a further surge in oil prices, monetary policy in 2005 was expected to remain generally accommodative in most developing countries across all regions.

Financial flows

According to the UNCTAD/DESA report on the world economic situation and prospects, the net outward financial transfers from developing countries continued to increase in 2004, reaching some $312.7 billion. Net transfers from East and South Asia moderated but remained at a high level. Due to external surpluses, countries in that region continued to accumulate large holdings of foreign exchange reserves, mainly low-risk securities of developed countries. While the majority of those reserves continued to be invested in United States securities, there was evidence of Asian central banks and oil-exporting countries increasing the diversification of their reserve holdings to include more euro-denominated securities. Net financial transfers from Latin America also increased, reflecting the region’s improved trade and current-account surpluses. The financial outflows were used to make debt repayments, but there was also an increase in official reserves for precautionary purposes.

In terms of inflows, developing countries received $59.6 billion in net private financial flows, $4.9 billion less than they received in 2003. FDI, the largest source of net private financial inflows in 2004, began to recover from the depressed levels of recent years. Net financial flows to countries with economies in transition turned negative in 2004, owing to sharply lower net private financial flows to the Russian Federation.

International financial system

Report of Secretary-General. In response to General Assembly resolution 58/202 [YUN 2003, p. 981], the Secretary-General submitted an August report [A/59/218 & Corr.1], which reviewed recent developments in the international financial
system, with particular relevance to developing countries, provided estimates of the net transfer of financial resources of regional groups of developing countries in 2003 and updated developments in international financial reform since his 2003 report on the subject [YUN 2005, p. 981].

The Secretary-General concluded that, although developing countries had taken wide-ranging measures to strengthen financial regulation and supervision, they remained highly vulnerable to global uncertainties and risks. To help lessen their susceptibility to shocks, the international community needed to promote policies and measures to reduce their exposure to external developments. It was also important to continue exploring measures to better assist them in reducing the high volatility of their external payment positions and to make their debt structures less vulnerable to crisis; in that regard, there might be a need for more appropriate regulatory instruments that recognized the close connection between macroeconomic cycles and risk-taking by financial institutions. It was essential to continue work on crisis prevention and resolution; in that connection, there was a need for more effective and less intrusive surveillance, backed by lending facilities offering emerging markets some form of contingent insurance that could be mobilized quickly and on a sufficiently large scale if necessary. There was broad recognition that international financial governance structures had to evolve in order to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting; however, the political will to address that issue comprehensively was still lacking.

The international community should continue the search for acceptable solutions towards a breakthrough in that area.

**IMF/World Bank Development Committee.** The joint International Monetary Fund (IMF)/World Bank Development Committee, in a communiqué issued following its 2 October meeting (Washington, D.C.), expressed concern that most Millennium Development Goals (MDGs) [YUN 2000, p. 3] would not be met by many developing countries and recommitted itself to supporting efforts by those countries to pursue sustainable growth, sound macroeconomic policies, debt sustainability, open trade, job creation, poverty reduction and good governance. Reforms undertaken by many countries and private-sector-driven growth were critical to the success of country-led efforts to reduce global poverty. The Committee stated that success in the Doha Development Agenda [YUN 2001, p. 1432] could only complement those efforts and stressed the importance of translating into tangible results the agreed frameworks for further negotiations, as contained in the 1 August decision of the WTO General Council (see p. 958). It urged the IMF and World Bank to support efforts towards that end, to help developing countries assess the impact of negotiations and to provide them with additional support to address potential adjustment costs.

To address needs for additional stable and predictable financing to help developing countries undertake investment plans to meet the MDGs and to finance associated recurrent costs where appropriate, the Committee reviewed proposals to complement increased aid flows and commitments with innovative mechanisms. It welcomed the World Bank and IMF analysis of those options, notably the international finance facility, global taxes and voluntary contributions, including the analysis of their technical feasibility.

In an earlier communiqué, following a 25 April meeting (Washington, D.C.), the Committee, welcoming World Bank and IMF actions to promote trade facilitation and support developing countries as they integrated further into the global trading system, urged continued efforts to tailor Bank lending to support capacity-building and country-owned trade initiatives.
Recognizing that success in meeting the objectives of development and poverty eradication depends on good governance within each country and at the international level, and stressing that sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation,

Recognizing that an enabling economic environment should, inter alia, foster a dynamic and well-functioning business sector and include efforts to further promote good corporate and public sector governance, to combat corruption in the private and public sectors, and to promote the strengthening of and respect for the rule of law,

Encouraging further progress on the issue of participation of developing countries in international economic decision-making and norm-setting processes, including those in the Bretton Woods institutions and other economic and financial institutions and ad hoc groupings, while welcoming the steps that have been taken with a view to strengthening the capacity of developing countries to participate effectively in the international financial institutions,

Recognizing the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems, and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained economic growth and the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration,

Emphasizing the need for additional stable and predictable financing to help developing countries undertake investment plans to achieve internationally agreed development goals,

Welcoming the initiative launched by the Presidents of Brazil, Chile and France and the Prime Minister of Spain, with the support of the Secretary-General, to convene in New York on 20 September 2004 the Summit of World Leaders for Action against Hunger and Poverty,

Taking note of the note by the Secretary-General on innovative sources of financing for development,

Reiterating the need to strengthen the leadership role of the United Nations in promoting development,

1. Takes note of the report of the Secretary-General;

2. Notes that the global economy is recovering, supported by growth in some developing countries, and that economic growth should be further strengthened and sustained, and stresses the importance of cooperative efforts by all countries and institutions to cope with the risks of financial instability and to ensure a strong and steady recovery, as a means of achieving greater financial stability, and in this regard acknowledges recent efforts at regional monetary cooperation;

3. Also notes the continued net outward transfer of financial resources from developing to developed countries, acknowledging the outward investment from some developing countries as an indication of their integration into the world economy, underscores the need for appropriate measures at the national and international levels to address this issue, and further notes the efforts that have been made thus far to this end and the fact that, for some developing countries, those transfers, at the present time, indicate positive developments in the trade balance, which are required, inter alia, for debt repayment and allow for the purchase of foreign assets;

4. Underlines the importance of promoting international financial stability and sustainable growth, and welcomes the efforts undertaken to this end by the International Monetary Fund and the Financial Stability Forum, as well as the consideration by the International Monetary and Financial Committee of ways to sharpen tools designed to promote international financial stability and enhance crisis prevention, inter alia, through an even-handed implementation of surveillance, including at the regional level, and a sharpening of surveillance of capital markets and systematically and regionally important countries, with a view, inter alia, to the early identification of problems and risks, integrating debt sustainability analysis, the fostering of appropriate policy responses, the possible provision of financing and other instruments designed to prevent the emergence or spread of financial crises, and further improvements in the transparency of macroeconomic data and statistical information on international capital flows;

5. Also underlines the importance of efforts at the national level to increase resilience to financial risk, stresses in this regard the importance of better assessment of a country's debt burden and its ability to service that debt in both crisis prevention and resolution, and welcomes the ongoing work of the International Monetary Fund on assessing debt sustainability;

6. Reiterates in this regard that measures to mitigate the impact of excessive volatility of short-term capital flows and to improve transparency of and information about financial flows are important and must be considered;

7. Notes the impact of financial crisis or risk of contagion in developing countries and countries with economies in transition, regardless of their size, and in this regard welcomes the efforts of the international financial institutions, in their support to countries, to continuously adapt their array of financial facilities and resources, drawing on a full range of policies, taking into account the effects of economic cycles, as and where appropriate, having due regard to sound fiscal management and the specific circumstances of each case, so as to prevent and respond to such crises in a timely and appropriate way;

8. Stresses the importance of strong domestic institutions in promoting business activities and financial stability for the achievement of growth and development, inter alia, through sound macroeconomic policies and policies aimed at strengthening the regulatory systems of the corporate, financial and banking sectors, and also stresses that international cooperation initiatives in those areas should encourage flows of capital to developing countries;

9. Notes that building an environment that encourages development of the domestic business sector requires that countries undertake appropriate policies to minimize the risk of and respond to external shocks and their impact, inter alia, on growth and employment, and encourages the International Monetary Fund and the World Bank to take into account the spe-
cific conditions of developing countries in determin-
ing their public debt;  
10. **Stresses** the importance of advancing in respect of the efforts to reform the international financial archi-
tecture, as envisaged in the Monterrey Consensus of the International Conference on Financing for De-
velopment, and in this regard encourages the Interna-
tional Monetary Fund and the World Bank to continue ex-
amining the issues of the voice and effective partici-
ipation of developing countries and countries with econ-
omies in transition in their decision-making pro-
cesses;  
11. **Welcomes** the ongoing work of the International Monetary Fund on quotas, and notes the conclusion of the Fund’s Twelfth General Review of Quotas, the report on which indicated the adequacy of the current level of Fund resources and the intention of the Execu-
tive Board, during the period of the Thirteenth Gen-
eral Review, to monitor closely and assess the adequacy of Fund resources, to consider measures to achieve a distribution of quotas that reflects developments in the world economy and to consider measures to strengthen the governance of the Fund;  
12. **Notes** the ongoing analysis by the World Bank and the International Monetary Fund, as mentioned in the communiqué of the Development Committee of 2 October 2004, of proposals on financing modalities to complement increased aid flows and commitments with innovative mechanisms, and their technical feas-
ibility;  
13. **Looks forward** to further consideration of the subject of possible innovative and additional sources of financing for development from all sources, public and private, domestic and external, taking into ac-
count international efforts, contributions and discus-
sions, within the overall framework of the follow-up to the International Conference on Financing for De-
velopment;  
14. **Reaffirms** the need to adopt policies and under-
take measures to reduce the cost of the transfer of mi-
grant remittances to developing countries, and wel-
comes the efforts of Governments and stakeholders in this regard;  
15. **Emphasizes** that it is essential to ensure the effec-
tive and equitable participation of developing coun-
tries in the formulation of financial standards and codes, underscores the need to ensure their implement-
tion, on a voluntary and progressive basis, as a con-
tribution to reducing vulnerability to financial crisis and contagion, and notes that more than one hundred countries participated or agreed to participate in a joint World Bank–International Monetary Fund finan-
cial sector assessment programme;  
16. **Invites** the multilateral and regional develop-
ment banks and development funds to continue to play a vital role in serving the development needs of devel-
oping countries and countries with economies in trans-
ition, including through coordinated action, as appro-
priate, and stresses that strengthened regional development banks and subregional financial institu-
tions add flexible financial support to national and re-
regional development efforts, thus enhancing their own-
ship and overall efficiency, and are an essential source of knowledge and expertise for their developing-
country members;  
17. **Calls for** the continued effort of the multilateral financial institutions, in providing policy advice, tech-
nical assistance and financial support to member countries, to work on the basis of nationally owned re-
form and development strategies, to pay due regard to the special needs and implementing capacities of de-
veloping countries and countries with economies in transition, and to minimize the negative impacts of the adjustment programmes on the vulnerable segments of society, while taking into account the importance of gender-sensitive employment and poverty eradication policies and strategies;  
18. **Stresses** the need to continuously improve stand-
ards of corporate and public sector governance, in-
cluding accounting, auditing and measures to ensure transparency, noting the disruptive effects of inade-
quate policies;  
19. **Acknowledges** the ongoing work towards a more comprehensive approach to sovereign debt re-
structurings, supports the increasing inclusion of col-
lective action clauses in international bond issuing, and strongly encourages leading bond issuing countries and the private sector to make substantial progress on the preparation of an effective code of conduct, bear-
ing in mind the need not to preclude emergency financing in times of crisis, to promote fair burden-
sharing and minimize moral hazard, which will engage debtors and creditors to come together to restructure un-
sustainable debts in a timely and efficient manner;  
20. **Welcomes** the ongoing efforts, including those of the Bretton Woods institutions, to improve the assess-
ment of debt sustainability in low- and middle-income countries through, inter alia, the development of better tools to deal with exogenous shocks and the need to take country-specific factors into account;  
21. **Requests** the Secretary-General to report to the General Assembly at its sixtieth session on the im-
plementation of the present resolution;  
22. **Decides** to include in the provisional agenda of its sixtieth session, under the item entitled “Macro-
economic policy questions”, the sub-item entitled “In-
ternational financial system and development”.  

**Debt problems of developing countries**  
**Report of Secretary-General.** In response to General Assembly resolution 58/203 [YUN 2003, p. 984], the Secretary-General submitted an August report [A/59/290] on external debt crisis and development, which complemented his report on the follow-up to and implementation of the outcome of the International Conference on Fi-
nancing for Development (see p. 978). The re-
port analysed the evolution of debt indicators of developing countries and countries with econ-
omies in transition in the context of recent devel-
opedments in international trade and payments, and in international capital markets. It discussed official debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, launched in 1994 [YUN 1996, p. 867], and official development assistance in the form of debt restructuring at the Paris Club (a group of creditor countries); debt management in developing countries and techni-
cal assistance; and developments in internationally agreed mechanisms for solving problems related to sovereign debt to private creditors.

The report concluded that a further extension of the HIPC Initiative appeared appropriate so as to allow all eligible countries to benefit. Implementation of the Initiative could be enhanced by a further streamlining of conditionality, particularly the elimination of structural and micro-conditions not essential to growth and poverty alleviation, while poverty reduction strategy papers (PRSPs) should be integrated into wider national development programmes focused on export diversification into the production of higher value-added products. In the light of the emerging consensus that full implementation of the Initiative would not remove the debt overhang in all beneficiary countries, renewed efforts by the international community would be required to help those countries attain debt sustainability and the MDGs. Increased grants to the poorest countries would be needed, in addition to debt forgiveness. For the heavily indebted low- and middle-income countries not eligible for debt relief under the HIPC Initiative, a satisfactory solution remained to be found. In that connection, the new Exim Approach of the Paris Club aimed at introducing greater flexibility in addressing the debt problems of non-HIPC countries should be explored. Continued efforts were needed to find an internationally agreed mechanism to address that problem, help prevent future financial crises and lead to more equitable burden sharing between debtors and creditors in crisis situations.

Other actions. The joint IMF/World Bank Development Committee (Washington, D.C., 25 April), in its review of the implementation of the HIPC Initiative, noted that 11 countries, several of them affected by conflict and some burdened with protracted arrears, had yet to reach the “decision point”, which would make them eligible for interim debt relief under the Initiative, or to begin establishing a track record under an IMF-supported programme. It urged the Bank and the Fund to help facilitate those countries’ rapid access to HIPC debt relief when their outstanding issues were addressed, and suggested that careful consideration be given to options to deal with the HIPC sunset clause scheduled to take effect at year’s end.

In October, the Committee reviewed progress under the enhanced HIPC Initiative, welcomed the recent decision to extend its sunset clause to the end of December 2006, urged full creditor participation and welcomed the development of a forward-looking debt sustainability framework aimed at helping low-income countries manage their borrowings and avoid a build-up of unsustainable debt, while pursuing the MDGs.

The UNCTAD/DESA report on the world economic situation and prospects recorded that, as at December 2004, 15 countries qualified for debt relief under the HIPC Initiative, and another 12 reached their “decision points”. Progress in implementing the Initiative was slow, owing mainly to the difficulty of eligible countries in complying with the conditions for receiving debt relief; in addition, maintaining macroeconomic stability remained a challenge for those in the interim phase of the programme.

Africa’s debt sustainability

In accordance with the São Paulo Consensus adopted at UNCTAD XI (see p. 954), which mandated UNCTAD to continue to address developing countries’ problems arising from debt sustainability, UNCTAD conducted a study on economic development in Africa—debt sustainability: oasis or mirage [UNCTAD/GDS/AFRICA/2004/1], a summary of which was issued in July by the UNCTAD secretariat [TD/B/31/5 & Corr.1]. The study analysed issues relating to Africa’s debt overhang and HIPC debt relief, the eligibility and debt sustainability criteria of the HIPC Initiative and the sustainability of Africa’s HIPC debt after debt relief. It explored new approaches to attaining sustainable debt levels.

The study concluded that Africa’s debt burden had been a major obstacle to the region’s economic growth and poverty reduction. It had frustrated public investment in physical and social infrastructure, including in health and human resource development, and deterred private investment. The consensus was that, for a permanent solution to the external debt crisis, African countries would need to pursue prudent debt management, economic diversification and sustained economic growth, which would require greater policy space; the international community had to support those policies with concerted and coherent actions in trade and finance through increased market access and major reductions, and eventually elimination, of agricultural subsidies, combined with international action on commodities and increased ODA. The study illustrated the weaknesses of the HIPC approach to finding a permanent exit solution to the debt crisis of African HIPCs, and highlighted the fact that several other equally poor African countries had been left out of the process. It examined the possible write-off of the debt of the poorest countries and, in the absence of the political will for debt cancellation, stated that the international community could consider applying the principles of bankruptcy codes to international debt
work-outs corresponding to the notion of insolvency under such codes.

TDB [A/59/15], in agreed conclusions adopted on 15 October [agreed conclusions 480 (LI)], noted with concern that African HIPCs still faced daunting challenges, including high levels of poverty, and that in some cases progress in implementing the HIPC Initiative had been slow and funding had not always matched the estimated total costs of debt relief. It underscored the shared responsibility of both creditors and debtors in preventing and resolving unsustainable debt situations and agreed that UNCITAD should continue to provide analysis and advice on African development and to support African countries in their endeavour to implement the programmes of the New Partnership for Africa’s Development (NEPAD) (see p. 920) and to attain international development goals, including those contained in the Millennium Declaration [YUN 2000, p. 49].

**GENERAL ASSEMBLY ACTION**

On 22 December [meeting 75], the General Assembly, on the recommendation of the Second Committee [A/59/481/Add.3], adopted resolution 59/223 without vote [agenda item 83 (c)].

**External debt crisis and development**

The General Assembly,

Recalling its resolution 58/203 of 23 December 2003 on the external debt crisis and development,

Reaffirming the Monterrey Consensus of the International Conference on Financing for Development, which recognizes sustainable debt financing as an important element for mobilizing resources for public and private investment,

Recalling the United Nations Millennium Declaration adopted on 8 September 2000, which reaffirms the need to deal comprehensively and effectively with the debt problems of low- and middle-income developing countries,

Recalling also its resolution 57/270 B of 23 June 2003,

Concerned that a number of developing countries have not sufficiently benefited from the current global economic recovery in their efforts to attain the internationally agreed development goals, in particular the heavily indebted poor countries, where continuing debt and debt-servicing obligations could adversely affect their sustainable development,

Welcoming the further extension of the sunset clause of the Heavily Indebted Poor Countries Initiative, noting that the Initiative aims to promote debt sustainability in the poorest countries and that its implementation could be enhanced by streamlining conditionalities, emphasizing in this regard the need to ensure that debt relief does not replace other sources of financing, acknowledging furthermore the progress in the implementation of the Initiative, and welcoming the call in the communiqué issued by the joint International Monetary Fund/World Bank Development Committee on 2 October 2004 urging all creditors to participate in the Initiative,

1. Takes note of the report of the Secretary-General;
2. Emphasizes that creditors and debtors must share responsibility for preventing and resolving unsustainable debt situations in a timely and efficient manner, stresses the need to continue to bring them together in relevant international forums, and in this regard reiterates that the international financial system, along with enhanced official and private external financing and foreign direct investment, are key elements for a durable solution;
3. Stresses that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards these objectives;
4. Also stresses that debt sustainability depends on a confluence of many factors at the international and national levels, underscores the fact that no single indicator should be used to make definitive judgements about debt sustainability, and in this regard, while acknowledging the need to use transparent and comparable indicators, emphasizes that country-specific circumstances and the impact of external shocks should be taken into account in debt sustainability analyses and invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to take into account fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-exporting developing countries;
5. Notes with concern that, in spite of the progress achieved, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative have not been able to achieve lasting debt sustainability, stresses the importance of promoting responsible lending and borrowing and the need to help these countries manage their borrowings and avoid a build-up of unsustainable debt, including through the use of grants, and in this regard welcomes the ongoing work by the International Monetary Fund and the World Bank to develop a forward-looking debt sustainability framework for heavily indebted poor countries and low-income countries, as well as the current discussion on other initiatives aimed at ensuring long-term debt sustainability, including through debt reduction or cancellation, while stressing the need to maintain the financial integrity of the multilateral financial institutions;
6. Stresses the need for the World Bank and the International Monetary Fund to keep the overall implications of the framework for low-income countries under review, calls for transparency in the computation of the country policy and institutional assessments, and welcomes the intention to disclose the International Development Association country performance ratings that form part of the framework;
7. Reaffirms the need to pursue, where appropriate, debt relief measures vigorously and expeditiously, by all creditors, including within the Paris and London Clubs and other relevant forums, and welcomes other bilateral initiatives that have been undertaken to re-
duce outstanding indebtedness, so as to contribute to debt sustainability and facilitate sustainable development;

8. **Reiterates** the call upon developed countries, as expressed in the Millennium Declaration, to complete the enhanced programme of debt relief for the Heavily Indebted Poor Countries Initiative and to ensure that it is fully financed;

9. **Recognizes and encourages** the efforts of the heavily indebted poor countries, and calls upon them to continue to improve their domestic policies and economic management, inter alia, through poverty reduction strategies, and to create a domestic environment conducive to private sector development, economic growth and poverty reduction, including a stable macroeconomic framework, transparent and accountable systems of public finance, a sound business climate and a predictable investment climate, and in this regard invites all creditors, both private and public, to encourage those efforts, for example, through further participation in the delivery of debt relief in the framework of the enhanced Heavily Indebted Poor Countries Initiative and continued provision of adequate and sufficiently concessional financing by international financing institutions and the donor community;

10. **Stresses** the importance of continued flexibility with regard to the eligibility criteria for the enhanced Heavily Indebted Poor Countries Initiative, and in this regard continues to encourage the exploration of mechanisms to comprehensively address the debt problems of those countries, which may include debt-for-sustainable-development swaps or multicreditor debt swap arrangements, as appropriate;

12. **Takes note** of the acceptance that the debt of some non-HIPC debtor countries is unsustainable and that prudent and appropriate steps are needed to deal with these problems, in this regard welcomes the Evian Approach of the Paris Club, and calls upon creditor countries to ensure that a more tailored response to debt restructuring is granted only in case of imminent default and is not considered by debtor countries as an alternative to more expensive sources of financing and that the debt of such countries is treated in a way that reflects their financial vulnerabilities and the objective of enhancing long-lasting debt sustainability;

13. **Invites** donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, recognizes the need for countries to be able to invest, inter alia, in health and education while maintaining debt sustainability, and in this regard stresses the need to take steps to ensure that resources provided for debt relief do not detract from official development assistance resources;

14. **Welcomes** the efforts of the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

15. **Acknowledges** the ongoing work towards a more comprehensive approach to sovereign debt restructuring, supports the increasing inclusion of collective action clauses in international bond issuing, and strongly encourages leading bond-issuing countries and the private sector to make substantial progress in the preparation of an effective code of conduct, bearing in mind the need to preclude emergency financing in times of crisis, to promote fair burden-sharing and to minimize moral hazard, which will engage debtors and creditors to come together to restructure unsustainable debts in a timely and efficient manner;

16. ** Welcomes** the efforts of, and further calls upon, the international community to support institutional capacity-building in developing countries and countries with economies in transition for the management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

17. **Invites** the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, development banks and funds and other multilateral institutions, to continue to study the feasibility of creating a consultative group on external debt management aimed at developing best practices, promoting coherence and strengthening the institutional capacity of developing countries in debt management, taking into account work that has already been done;

18. **Calls upon** all Member States as well as the United Nations system, and invites the Bretton Woods institutions as well as the private sector to take appropriate measures and actions for the implementation of the initiative, and decisions of the major United Nations conferences and summits, in particular those relating to the question of the external debt problem of developing countries;

19. **Requests** the Secretary-General to submit to the General Assembly at its sixtieth session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt and debt-servicing problems of developing countries;

20. **Decides** to include in the provisional agenda of its sixtieth session, under the item entitled “Macroeconomic policy questions”, the sub-item entitled “External debt crisis and development”.

**Financing for development**

Follow-up to International Conference on Financing for Development

High-level meeting of Economic and Social Council, Bretton Woods institutions and WTO. In accordance with General Assembly resolution 50/227 [YUN 1996, p. 1246] and Economic and Social Council resolution 2003/47 [YUN 2003, p. 987], the Council, the Bretton Woods institutions (the World Bank Group and IMF) and WTO met for
their seventh special high-level meeting (New York, 26 April). Before it was an April note by the Secretary-General [E/2004/50] providing background information and raising a number of questions. The meeting’s overall theme was “Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus”. The discussions focused on three sub-themes: the impact of private investment and trade-related issues on financing for development; the role of multilateral institutions in reaching the MDGs; and debt sustainability and debt relief.

The Council President, in his summary of the proceedings [A/59/92-E/2004/73], noted the participants’ emphasis on the key role of good governance in encouraging local and overseas investments; that a dynamic private sector was critical for economic growth and poverty alleviation; and that, to thrive, the sector required sound legal and regulatory systems, transparency and accountability of private and public institutions, macroeconomic stability, and peace and security. The key role of small and medium-sized enterprises as engines of growth was emphasized, as was the importance of effective progress in multilateral trade negotiations with a view to promoting development worldwide and achieving the MDGs. Although the MDGs had become the core business of several international organizations, concern was expressed about insufficient coordination of their activities and the lack of clarity in the division of labour, a problem often compounded by weak coordination with bilateral donors. The joint World Bank/IMF publication Global Monitoring Report 2004: Policies and Actions for Achieving the Millennium Development Goals and Related Outcomes, which reported on progress and gaps in achieving the MDGs, pointed to the critical need for more and better aid, which was especially important to Sub-Saharan Africa if it was to achieve the MDGs. In noting the significant progress being made in implementing the HIPC Initiative, the meeting considered it important that the debt sustainability framework take into account the imperative of reaching the MDGs, which could be addressed by linking poverty reduction strategies with national budgets and, through the budgets, with macroeconomic programmes and debt sustainability analyses.

Report of Secretary-General. In response to the Monterrey Consensus [YUN 2002, p. 953] and as requested by General Assembly resolution 58/230 [YUN 2003, p. 998], the Secretary-General submitted an August report [A/59/270] on follow-up to and implementation of the outcome of the International Conference on Financing for Development [YUN 2002, p. 953]. Prepared in collaboration with major institutional stakeholders, the report provided an account of initiatives and commitments undertaken by Governments and stakeholders since the Secretary-General’s 2003 report [YUN 2003, p. 989]. It reflected uneven progress towards achieving the goals set out in the Monterrey Consensus, and suggested that strengthening implementation efforts in all areas of the Consensus continued to be essential and that previous recommendations remained valid.

ECONOMIC AND SOCIAL COUNCIL ACTION

On 16 September [meeting 52], the Economic and Social Council adopted resolution 2004/64 [draft: E/2004/147] without vote [agenda item 6 (a)].

International Conference on Financing for Development

The Economic and Social Council,


Recalling also its resolutions 2002/34 of 26 July 2002 and 2003/47 of 24 July 2003,

Recalling further General Assembly resolution 58/291 of 6 May 2004, entitled “Follow-up to the outcome of the Millennium Summit and 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”.

Reaffirming its commitment to contribute to the implementation of the Monterrey Consensus of the International Conference on Financing for Development,

Stressing the importance of staying fully engaged, nationally, regionally and internationally, in order to ensure both proper follow-up to and implementation of commitments made and agreements reached at the International Conference on Financing for Development and to continue to build bridges between development, finance and trade organizations and initiatives, within the framework of the holistic agenda of the Conference,

Taking note of the interactive discussions among all stakeholders during the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions and the World Trade Organization, held in New York on 26 April 2004, in which the President of the Trade and Development Board of the United Nations Conference on Trade and Development participated for the first time, as mandated by the General Assembly in its resolution 57/270 B, and welcoming the increased participation of high-level governmental representatives as well as senior intergovernmental and management officials from the major institutional stakeholders in the Monterrey process,

Encouraging the continued participation of non-governmental organizations and the business sector in the Monterrey process, and expressing its readiness to continue its work in the innovative and participatory spirit that characterized the International Conference on Financing for Development, strengthening the role of the Economic and Social Council in its interaction with non-governmental organizations and the busi-
ness sector, in accordance with paragraph 9 of Council resolution 2003/47.

1. Emphasizes the link between financing for development and the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration;

2. Takes note of the note by the Secretary-General on coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus of the International Conference on Financing for Development, prepared in collaboration with the major institutional stakeholders and other relevant organizations of the United Nations system, and of the summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization, held in New York on 26 April 2004;

3. Looks forward to the contribution to the 2005 high-level event of the next special high-level spring meeting of the Economic and Social Council on financing for development, in accordance with the modalities to be set out by the General Assembly at its fifty-ninth session;

4. Encourages the Financing for Development Office of the Department of Economic and Social Affairs of the Secretariat, in accordance with resolution 58/230, to continue supporting the intergovernmental process entrusted with the follow-up to the International Conference on Financing for Development, as well as to continue, within its mandate, and with the participation of all stakeholders, including the private sector, civil society and academia, to organize consultations and workshops to examine issues related to the mobilization of resources for financing development and poverty eradication and to organize workshops, panel discussions and other activities to promote best practices and exchange information on the implementation of the commitments made and agreements reached at the Conference;

5. Decides that the Department of Economic and Social Affairs, in collaboration with the secretariats of the Bretton Woods institutions, the World Trade Organization, the United Nations Conference on Trade and Development and other institutional stakeholders, shall prepare the documentation necessary for the special high-level spring meetings of the Economic and Social Council, and also decides to invite all institutional stakeholders to provide the Secretary-General with interim reports during the first quarter of the year on the work undertaken and planned in their respective areas of competence regarding implementation of the different components of the Monterrey Consensus, with the understanding that those reports shall constitute essential inputs to the preparation of the meetings;

6. Encourages the regional commissions, with the support of the Bretton Woods institutions, as appropriate, and in cooperation with the United Nations funds and programmes, to continue to strengthen their efforts in addressing regional and interregional aspects of the follow-up to the International Conference on Financing for Development, in the context of resolution 58/230, and to provide inputs to the High-level Dialogue on Financing for Development as well as to the spring meeting of the Economic and Social Council;

7. Encourages the President of the Economic and Social Council, in consultation with all major institutional stakeholders, to focus the special high-level spring meeting on specific issues, under the overall theme of coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus, within the holistic integrated approach of the Consensus, and to report thereon to the Council well in advance of the meeting, and, in this regard, underlines the importance of transparency and openness with respect to Member States;

8. Stresses the importance of pursuing appropriate policy and regulatory frameworks at the national level and in a manner consistent with national laws so as to foster a dynamic and well-functioning business sector able to increase economic growth and reduce poverty, while recognizing that the appropriate role of government in market-oriented economies will vary from country to country;

9. Takes note of the outcomes of the eleventh session of the United Nations Conference on Trade and Development, held in São Paulo, Brazil, from 13 to 18 June 2004, namely, the São Paulo Consensus and The Spirit of São Paulo, which contain relevant provisions with respect to the follow-up process of the International Conference on Financing for Development, and requests the United Nations Conference on Trade and Development to continue to contribute to the implementation of that process;

10. Requests the Secretary General to submit a report on financing for development pertaining to the role of the private sector, taking into consideration the report entitled Unleashing Entrepreneurship: Making Business Work for the Poor, for consideration by the General Assembly, under the relevant agenda items, at its fifty-ninth session.

Prior to the adoption of the above resolution, the Council, on 25 July, had deferred consideration of the draft [E/2004/L.47] to its resumed session in September (decision 2004/310).

Innovative sources of financing for development

As requested by the General Assembly in resolution 58/230 [YUN 2003, p. 989] and by the Monterrey Consensus [YUN 2002, p. 953], the Secretary-General submitted an August note [A/59/272] providing background information on a study conducted by the World Institute for Development Economic Research of the United Nations University, entitled New Sources of Development Finance. A summary of the study, entitled "New sources of development finance: funding the Millennium Development Goals", was annexed to the Secretary-General’s note. It presented an analytical framework; seven proposed sources of funding, namely, global environmental taxes (carbon-use taxes), a tax on currency transactions to combat financial volatility referred to as the Tobin tax, creation of new special drawing rights, an international finance facility, increased private donations for development, a global lottery and global premium bond, and increased re-
mittances from emigrants. Also presented was an overview of the key findings and some conclusions. The objective was to determine new funding sources to finance the achievement of the MDGs by the target date of 2015, in addition to a major effort by developing countries and the international community to mobilize additional financial resources.

The study concluded that the two global taxes proposed could yield revenue of the magnitude required (carbon-use tax), or at least half of the requirement (Tobin tax at a rate of 0.02 per cent). To the double dividend of increased revenue plus improved functioning of the economy to be derived from the former might fall short on the second dimension; the much more modest Tobin tax rates were more acceptable and less likely to have disruptive economic consequences. As to the alternatives to global taxation, as listed above, the extent of additionality in each case had to be considered. In practice, each of the seven proposed sources of funding ran a distinct risk of crowding out existing sources. Overcoming the obstacles to each was primarily a matter for political action. Developing countries could do much to facilitate the effective enactment of the proposals and to take the necessary dialogue forward.

**GENERAL ASSEMBLY ACTION**

On 22 December [meeting 75], the General Assembly, on the recommendation of the Second Committee[A/59/482], adopted **resolution 59/225** without vote [agenda item 84].

**Follow-up to and implementation of the outcome of the International Conference on Financing for Development**

_The General Assembly,_


_Taking note_ of the report of the Secretary-General on the follow-up to and implementation of the outcome of the International Conference on Financing for Development, prepared in collaboration with the major institutional stakeholders, and the note by the Secretary-General on innovative sources of financing for development,

_Having considered_ the summary by the President of the Economic and Social Council of the special high-level meeting of the Council with the Bretton Woods institutions and the World Trade Organization, held in New York on 26 April 2004.

**Recognizing** the progress made in the implementation of the commitments made and agreements reached at the International Conference on Financing for Development and that more remains to be done,

_Determined_ to continue to implement and build further on these commitments and agreements and to strengthen the coordinated and coherent engagement of all relevant stakeholders in the financing for development process,

_Recalling_ the invitation to the World Trade Organization to strengthen its institutional relationship with the United Nations, in the context of the follow-up to the International Conference on Financing for Development,

_Notting_ international efforts, contributions and discussions aimed at identifying possible innovative and additional sources of financing for development, from all sources, public and private, domestic and external, within the context of the follow-up to the International Conference on Financing for Development, recognizing that some of the sources and their use fall within the realm of sovereign action,

_Welcoming_ in this regard the initiative launched by the Presidents of Brazil, Chile and France and the Prime Minister of Spain, with the support of the Secretary-General, to convene in New York on 20 September 2004 the Summit of World Leaders on Action against Hunger and Poverty,

_Notting_ the report of the Commission on the Private Sector and Development entitled _Unleashing Entrepreneurship: Making Business Work for the Poor_,

_Notting_ also the ongoing analysis by the World Bank and the International Monetary Fund, mentioned in the communique of the Development Committee of 2 October 2004, of proposals on financing modalities to complement increased aid flows and commitments with innovative mechanisms, and their technical feasibility,

_Welcoming_ the support of Member States for the Financing for Development Office of the Secretariat for organizing multi-stakeholder consultations within its mandate, and in accordance with resolution 58/230,

_Recognizing_ the strong link between financing for development and the achievement of internationally agreed development goals, including those contained in the United Nations Millennium Declaration,

1. _Restates_ the call to implement fully and build further on the commitments made and agreements reached at the International Conference on Financing for Development;

2. _Stresses_ the importance of the full involvement of all relevant stakeholders in the implementation of the Monterrey Consensus of the International Conference on Financing for Development at all levels, and stresses also the importance of their full participation in the Monterrey follow-up process, in accordance with the rules of procedure of the United Nations, in particular the accreditation procedures and modalities of participation utilized at the Conference and in its preparatory process;

3. _Underlines_ in accordance with the Monterrey Consensus:

(a) _The importance of the implementation of the commitment to sound policies, good governance at all levels and the rule of law;_

(b) _The importance of the implementation of the commitment to create an enabling environment for mobilizing domestic resources and the importance of_
sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure as a basis for sustained economic growth, poverty eradication and employment creation;

c. The importance, in order to complement national development efforts, of the implementation of the commitment to enhance the coherence and consistency of international monetary, financial and trading systems;

4. Requests the Secretary-General to consult with the Director-General of the World Trade Organization in order to expand existing cooperation between the two organizations on issues related to financing for development and to build on the ad hoc modality of interaction between the United Nations and the World Trade Organization in the preparations for the International Conference on Financing for Development by making better use of the possibilities offered by the existing framework of cooperation;

5. Recognizes the issues of particular concern to developing countries and countries with economies in transition acknowledged in paragraph 28 of the Monterrey Consensus, and the importance and critical role that universal, rule-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, can play in stimulating economic growth and development, benefiting countries at all stages of development, particularly in the case of the developing countries, where trade continues to be one of the most important sources of development financing, and in this regard welcomes the decision taken by the General Council of the World Trade Organization on 1 August 2004, which re dedicate and recommit members to fulfilling the development dimensions of the Doha Development Agenda, which places the needs of developing and least developed countries at the heart of the Doha work programme;

6. Notes the recognition by the World Bank and the International Monetary Fund of the need to pursue efforts to increase fiscal space for public infrastructure investment within limits of fiscal prudence and debt sustainability;

7. Decides to give further consideration to the subject of possible innovative and additional sources of financing for development from all sources, public and private, domestic and external, taking into account international efforts, contributions and discussions, within the overall inclusive framework of the follow-up to the International Conference on Financing for Development;

8. Acknowledges the role that the private sector can play in generating new financing for development, and stresses the importance of pursuing appropriate policy and regulatory frameworks at the national level, in a manner consistent with national laws, to foster a dynamic and well-functioning business sector to increase economic growth and reduce poverty, while recognizing that the appropriate role of Government in market-oriented economies will vary from country to country;

9. Reaffirms the need to adopt policies and undertake measures to reduce the cost of transfer of migrant remittances to developing countries, and welcomes efforts by Governments and stakeholders in this regard;

10. Notes that, while foreign direct investment is a major source of financing development, the flow of such funds to developing countries and countries with economies in transition remains uneven, and in this regard calls upon developed countries to continue to devise source-country measures to encourage and facilitate the flow of foreign direct investment, inter alia, through the provision of export credits and other lending instruments, risk guarantees and business development services, and calls upon developing countries and countries with economies in transition to continue their efforts to create a conducive domestic environment for attracting investments by, inter alia, achieving a transparent, stable and predictable investment climate with proper contract enforcement and respect for property rights;

11. Recalls the commitments made at the International Conference on Financing for Development to increase the levels and effectiveness of official development assistance, in this regard welcomes the recent increase in official development assistance, which represents progress towards the target of 0.7 per cent of gross national product, as well as the progress announced by some countries, including in some cases the setting of clear timetables to achieve this objective, urges developed countries that have not yet done so to make concrete efforts to achieve the target of 0.7 per cent of gross national product as official development assistance to developing countries and 0.15 to 0.20 per cent of gross national product to least developed countries, and encourages developing countries to continue to build on progress achieved in ensuring that official development assistance is used effectively to help achieve development goals and targets;

12. Notes the efforts of donor countries and recipient countries to improve aid effectiveness, based on national development needs and priorities, including through sound policies at all levels, and stresses the need to intensify the efforts of multilateral and bilateral financial and development institutions in accordance with the Monterrey Consensus;

13. Stresses that debt relief can play a key role in liberating resources that should be directed towards activities consistent with poverty eradication, achieving sustained economic growth and sustainable development, as well as in the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration; in this regard notes with concern that, in spite of some progress, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative have not been able to achieve lasting debt sustainability; stresses the importance of promoting responsible lending and borrowing and the need to help these countries manage their borrowings and avoid a build-up of unsustainable debt, including through the use of grants; and in this regard welcomes the ongoing work by the International Monetary Fund and the World Bank to develop a forward-looking debt sustainability framework for heavily indebted poor countries and low-income countries, as well as the current discussion on other initiatives aimed at ensuring long-term debt sustainability, including through debt reduction or cancellation, while stressing the need to maintain the financial integrity of the multilateral financial institutions;

14. Stresses also the importance of advancing in the efforts to reform the international financial archite-
tecture, as envisaged in the Monterrey Consensus, and in this regard encourages the International Monetary Fund and the World Bank to continue examining the issues of the voice and effective participation of developing countries and countries with economies in transition in their decision-making processes;

15. **Emphasizes** that corruption at all levels is a serious barrier to development and to effective resource mobilization and allocation, reaffirms the commitment expressed in the Monterrey Consensus to make the fight against corruption at all levels a priority, welcomes actions taken in that regard at the national and international levels, and invites all Governments that have not yet done so to sign and ratify the United Nations Convention against Corruption;

16. **Decides** to consider, by the first part of 2005, the appropriate modalities for holding the High-Level Dialogue on Financing for Development, taking into account developments in the preparation for the high-level event of the General Assembly to be held in 2005, and in this context stresses the importance of financing for development for the comprehensive review of the progress made in the implementation of the Millennium Declaration and the outcomes of the major United Nations conferences and summits in the economic, social and related fields;

17. **Decides also** to consider in 2005 the timing and modalities for a follow-up conference to review the implementation of the Monterrey Consensus, as called for in paragraph 75 of the Consensus;

18. **Emphasizes** the importance of an effective intergovernmental follow-up to the International Conference on Financing for Development, in this regard re-calls paragraph 69 of the Monterrey Consensus as well as resolution 58/230, reiterates the need to continue to explore ways of strengthening the follow-up, and decides to keep the issue under review;

19. **Decides** to include in the provisional agenda of its sixtieth session the item entitled “Follow-up to and implementation of the outcome of the International Conference on Financing for Development”, and requests the Secretary-General to submit under this item an annual analytical assessment of the state of implementation of the Monterrey Consensus and of the present resolution, to be prepared in full collaboration with the major institutional stakeholders.

On 23 December, the Assembly decided that the agenda item on the follow-up to and implementation of the outcome of the International Conference on Financing for Development would remain for consideration at its resumed fifty-ninth (2005) session (decision 59/352).

**Investment and development.** For its consideration of policy issues related to investment and development, the Commission had before it an UNCTAD secretariat note on the effectiveness of foreign direct investment (FDI) policy measures [TD/B/COM.2/EM.15/2]; the report of the Expert Meeting on the subject [YUN 2003, p. 991]; an UNCTAD secretariat note on FDI and development: the case of privatization-related services FDI—trends, impact and policy issues [TD/B/COM.2/EM.14/2]; the report of the Expert Meeting on FDI and Development [YUN 2003, p. 991]; an UNCTAD secretariat note on FDI and development: policy issues related to the growth of FDI services [TD/B/COM.2/55]; and the World Investment Report 2003: FDI Policies for Development: National and International Perspectives [UNCTAD/WIR/2003]. The Commission recommended that UNCTAD continue its work on investment, technology and enterprise development through research and policy analysis, technical assistance and capacity and consensus building; and, in particular, to examine the impact of FDI on development, with a view to helping developing countries attract FDI, maximize its positive effects and face challenges deriving from it. Particular attention should be paid to FDI in services, given the increasing importance of that sector in the world economy, and to how to foster FDI at the regional level and the need to strengthen human and institutional capacity-building efforts at the subnational level to help developing countries attract FDI.

**Investment arrangements.** For its consideration of issues related to investment arrangements, the Commission had before it the UNCTAD secretariat’s note on the subject [TD/B/COM.2/54] and a progress report on the implementation of post-Doha technical assistance work in the area of investment [UNCTAD/ITE/ITI/2003/3].

The Commission recommended that UNCTAD continue its work on international arrangements, with emphasis on the bilateral and regional dimensions, including in the context of North-South and especially South-South cooperation, and of the needs of member countries. It should also continue to facilitate the ongoing exchange of information and experiences in that area, especially at the intergovernmental level.


The Commission recommended that UNCTAD disseminate information on country experiences related to FDI policies and to the interaction be-
between foreign and domestic investment; continue the preparation of IPRs and strengthen the process for implementing their recommendations; complement its analytical work in the context of IPRs with technical assistance and capacity-building; and encourage linkages between foreign and local firms.

**Subsidiary body.** The Expert Meeting on Good Governance in Investment Promotion (Geneva, 1-5 November) [TD/B/COM.2/EM.15/3] had before it an UNCTAD secretariat note on the subject [TD/B/COM.2/EM.15/2]. The Meeting discussed what constituted good governance in investment promotion, examined national efforts to increase transparency and accountability in the public sector and to promote high standards of corporate governance, and considered ways to further strengthen those efforts. Special attention was given to the role of stakeholders, including business groups and civil society, in improving governance in investment.

The Meeting recognized that efforts to implement legislation to reform the investment climate in some developing countries were obstructed by resource constraints, corruption and the abuse of discretionary authority, which undermined the rule of law and the credibility of the host country. The Meeting suggested that international organizations assist developing countries in implementing measures to improve good governance in investment promotion, and that UNCTAD continue to support host Governments through its related programme and include many more developing countries, especially LDCs, in the programme.

Other suggestions called for the further examination and exchange of experiences in dispute and grievance resolution between foreign investors and host countries; encouraging host Governments to strengthen their mandates in policy advocacy; continued support by international agencies for the further development of corporate governance frameworks in developing countries; and encouraging investment promotion agencies to integrate and supply online client services to create transparent and predictable “single window systems”. A further suggestion was for UNCTAD and other international organizations to provide technical assistance through such programmes as the Investment Gateway, an electronic system to help Governments gather and share online information on investment formalities and opportunities.

**Competition law and policy**

The Intergovernmental Group of Experts on Competition Law and Policy, at its sixth session (Geneva, 8-10 November) [TD/B/COM.2/CLP/48], held consultations and discussions regarding peer reviews on competition law and policy; review of the Model Law on Competition and studies related to the provisions of the 1980 Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (known as the Set) [YUN p. 620]; the UNCTAD work programme, including capacity-building and technical assistance on competition law and policy; and the provisional agenda of the Fifth United Nations Conference to Review all Aspects of the Set, scheduled for 2005. It had before it UNCTAD secretariat reports on: experiences gained in international cooperation on competition policy issues and the mechanisms used [TD/B/COM.2/CLP/37/Rev.1]; a handbook on competition legislation [TD/B/COM.2/CLP/41]; the Directory of Competition Authorities [TD/B/COM.2/CLP/42, TD/B/COM.2/CLP/45]; a review of capacity-building and technical assistance on competition law and policy [TD/B/COM.2/CLP/43]; best practices for defining respective competences and settling of cases which involved joint action of competition authorities and regulatory bodies [TD/B/COM.2/CLP/44]; preliminary assessment of the Set [TD/B/COM.2/CLP/45]; ways in which possible international agreements on competition might apply to developing countries, including through preferential or different treatment, with a view to enabling those countries to introduce and enforce competition law and policy consistent with their level of economic development [TD/B/COM.2/CLP/46]; and recent competition cases [TD/B/COM.2/CLP/47].

Among the agreed conclusions adopted by the Group was the recommendation that, in order to better implement the Set, the Fifth (2005) UN Conference to review the Set should consider the following: an ad hoc voluntary peer review during the Conference; techniques for gathering evidence on cartels; the role of economic analysis and of the judiciary in competition law enforcement; the application of competition law and policy to the informal sector; and how to operationalize special and differential treatment provisions for developing countries in competition law and policy. UNCTAD was to prepare, for the consideration of the Conference, studies on closer international cooperation in competition policy for the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs, in particular, an assessment of the development objectives of developing countries and LDCs.
and a synthesis of recent, publicly available cartel investigations. It was also to prepare an updated review of capacity-building and technical assistance, taking into account information to be submitted by member States and international organizations; a further revised and updated version of the Model Law on Competition; and an information note on recent important cases, with special reference to competition cases involving more than one country. UNCTAD was to continue to prepare regularly and make available on the Internet further issues of the Handbook on Competition Legislation, including regional and international instruments, and an updated version of the Directory of Competition Authorities.

The Group invited member States to continue their voluntary assistance to UNCTAD for its capacity-building and technical cooperation activities in the form of experts, training facilities and financial resources. UNCTAD should expand those activities, taking into account the Group’s deliberations and consultations at the current session, and provide updated information about its forthcoming events on its website.


International standards of accounting and reporting

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, at its twenty-first session (Geneva, 27-29 October) [TD/B/COM.2/ISAR/26], had before it UNCTAD secretariat reports on: the review of the comparability and relevance of existing indicators on corporate social responsibility [TD/B/COM.2/ISAR/24]; the review of the implementation status of corporate governance disclosures and the role of such disclosures in adding sustainable value [TD/B/COM.2/ISAR/25]; and transparency and disclosure requirements for corporate governance, first considered in 2002 [YUN 2002, p. 967].

In its agreed conclusions, the Working Group noted that UNCTAD XI had provided a broader context for addressing corporate responsibility and agreed with suggestions for further improving the relevance and comparability of social reporting to encourage disclosure, which could constitute part of enterprise annual reporting to supplement financial information and provide a broader view of corporate activities and their impact on society. On the issue of corporate governance disclosure, the Working Group agreed that further efforts were needed to reassert the development benefits to host countries of good corporate governance, as well as its impact on company performance. Having considered the results of the UNCTAD secretariat survey of corporate governance disclosure, based on its 2002 report on transparency and disclosure requirements for corporate governance, the Working Group agreed that an annual study to assess the state of reporting on corporate governance would be useful. It also agreed that the 2002 report needed updating to reflect best practices that had since evolved.

As to the mandate provided by the São Paulo Consensus (see p. 955) on corporate responsibility and other issues relevant to its work, the Group asked the UNCTAD secretariat to consider the related implications and report to its 2005 session. It also asked that the secretariat continue to disseminate the Accounting and Financial Reporting Guidelines for Small and Medium-Sized Enterprises Guidance, and to monitor and compile feedback on its implementation. The Working Group recommended that work on environmental accounting and eco-efficiency indicators continue to be disseminated, and that UNCTAD, in that context, coordinate its work on reporting with other initiatives, including the United Nations Environment Programme, the Global Reporting Initiative and other bodies engaged in environmental accounting and reporting. With regard to the Model Curriculum, the Working Group requested the UNCTAD secretariat to continue efforts on defining national, regional and international requirements for the qualification of professional accountants, in coordination with the Education Committee of the International Federation of Accountants.


Taxation

The Economic and Social Council, by decision 2004/316 of 23 July, deferred consideration of the agenda item on international cooperation in tax matters until its resumed (2004) session.


Committee of Experts on International Cooperation in Tax Matters

The Economic and Social Council, Recalling General Assembly resolution 58/230 of 23 December 2003, in which the Assembly requested the
Economic and Social Council, in its examination of the report of the Ad Hoc Group of Experts on International Cooperation in Tax Matters at its next substantive session to give consideration to the institutional framework for international cooperation in tax matters.


Taking note of the report of the Secretary-General on the eleventh meeting of the Ad Hoc Group of Experts on International Cooperation in Tax Matters,

Recognizing the call made in the Monterrey Consensus of the International Conference on Financing for Development, for the strengthening of international tax cooperation through enhanced dialogue among national tax authorities and greater coordination of the work of the concerned multilateral bodies and relevant regional organizations, giving special attention to the needs of developing countries and countries with economies in transition,

Taking note of the report of the Secretary-General on the implementation of and follow-up to commitments and agreements made at the International Conference on Financing for Development and the recommendations contained therein,

Recognizing the need for an inclusive, participatory and broad-based dialogue on international cooperation in tax matters,

Noting the activities developing within the concerned multilateral bodies and relevant regional organizations, including the international tax dialogue,

Decides that:

(a) The Ad Hoc Group of Experts on International Cooperation in Tax Matters shall be renamed the Committee of Experts on International Cooperation in Tax Matters;
(b) The Committee shall comprise twenty-five members nominated by Governments and acting in their expert capacity, who are to be drawn from the fields of tax policy and tax administration and who are to be selected to reflect an adequate equitable geographical distribution, representing different tax systems. The members shall be appointed by the Secretary-General, after notification is given to the Economic and Social Council. The term of office shall be four years;
(c) The Committee as of 2005 shall meet in Geneva on a yearly basis for not more than five days, within existing resources;
(d) The Committee shall:
(i) Keep under review and update as necessary the United Nations Model Double Taxation Convention between Developed and Developing Countries and the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries;
(ii) Provide a framework for dialogue with a view to enhancing and promoting international tax cooperation among national tax authorities;
(iii) Consider how new and emerging issues could affect international cooperation in tax matters and develop assessments, commentaries and appropriate recommendations;
(iv) Make recommendations on capacity-building and the provision of technical assistance to developing countries and countries with economies in transition;
(v) Give special attention to developing countries and countries with economies in transition in dealing with all the above issues;
(e) The Committee shall submit its report to the Economic and Social Council at its substantive session of July 2005, to be considered under the sub-item entitled “International cooperation in tax matters”;
(f) The Committee shall be serviced by a small technical staff, which shall, inter alia, within existing resources, help collect and disseminate information on tax policies and practices, in collaboration with concerned multilateral bodies and relevant international organizations.

Transport

Maritime transport

The Review of Maritime Transport, 2004 [Sales No. E.04.I.D.24] reported that world seaborne trade continued to grow in 2003, reaching a record high of 6.17 billion tons. The annual growth rate increased to 3.7 per cent, well above the 1.0 per cent increase for 2002. The world merchant fleet expanded to 857 million deadweight tons (dwt) at the beginning of 2004, a 1.5 per cent increase. New building deliveries increased marginally to 49.2 million dwt and tonnage broken up and lost declined by 16.1 per cent to 25.6 million dwt, leaving a net gain of 23.6 million dwt.

The fleet of oil tankers and dry bulk carriers, which together made up 72.9 per cent of the total world fleet, increased by 4.1 per cent and 2.5 per cent, respectively. There was a 9.3 per cent increase from 82.8 to 90.5 million dwt in the container ship fleet and a 7.6 per cent increase from 19.5 to 20.9 million dwt in the liquefied gas carriers fleet. Registration of ships by developed market economies and major open-registry countries accounted for 26.9 and 46.6 per cent of the world fleet, respectively. Open registries increased their tonnage marginally, and two thirds of that beneficially owned fleet was owned by market economies and developing countries. Developing countries’ share reached 5.9 per cent, or 181.4 million dwt, of which 136 million dwt was registered in Asia.

Transport of dangerous goods

The Committee of Experts on the Transport of Dangerous Goods and on the Globally Harmonized System of Classification and Labelling of Chemicals, at its second session (Geneva, 10 December) [ST/SG/AC.10/32 & Add.1], considered the reports of the Subcommittee of Experts on the

The Committee endorsed the reports of the Subcommittee on the transport of dangerous goods, together with its recommended draft amendments to the thirteenth revised edition of the Manual of Tests and Criteria of the Globally Harmonized System of Classification and Labelling of Chemicals on its twenty-sixth (5-14 July) [ST/SG/AC.10/C.4/14] and eighth (7-9 December) [ST/SG/AC.10/C.4/16] sessions, all held in Geneva.

In March, TDB took note of the reports of its subsidiary bodies and took action relating to the participation of its members in the high-level meeting of the Economic and Social Council in 2005, the TDB President’s summary of discussions on a hearing with civil society and the private sector; and the reports of the Working Party (see p. 988) on the UNCTAD medium-term plan and programme budget for the 2004-2005 biennium, of the June session of the United Nations Commission on International Trade Law [A/59/17] (see p. 1352), of JAG on its April session (see p. 965) and of the Advisory Body on the implementation of courses by the secretariat in 2003-2004 and their impact, in accordance with the Bangkok Plan of Action [YUN 2000, p. 891].


Technical cooperation

As described by the UNCTAD Secretary-General in his July report [TD/B/WP/172 & Corr.1 & Add.1, 2], the main features of UNCTAD technical cooperation activities in 2003 were an increased emphasis on capacity development, a focus on least developed countries and countries with economies in transition.

In October, TDB adopted agreed conclusions [agreed conclusions 479(L1) 479(II)] on the review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 (see p. 857) and on economic development in Africa: issues relating to Africa’s debt sustainability [agreed conclusions 480(L1)] (see p. 976), as well as a decision on the review of UNCTAD technical cooperation activities and their financing (see below). It took note of: the reports on UNCTAD assistance to the Palestinian people and on multi-stakeholder partnerships for UNCTAD XI; the TDB President’s summary of discussions on a hearing with civil society and the private sector; and the reports of the Trade Law [A/59/17] (see p. 1352), of JAG on its April session (see p. 965) and of the Advisory Body on the implementation of courses by the secretariat in 2003-2004 and their impact, in accordance with the Bangkok Plan of Action [YUN 2000, p. 891].


In 2004, the Trade and Development Board, the governing body of UNCTAD, held the following sessions, all in Geneva: thirty-fourth executive session (10 March); twenty-first special session (14 May); thirty-fifth (21 September) and second part of thirty-third (30 September) executive sessions; and fifty-first session (4-15 October) [A/59/15].

In March, TDB took note of the reports of its subsidiary bodies and took action relating to the participation of its members in the high-level meeting of the Economic and Social Council with the Bretton Woods institutions, WTO and UNCTAD.

In May, TDB considered preparations, including the draft negotiated text, for UNCTAD XI (see p. 954), approved proposed amendments to the certificate of origin of the generalized system of preferences, considered the UNCTAD strategic framework for the 2006-2007 biennium and adopted the draft calendar for the remainder of 2004 and part of 2005.

In September, TDB considered the activities undertaken by UNCTAD in favour of Africa. It also continued its consideration of the financing of the participation of experts from developing countries and countries with economies in transition.

In October, TDB adopted agreed conclusions [agreed conclusions 479(L1) 479(II)] on the review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 (see p. 857) and on economic development in Africa: issues relating to Africa’s debt sustainability [agreed conclusions 480(L1)] (see p. 976), as well as a decision on the review of UNCTAD technical cooperation activities and their financing (see below). It took note of: the reports on UNCTAD assistance to the Palestinian people and on multi-stakeholder partnerships for UNCTAD XI; the TDB President’s summary of discussions on a hearing with civil society and the private sector; and the reports of the Working Party (see p. 988) on the UNCTAD medium-term plan and programme budget for the 2004-2005 biennium, of the June session of the United Nations Commission on International Trade Law [A/59/17] (see p. 1352), of JAG on its April session (see p. 965) and of the Advisory Body on the implementation of courses by the secretariat in 2003-2004 and their impact, in accordance with the Bangkok Plan of Action [YUN 2000, p. 891].


Technical cooperation

As described by the UNCTAD Secretary-General in his July report [TD/B/WP/172 & Corr.1 & Add.1, 2], the main features of UNCTAD technical cooperation activities in 2003 were an increased emphasis on capacity development, a focus on least developed countries and regions and supported the implementation of recommendations of the Bangkok Plan of Action. In 2003, trust fund contributions, the main source of financing for UNCTAD operational activities, increased by 28.6 per cent to $26.6 million, the highest contribution ever.

Expenditures rose sharply to $27.8 million, a 25.5 per cent increase over 2002, attributable to a 30 per cent increase in trust funds expenditures amounting to $19.9 million, and an increase of $1.5 million in UNDP-financed projects, amounting to $4.9 million. Expenditures on technical
cooperation from the regular budget were unchanged.

By region, $3.8 million went to Africa, $5.5 million to Asia and the Pacific, $2.2 million to Latin America and the Caribbean, $0.9 million to Europe, and $15.3 million to interregional projects. LDCs’ share of technical cooperation expenditures increased slightly, to 31.5 per cent, from 29 per cent in 2002.

By programme, services infrastructure for development and trade efficiency accounted for 32.6 per cent of total expenditures; international trade in goods and services, and commodities, 24.8 per cent; investment, technology and enterprise development, 19.2 per cent; and globalization and development strategies, 11.5 per cent. The balance of 11.9 per cent went to programmes for executive direction and management and support services (4.8 per cent), cross-divisional advisory services (4.2 per cent) and least developed, landlocked and island developing countries (2.9 per cent).

Major technical assistance programmes in order of expenditures included the Automated System for Customs Data ($6 million); investment policies and capacity-building ($4 million); the Debt Management and Financial Analysis System ($3 million); trade negotiations and commercial diplomacy ($2.8 million); trade, environment and development ($2 million); trade logistics ($1.4 million); and competition law and policy and consumer protection ($1.2 million).

**Technical cooperation strategy**

The July report on UNCTAD technical cooperation activities in 2003 (see above) was considered by the Working Party on the Medium-term Plan and the Programme Budget at its forty-third session (13-17 September) [TD/B/WP/176 & Corr.1], following which it adopted a draft decision for TDB action.

On 14 October [A/59/15 (dec. 481 (L1)], TDB took note of the information on the implementation of the new technical cooperation strategy adopted by TDB in 2003 [YUN 2003, p. 996] and requested the secretariat to further improve the provision of information on the allocation of trust fund contributions to different regions and thematic areas. It highlighted the need to ensure a more equitable distribution of resources among developing-country regions in the overall delivery of technical cooperation, and reaffirmed the importance of further implementing the strategy, in accordance with the related 2003 TDB decision and the São Paulo Consensus (see p. 955). TDB asked the secretariat to continue disseminating the strategy and to consider the implications of UNCTAD XI for the strategy.

**Evaluation**

An August UNCTAD secretariat note transmitted a progress report [TD/B/WP/175] detailing the actions UNCTAD had taken to implement the nine recommendations arising from the 2003 evaluation [YUN 2003, p. 996] of the UNCTAD technical cooperation/capacity-building (TC/CB) programme on trade, environment and development.

The report stated that UNCTAD had outlined the elements of the vision and strategy of its TC/CB programme and communicated them to its stakeholders; devised a communication strategy encompassing a website, a mailing list database, a newsletter launched in 2004, the publication of the *Trade and Environment Review*, reports to relevant intergovernmental bodies, briefings/meetings for key target audiences and information for the press; developed logical frameworks and objectively verifiable indicators for its main projects; pursued training opportunities to enhance staff capacities to develop and manage projects; consulted with beneficiary countries to identify target core institutions and individuals to be invited to activities; and stepped up efforts to ensure follow-up and hand-over of projects with individual participants and institutions. UNCTAD agreed to focus on trade-related aspects of the value chain and strengthen its partnerships with other organizations with competence in production and infrastructure. It was endeavouring to include a broad range of stakeholders in project activities, including companies and organizations operating at the grassroots level; was discussing project hand-over and follow-up with beneficiaries; and would incorporate end-of-project hand-over arrangements into future project design. It was also extending the coverage of its TC/CB programme to all regions, particularly Africa.

The Working Party, in September [TD/B/WP/176 & Corr.1], took note of the steps taken by UNCTAD, asked the secretariat to keep the evaluators and member States informed of follow-up to the evaluation, and noted the need for continued funding to secure the continuation of the programme’s activities and the expansion of its geographical coverage. It requested that, in the implementation of the evaluation plan proposed by the secretariat, provision be made in 2005 for training courses on key issues on the international economic agenda, in accordance with the Bangkok Plan of Action [YUN 2000, p. 891], for accession to WTO in 2006 and for investment advisory services in 2007. TDB in October [A/59/15] endorsed Working Party’s conclusions.
Participation in expert meetings

TDB in March [A/59/15] resumed its consideration of the financing of the participation of experts from developing countries and countries with economies in transition in UNCTAD expert meetings. The UNCTAD Deputy Secretary-General stated that the UNCTAD secretariat had tried without success to provide for the item in the proposed UN regular budget and that, if the Group of 77 wished to recommend the use of the regular budget, a proposal to that effect would have to be submitted to the General Assembly. He added, however, that such a proposal was unlikely to meet with success.

TDB returned to the issue in September, when Brazil, on behalf of the Group of 77 and China, pointed out that the participation of experts from various regions had had a significant positive effect on the quality of the meetings, and that, unfortunately, financial resources were inadequate for the full number of experts for 2004, and the outlook for 2005 was even bleaker. As financing through extrabudgetary resources was uncertain, it reiterated that the use of the regular budget represented a reliable and long-term solution.

TDB requested its President to hold consultations with regional coordinators and interested delegations with a view to finding a solution by year's end for predictable financing and to report to it with recommendations at an executive or special session.

Medium-term plan and programme budget


The Working Party, in September [TD/B/WP/176 & Corr.1], approved draft agreed conclusions on the review of the UNCTAD programme of work for the 2004-2005 biennium in the light of the outcomes of UNCTAD XI, a draft decision on the review of technical cooperation activities for consideration by TDB (see p. 988) and draft agreed conclusions on the evaluation of UNCTAD technical cooperation activities. The Working Party also approved the provisional agenda for its forty-fourth (2005) session.


On 22 December, the Assembly took note of the report of the Second Committee [A/59/610], which considered and approved the proposed strategic framework for the period 2006-2007 (decision 59/542).

UNCTAD Secretary-General

By decision 58/574 of 13 September, the General Assembly decided to defer consideration of the item entitled “Confirmation of the appointment of the Secretary-General of the United Nations Conference on Trade and Development” and to include it in the draft agenda of its fifty-ninth (2004) session. By decision 59/552 of 23 December, the Assembly decided that the item would remain for consideration during its resumed fifty-ninth (2005) session.