Chapter IV

International trade, finance and transport

In 2007, world merchandise trade remained a driving force of the world economy, growing by 7 per cent, with developed countries contributing about 45 per cent, developing Asia 40 per cent and other developing countries 14-15 per cent. However, both in volume and in dollar value, trade growth lost some of its strength, particularly for developed economies. Strong export growth in the United States, stimulated by the significant depreciation of the dollar, surpassed growth in import demand, leading to a reduction in that economy’s trade deficit. That was reflected in smaller surpluses elsewhere, especially in Europe, Japan and some developing regions. The adjustments were small and did not contribute materially to the required global macroeconomic rebalancing. Non-oil commodity prices continued increasing on the heels of robust global demand, but they also became more volatile. World market prices for many food crops rose significantly, in particular for wheat and maize, driven by increased biofuel demand. Oil prices surged to nearly $100 per barrel, as strong demand, especially from developing countries, eliminated much of the slack capacity in the oil market.

The multilateral trade negotiations in the Doha Round resumed in February. Discussions continued to be focused on agriculture and non-agricultural market access, and the positions of the major negotiating parties remained largely unchanged, despite intense diplomatic activities.

Developing countries continued to make significant outward transfers of financial resources to developed economies, albeit at a slower pace. Total net transfers from developing countries increased from $728 billion in 2006 to $760 billion in 2007. The increase came almost exclusively from East and South Asia, while other developing country sub-groups registered some decline. Those outward transfers took place in the context of continued substantial net private capital inflows to developing and transition economies. Robust private capital flows to those economies helped to sustain growth in emerging markets and to insulate them from the turmoil emanating from financial markets in developed countries.

In December, the General Assembly reaffirmed the value of multilateralism to the global trading system and the commitment to a universal, rule-based, open, non-discriminatory and equitable multilateral trading system. It underlined the increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations. It then noted the importance for developing countries that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments. The General Assembly also recognized the need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems and to ensure their openness, fairness and inclusiveness. It further stressed the value of international financial stability and sustainable growth. Reiterating the importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries, the Assembly emphasized that country-specific circumstances and the impact of external shocks should be taken into account. It underlined that long-term sustainability of debt depended, among other things, on the economic growth, mobilization of domestic resources and export prospects of debtor countries.

In April, the tenth high-level meeting between the Economic and Social Council and the Bretton Woods institutions (World Bank Group and International Monetary Fund), the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD) discussed coherence, coordination and cooperation in the implementation of the Monterrey Consensus, adopted at the 2002 International Conference on Financing for Development. The Assembly decided to hold the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha from 29 November to 2 December 2008.

In April, at its forty-first executive session, the UNCTAD Trade and Development Board (TDB), the governing body of UNCTAD, adopted an agreed outcome on the theme and sub-themes for the twelfth (2008) session of UNCTAD, and on recommendations of the report of the Panel of Eminent Persons on enhancing the development role and impact of UNCTAD. At its fifty-fourth session, in October, TDB 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 on the contents of a report by the UNCTAD secretariat titled Economic Development in Africa: Reclaiming Policy Space—Domestic Resource Mobilization and Developmental States. The Board also adopted a decision on the review of UNCTAD technical cooperation activities.
The International Trade Centre, operated jointly by UNCTAD and WTO, increased its delivery of technical assistance by 14 per cent to $28.9 million.

**International trade**

The *World Economic Situation and Prospects 2008* [Sales No. E.08.II.C.2], jointly issued by the Department of Economic and Social Affairs (DESA) and the United Nations Conference on Trade and Development (UNCTAD), stated that in 2007 merchandise trade continued to be a driving force of the world economy. However, world trade lost some of its strength during the year, particularly for developed economies. World merchandise trade grew by 7 per cent, with developed countries contributing about 45 per cent, developing Asia 40 per cent and other developing countries 14-15 per cent. Trade dynamics were correlated with the evolution of domestic demand in the developed world.

Growth of domestic demand in the United States and other developed economies moved in tandem with the growth of exports of manufactures from developing countries. Similarly, exports of energy and raw materials by developing countries followed the cycles of domestic demand in the developed countries that had been supported by manufacturing exports from the developing regions. Global demand remained robust in 2007, but world trade weakened on the heels of slower growth in the United States. A weakening of import demand from the developed world was the primary reason for the slowdown in world trade growth. In the United States, the weakening was due to more sluggish domestic demand and the depreciation of the dollar. Real import growth declined from 6 per cent in 2006 to 2 per cent in 2007. Demand in Europe also weakened, and import volume growth slowed from 8.6 per cent to 4.3 per cent. In Japan, the deceleration was mainly due to reduced demand for investment goods.

The growth of the import volume for the Commonwealth of Independent States (CIS) accelerated slightly, from 22.3 per cent in 2006 to 24.1 per cent in 2007. It moderated from 13.8 to 11.5 per cent in the new member States of the European Union (EU), and from 10 to 9 per cent in South-Eastern Europe, where, however, it remained high as a result of the strong consumer demand associated with domestic credit expansion and import demand linked to foreign direct investment and large-scale infrastructure development. In most of the developing world, mainly in Western Asia, import growth decelerated, and in the case of oil importers of the region, it slowed to 8.8 per cent, about half the rate of 2006. In Africa, it slowed from 13.6 to 9 per cent between 2006 and 2007. In Latin America and the Caribbean, it slowed somewhat, but remained relatively strong at 9.2 per cent. The relatively strong performance in the developing world was explained by the fact that for some of those regions export volumes, and thus foreign revenues, remained high. That was due to a small acceleration in demand originating in East Asia, the only region whose rate of import growth increased slightly, from 10.5 per cent to 11 per cent.

Regarding export, most regions kept their share in world merchandise exports relatively stable, with a few exceptions. The United States gained market share in 2007 for the first time in many years; its export growth averaged about 7 per cent. Exporters of energy and other primary products in some regions also gained market share. Africa saw its merchandise export volume accelerate from 4.6 to 7.9 per cent between 2006 and 2007 in response to the strong global demand for energy and raw materials. African net oil-importing countries increased their export volume growth from 5.1 per cent to 7.6 per cent. South America’s export growth also rose from 6.1 to 7.4 per cent, an acceleration driven by the net oil-importing countries of the region.

Export performance by the economies in transition improved slightly as the result of growth of oil and gas activity in the resource-rich economies of CIS as well as a surge of exports of metals and cotton elsewhere. Net oil-importing CIS countries experienced a 7 per cent growth, and trade linkages between CIS and China strengthened. Asia maintained fast and stable rates of export volume growth, with a small decline in 2007 to 12 per cent, from 13 per cent in 2006. However, the patterns were not uniform. The strength of net fuel importers of East and South Asia was maintained, while in Western Asia there was a deceleration from 17 to 7 per cent. Similarly, net fuel exporters in Western Asia experienced negative growth, declining by about 4 per cent in 2007, while those in East and South Asia regained strength, rising from 3 to 7 per cent.

European economies lost export shares. Western Asia also lost market share in world trade, as the region saw a decline in its export volume growth, falling from a rate of 6.4 per cent in 2006 to -0.6 in 2007. Those patterns of export and import growth underpinned the mild correction observed in the global imbalances, with the merchandise deficit in the United States narrowing slightly and surpluses in other developed countries reducing. Trade balances in the developing world and economies in transition remained stable at the level of regional aggregates.

The *Trade and Development Report, 2007* [Sales No. E.07.II.D.11], issued by UNCTAD, stated that, in parallel with the strong performance of the world economy, world trade expanded vigorously in 2006. Total merchandise exports grew by almost 15 per cent in current dollar prices, with an increase in volume terms of 8 per cent and in unit value terms of almost 6.5 per cent. Export volume expansion was evenly distributed among
developed and developing countries, although with wide divergences between developing regions. In developed countries, imports by volume grew at a slower pace than exports, reflecting the deterioration (albeit quite moderate) in their terms of trade. Output growth in developing and transition countries was stimulated by the surge in export revenues. In some regions, the purchasing power of exports increased through the expansion of the volume of goods exported; in others, gains from changes in the terms of trade played a greater role. Exporters of manufactures from East, South and South-East Asia belonged to the first group. China and India, in particular, contributed significantly to regional trade expansion. The export growth performance of other countries in East and South Asia was also good as a result not only of healthy global demand, but also of a high level of intraregional trade in manufactures. In those countries, export volume growth continued to exceed import growth. Greater integration with the EU was also the reason for increasing trade volumes in South-Eastern Europe. Import volume growth was higher than export growth both in South-Eastern Europe and CIS, as a result of sustained economic growth. Export volume performance was less buoyant in Africa, Latin America and the Caribbean and West Asia. Export volumes were stable in Africa and West Asia and increased by 4 per cent in Latin America and the Caribbean. However, given the large weight of primary commodity exports in total exports in those regions, high commodity prices boosted growth in export value: by 15 per cent in Africa, 18 per cent in West Asia and 20 per cent in Latin America and the Caribbean. Import demand also grew fast in those regions as a result of that improvement in the terms of trade and their economic growth.

In value terms, exports of developing countries continued to grow faster than those of developed countries. As a result, the share of developing countries in global exports had increased from 32 per cent in 2000 to 37 per cent in 2006. Most of that increase was in Asia, and China alone accounted for much of it. Africa's share increased only slightly, and that of Latin America and the Caribbean remained roughly stable. The share of South-Eastern Europe and CIS also increased. By contrast, the share of developed countries fell from 65.6 to 59.1 per cent during the same period.

**Multilateral trading system**

**Report of Secretary-General.** In response to General Assembly resolution 61/186 [YUN 2006, p. 1113], the Secretary-General submitted an August report [A/62/266] on international trade and development, prepared in collaboration with UNCTAD. The report reviewed developments in international trade and the trading system, particularly the WTO Doha Work Programme, and their implications for developing countries.

The report stated that the world economy, continuing its steady growth since 2002, expanded by 5.4 per cent in 2006, significantly faster than world population growth, which increased 1.2 per cent, thus supporting an increase in real gross domestic product (GDP) per capita levels throughout most of the world. In developing countries, per capita income rose by over 5 per cent, and their share in world output grew to 23 per cent. In 2006, world merchandise exports increased by 14.8 per cent, to $12 trillion. Manufactures accounted for 72 per cent of traded goods, while agriculture represented 8 per cent. Mineral and fuels exports, accounting for 17 per cent, continued to grow due to increased demand and the rise in commodity prices. The report noted that a paradigm shift was under way in the international trading system consequent to the changing structures of world trade, investment and production. The larger role of developing countries in world trade, both as exporters and importers, led them from the periphery to the centre of the international trade scene. The international trading system itself appeared to be undergoing a major transformation towards a multilayered system, as countries increasingly pursued their trade interests in multiple forums. At the same time, accelerated proliferation of bilateral and regional trade agreements gained prominence.

The report concluded that international trade continued to be a powerful engine of growth and development, with developing countries emerging as major players in international trade and trade negotiations. Against that backdrop, the Doha Round and the multilateral trading system stood at a critical juncture. A balanced and fair outcome of the Doha Round, with substantial development content, would be essential to realizing an open, transparent, predictable, nondiscriminatory and equitable multilateral trading system and to contributing to development objectives enshrined in the Millennium Development Goals (MDGs) [YUN 2000, p. 51], particularly the fight against poverty. The Doha Round needed to be brought to its successful conclusion. Key to that remained enhanced and predictable market access and market entry for developing countries in agricultural and non-agricultural products and services, genuine agricultural policy reform to end distortions, and improved and development-sensitive fair and equitable rules. The effective operationalization of the principles of special and differential treatment and “less than full reciprocity”, supported by an operational Aid for Trade [YUN 2005, p. 1043], would be instrumental for rendering the trading system sensitive to the development aspirations of developing countries and ensuring their sustainable and beneficial participation in international trade.
Negotiating frameworks

Developments in the Doha Round

As noted in the Secretary-General’s August report [A/62/266], an agreement on modalities on agriculture and non-agricultural market access (NAMA) was needed to conclude the Doha Round by the end of the year. The Sixth WTO Ministerial Conference in 2005 [YUN 2005, p. 1041] had failed to reach agreement on liberalization modalities on agriculture and non-agricultural market access, and in 2006 the inability of countries to reach a consensus had led to the suspension of the Round [YUN 2006, p. 1112]. After seven months of suspension, the negotiations resumed in February 2007. The completion of the Round would require an agreement on modalities of agricultural tariffs and subsidies and industrial tariffs, and progress in all other areas under a single undertaking. The United States Trade Promotion Authority expired in June. Negotiations among the 151 WTO members was challenging because of differing economic interests, development stakes, evolving negotiating dynamics and increased relative importance of bilateral agreements and regional trade agreements. Achieving a balanced, mutually beneficial deal among the members would require not only full recognition of the paradigm shift underlining the trading system, with the rise of developing countries both in terms of their proactiveness in the negotiations and their role in trade, but also the equitable distribution of benefits and costs across countries.

The Doha Round had implications for the development and poverty reduction prospects of developing countries, said the report. Those countries sought improved market access for their products and services and their concerns related to the possible adverse impact of liberalization. Least developed countries (LDCs) and smaller and weaker developing countries faced particular challenges from liberalization. Common to all were their supply constraints and the market-entry barriers they faced in accessing markets abroad. Those barriers could be addressed only through effective market access and development flexibility and policy space for strengthening productive capacity.

Since the resumption of the Doha Round, importance had been attached to an inclusive and transparent negotiating process based on a bottom-up approach, and developing countries participated in the process. The G-4 (Brazil, EU, India, United States) emerged as a key negotiating forum, while excluded countries expressed concern over its top-down decision-making. Developing countries emphasized the importance of adhering to the Doha mandate and avoiding setting new parameters. Positions of major players remained unchanged from July 2006, when the Round was suspended, and discussions continued to centre on finding a balance between agriculture and non-agricultural market access and setting numerical targets on various parameters. In April and May, impetus was given by the Chairman of the agricultural negotiating group setting out his assessment of possible options for compromise solutions. Negotiations also intensified in other areas, including services, rules, trade facilitation and trade-related aspects of intellectual property rights (TRIPs). As the G-4 ministerial meeting in June failed, attention returned to the multilateral process.

In July, the draft modalities for agriculture and non-agricultural market access issued by the Chairmen of the respective negotiating groups marked a milestone. However, while the modalities for agriculture were seen as a basis for negotiations, the NAMA modalities were criticized by developing countries as not being conducive to engagement and consensus. Developing countries warned against partial modalities and the proposed cuts in industrial tariffs. Intensive negotiations were expected as from September to establish full modalities. Given the time constraints facing the Round and the broader systemic implications of a failure, a “Doha-lite” package might seem a way forward in meeting the time frame and saving the Round, despite the repeated calls for an ambitious package. The perceived diminishing effectiveness of the multilateral negotiations might lead to an increased recourse to dispute settlement or pursuit of bilateral and regional trade agreements. Such prospect would call for a reflection on the modus operandi of the trading system and the definition of the negotiating agenda.

The Round needed the engagement of all parties in negotiations on core issues and strong leadership in enabling convergence on a mutually beneficial outcome. A new Trade Promotion Authority was important for the engagement of the United States in the negotiations, while progress in its export interests was considered indispensable domestically for renewal of the Authority.

An evolution in the concept of special and differential treatment was discernible. Specific needs of developing countries became salient in the negotiations. The approach departed from the traditional one of special and differential treatment being based on country status, as it tended to differentiate among developing countries according to specific situations, as demonstrated by some criteria in which special treatment was open to all countries meeting those criteria. A recognition emerged that the terms of accession were often not commensurate with the level of individual development, financial and trade needs. The draft modalities provided for some corrective measures for recently acceded members. The granting of waiver from unsustainable terms of accession was another case in point.
WTO increasingly went beyond border measures and the application of the principle of non-discrimination and national treatment. There was concern that the multilateral trading system had increased its scope and depth in regulating different policies, including trade and trade-related policies such as TRIPS or trade-related investment measures.

UNCTAD consideration. At its fifty-fourth session (Geneva, 1-11 October) [A/62/15 (Part IV) & Corr.1], the UNCTAD Trade and Development Board (TDB) reviewed developments and issues in the post-Doha Work Programme of particular concern to developing countries. It had before it an August UNCTAD secretariat note [TD/B/54/5] which reviewed developments in negotiations under the WTO Doha Work Programme since its resumption in February 2007, with particular focus on agriculture, NAMA, services, development, rules, trade facilitation and TRIPS.

There was consensus that trade was an engine of growth and development and that the multilateral trading system could contribute to realizing development gains and achieving the MDGs. The realization of development gains from trade, however, required flanking policies and flexibility to adequately pace and sequence liberalization. Developing countries emerged as major players, giving rise to the “new South”; and increased their influence on the evolution of the multilateral trading system. Global trade continued to grow, but some countries remained marginalized, particularly LDCs and sub-Saharan African countries. Many developing countries were dependent on primary commodities, and gains from trade liberalization were not evenly distributed among countries. Thus, developing countries should contribute in a way commensurate with their capacities, and a strong development content in the Doha Round could help them benefit from trade integration. Participants stressed the importance of a successful and timely conclusion to the Round, with balanced and development-oriented outcomes, essential if developing countries were to enter the mainstream of the multilateral trading system. That required positive engagement and flexibility in the search for common ground, with leadership from the major trading nations. The risks of failure included greater recourse to regional and bilateral initiatives, increased unilateralism, resurgent protectionism and trade disputes.

There was general recognition that the Doha Round should address the concerns and interests of developing countries. New and enhanced market access and entry opportunities in agriculture, manufacturing and services were essential. Other key deliverables included full duty-free and quota-free market access for LDCs. The need to make additional and predictable funding available to developing countries that needed it and the need for effective implementing mechanisms were stressed. Participants recognized the importance of the existing negotiating mandates and the centrality of agriculture. With regard to NAMA negotiations, they stressed the need to take into account the agreed principles of less-than-full reciprocity and a comparable degree of ambition and balance in agriculture and NAMA. Many participants expressed concern over the proposed level of liberalization in NAMA for developing countries as leading to de-industrialization, while others stressed the importance of creating real and substantial market access and trade opportunities.

It was noted that a successful conclusion of the Round necessitated a commensurate level of progress in other areas of negotiations under a single undertaking, including services, rules, trade facilitation and the agreement on TRIPS. Participants also highlighted the challenges facing developing countries and countries with economies in transition in the process of WTO accession. Accession negotiations often led to stringent liberalization and reform commitments disproportionate to their level of development. In view of the recent proliferation of bilateral and regional trade agreements, many participants reaffirmed the value of the multilateral trading system and the most favoured nation principle, and the importance of multilateralism in trade governance. The strengthening of economic cooperation among developing countries in trade and investment was emphasized, and UNCTAD was called upon to play a leading role in supporting regional trade negotiations and cooperation at both the North-South and South-South levels.

GENERAL ASSEMBLY ACTION

On 19 December [meeting 78], the General Assembly, on the recommendation of the Second (Economic and Financial) Committee [A/62/417/Add.1], adopted resolution 62/184 by recorded vote (126-48-7) [agenda item 52 (a)].

International trade and development

The General Assembly,

Recalling its resolutions 56/178 of 21 December 2001, 57/235 of 20 December 2002, 58/197 of 23 December 2003, 59/221 of 22 December 2004, 60/184 of 22 December 2005 and 61/186 of 20 December 2006 on international trade and development, and 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, the World Summit on Sustainable Development and the 2005 World Summit Outcome,

Recalling also its resolution 60/265 of 30 June 2006 on follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

Reaffirming the value of multilateralism to the global trading system and the commitment to achieving a uni-
versal, rule-based, open, non-discriminatory and equitable multilateral trading system that contributes to growth, sustainable development and employment generation in all sectors, and emphasizing that bilateral and regional trading arrangements should contribute to the goals of the multilateral trading system,

Stressing the importance of open, transparent, inclusive, democratic and more orderly processes and procedures for the effective functioning of the multilateral trading system, including in the decision-making process, so as to enable developing countries to have their vital interests duly reflected in the outcome of trade negotiations,

Reiterating that development concerns form an integral part of the Doha Development Agenda, which places the needs and interests of developing and least developed countries at the heart of the Doha Work Programme,

Noting that agriculture lags behind the manufacturing sector in the process of establishment of multilateral disciplines and in the reduction of tariff and non-tariff barriers and that, since most of the world’s poor make their living from agriculture, the livelihood and standards of living of many of them are seriously jeopardized by the serious distortions in production and trade in agricultural products caused by the high levels of export subsidies, trade-distorting domestic support and protectionism by many developed countries,

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

1. **Expresses** serious concern at the lack of substantial progress on the trade negotiations of the World Trade Organization and considers it a serious setback for the Doha Round, and calls upon the developed countries to demonstrate the flexibility and political will necessary for breaking the current impasse in the negotiations, and also calls upon all members of the World Trade Organization to adhere to the development mandate of the Doha Ministerial Declaration, the decision of the General Council of the World Trade Organization of 1 August 2004 and the Hong Kong Ministerial Declaration, which places development at the heart of the multilateral trading system;

2. **Stresses** that in order for the Doha Round to be concluded satisfactorily, the negotiations should result in the establishment of rules and disciplines in the area of agriculture, adhering to the development mandate of the Doha Ministerial Declaration, the decision of the General Council of the World Trade Organization of 1 August 2004 and the Hong Kong Ministerial Declaration;

3. **Also stresses** the need for negotiations of the World Trade Organization in non-agricultural market access to live up to the development mandate of the Doha Ministerial Declaration, the decision of the General Council of the World Trade Organization of 1 August 2004 and the Hong Kong Ministerial Declaration;

4. **Further stresses** the need for negotiations of the World Trade Organization to make substantial progress in all areas under the single undertaking such as services, rules and trade facilitation so as to ensure that the development concerns of developing countries are fully reflected in any outcome consistent with the development mandate of the Doha Ministerial Declaration, the decision of the General Council of the World Trade Organization of 1 August 2004 and the Hong Kong Ministerial Declaration;

5. **Underlines** the fact that the increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, that is, the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines, commitments and global market considerations, that it is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space, and that it is particularly important for developing countries that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments;

6. **Expresses its deep concern** at the imposition of laws and other forms of coercive economic measures including unilateral sanctions against developing countries, which undermine international law and the rules of the World Trade Organization, and also severely threaten the freedom of trade and investment;

7. **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, in this regard calls upon developed countries that have not already done so to provide immediate predictable, duty-free and quota-free market access on a lasting basis to all products originating from all least developed countries by 2008, also calls upon developing countries that are in a position to do so to extend duty-free and quota-free market access to exports of these countries, and in this context reaffirms also the need to consider additional measures for progressive improvement in market access for least developed countries, and reaffirms further the need for members of the World Trade Organization to take additional measures to provide effective market access both at the border and otherwise, including simplified and transparent rules of origin so as to facilitate exports from least developed countries;

8. **Also reaffirms** 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 35 of the Doha Ministerial Declaration and paragraph 21 of the Hong Kong Ministerial Declaration;

9. **Recognizes** the special problems and needs of the landlocked developing countries within a new global framework for transit transport cooperation for landlocked and transit developing countries, calls, in this regard, for the full and effective implementation of the Almaty Programme of Action, and stresses the need for the implementation of the São Paulo Consensus, in particular paragraphs 66 and 84 thereof, by the relevant international organizations and donors in a multi-stakeholder approach;

10. **Also recognizes** the need to ensure that the comparative advantage of developing countries is not undermined by any form of protectionism, including the arbitrary and abusive use of non-tariff measures, non-trade
barriers and other standards to unfairly restrict the access of products of developing countries, particularly to developed countries' markets, reaffirms, in this regard, that developing countries should play an increasing role in the formulation of, inter alia, safety, environment and health standards, and recognizes the need to facilitate the increased and meaningful participation of the developing countries in the work of relevant international standard-setting organizations;

11. Further recognizes that South-South trade should be enhanced and further market access should continue to stimulate South-South trade;

12. Recognizes the role that a successful conclusion of the ongoing third round of negotiations on the Global System of Trade Preferences among Developing Countries can play in South-South trade;

13. Calls for accelerating the work on the development-related mandate concerning the Agreement on Trade-related Aspects of Intellectual Property Rights in the Doha Ministerial Declaration, especially on issues of making intellectual property rules fully support the objectives of the Convention on Biological Diversity; and the issues related to the Agreement and public health affecting many developing countries, including the least developed countries, especially those issues arising from the HIV/AIDS, tuberculosis, malaria and other epidemics;

14. Requests the Secretary-General to present in his report on the implementation of the present resolution the options available with respect to enhancing the role of the United Nations in accelerating the work on the development agenda of the Agreement on Trade-related Aspects of Intellectual Property Rights;

15. Calls for facilitating the accession of all developing countries that apply for membership in the World Trade Organization, in particular the least developed countries, as well as countries emerging from conflict that are least developed countries, bearing in mind paragraph 21 of resolution 55/182 of 20 December 2000 and subsequent developments, and also calls for the effective and faithful application of the World Trade Organization guidelines on accession by the least developed countries;

16. Emphasizes the need for further work to foster greater coherence between the multilateral trading system and the international financial system, and invites the United Nations Conference on Trade and Development, in fulfilment of its mandate, to undertake the relevant policy analysis in those areas and to operationalize such work, including through its technical assistance activities;

17. Invites donors and beneficiary countries to implement the recommendations of the Task Force on the Aid for Trade Initiative established by the Director-General of the World Trade Organization, which aims to support developing and least developed countries in building their supply and export capacities, including infrastructure and institutions development, and the need to increase their exports, and stresses in this regard the urgent need for its effective operationalization with sufficient additional, non-conditional and predictable funding;

18. Welcomes the effort being made for operationalization of the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries with increased additional, non-conditional and predictable financial resources to enhance the export and supply capacities of the least developed countries, and urges the development partners to increase their contributions to the Integrated Framework Trust Fund on a multi-year basis;

19. Reiterates the important role of the United Nations Conference on Trade and Development as the focal point within the United Nations system for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development, and calls upon the international community to work towards the strengthening of the Conference, to enable it to enhance its contribution in its three major pillars, namely, consensus-building, research and policy analysis, and technical assistance, especially through increased core resources of the Conference;

20. Welcomes the convening of the twelfth session of the United Nations Conference on Trade and Development in Accra from 20 to 25 April 2008, and looks forward to the discussion aimed at addressing the opportunities and challenges of globalization for development, especially for developing countries;

21. 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, supporting them in building capacities to establish their own negotiating priorities and negotiate trade agreements, including under the Doha Work Programme;

22. Reaffirms the fundamental role that competition law and policy can play for sound economic development and the validity of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, as well as the important and useful role that the United Nations Conference on Trade and Development plays in this field, and decides to convene in 2010, under the auspices of the United Nations Conference on Trade and Development, a sixth United Nations conference to review all aspects of the Set;

23. Urges donors to provide the United Nations Conference on Trade and Development with the increased resources necessary to deliver effective and demand-driven assistance to developing countries, as well as to enhance their contributions to the trust funds of the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries and the Joint Integrated Technical Assistance Programme;

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

25. Also requests the Secretary-General to transmit the present resolution to the Director-General of the World Trade Organization for circulation as an official document of the World Trade Organization.
RECORDED VOTE ON RESOLUTION 62/184:

In favour: Afghanistan, Algeria, Angola, Antigua and Barbuda, Argentina, Armenia, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brazil, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, China, Colombia, Comoros, Congo, Costa Rica, Côte d’Ivoire, Cuba, Democratic People’s Republic of Korea, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia, Fiji, Gabon, Ghana, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, India, Indonesia, Iraq, Israel, Iran, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Lao People’s Democratic Republic, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Micronesia, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Qatar, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Senegal, Singapore, Solomon Islands, South Africa, Sri Lanka, Sudan, Suriname, Swaziland, Syrian Arab Republic, Tajikistan, Thailand, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkmenistan, Uganda, United Arab Emirates, Uruguay, Uzbekistan, Vanuatu, Venezuela, Viet Nam, Yemen, Zambia, Zimbabwe.

Against: Albania, Andorra, Australia, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Moldova, Monaco, Montenegro, Netherlands, New Zealand, Poland, Portugal, Romania, San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland, the former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom, United States.

Abstaining: Marshall Islands, Mexico, Norway, Palau, Republic of Korea, Russian Federation, Serbia.

**Trade policy**

**Trade in goods and services, and commodities**

The Commission on Trade in Goods and Services, and Commodities, at its eleventh session (Geneva, 19-23 March) [TD/B/COM.1/88], had before it the following documentation: an UNCTAD secretariat note on commodities and development [TD/B/COM.1/82]; the report of the Expert Meeting on Enabling Small Commodity Producers and Processors in Developing Countries to Reach Global Markets [YUN 2006, p. 1117]; the report of the Expert Meeting on the Participation of Developing Countries in New and Dynamic Sectors of World Trade: Review of the Energy Sector [ibid.]; an UNCTAD secretariat note on market access, market entry and competitiveness [TD/B/COM.1/83]; an UNCTAD secretariat note on trade in services and development implications [TD/B/COM.1/85]; the report of the Expert Meeting on Universal Access to Services [YUN 2006, p. 1116]; the report of the Ad Hoc Expert Group Meeting on Logistics Services [ibid.]; an UNCTAD secretariat note on trade, environment and development [TD/B/COM.1/86]; the report of the wrap-up workshop of the UNCTAD project “Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues” and the 2006 session of UNCTAD’s Consultative Task Force on Environmental Requirements and Market Access for Developing Countries [UNCTAD/DITC/TED/MISC/2006/1]; the progress report on the implementation of agreed conclusions and recommendations, including the post-Doha follow-up [TD/B/COM.1/87]; and an UNCTAD secretariat note on the activity report of the Division on International Trade in Goods and Services, and Commodities [UNCTAD/DITC/MISC/2006/14].

In agreed recommendations adopted on 23 March, the Commission stressed the importance of acting as a forum for generating new ideas and providing policy guidelines and options on maximizing development gains from the international trading system and trade negotiations. It considered that competitiveness and returns from commodity production and trade and supporting diversification away from commodity dependency were priorities for the international community with regard to developing countries, especially for African countries, LDCs and countries with economies in transition. It agreed that UNCTAD should promote international cooperation and partnerships on commodities and provide assistance to developing countries on commodity sector development and trade. UNCTAD should assist developing countries and transition economies in strengthening their informed and effective participation in trade negotiations and regional trade agreements. It should also continue to promote the operationalization and implementation of the Aid for Trade initiative, as well as awareness and understanding, among developing countries and transition economies, of better utilization of trade preferences available under the Generalized System of Preferences (GSP).

The Commission recognized the need to determine how regional trade agreements could contribute to development and to understand the interface between those processes and efforts to strengthen the multilateral trading system. It further agreed that UNCTAD could contribute to the examination of such interface and assist developing countries and transition economies in enhancing their negotiating capacities to deal with trade agreements. The Commission recognized that strengthening the participation of developing countries, in particular LDCs, and transition economies in new and dynamic sectors of world trade would generate new development opportunities. It emphasized South-South trade opportunities arising from the South’s new dynamism in international trade and how that could complement North-South trade. It also recommended that UNCTAD increase its focus on South-South trade in commodities, services, and...
new and dynamic sectors of world trade, as well as on the Global System of Trade Preferences. Expressing concern about the increased use of non-tariff barriers (NTBs) in international trade, the Commission agreed that UNCTAD should continue its work on NTBs. UNCTAD should also continue its work on environmental requirements and market access.

Noting that the services economy, trade and liberalization played an increasingly important role for development, including through the General Agreement on Trade and Services and regional trade agreements, the Commission recommended that UNCTAD increase its focus on services assessment, trade negotiations and impact on development. It further recommended that UNCTAD continue to strengthen the BioTrade programme and its positive development impact on both the production and exports of biodiversity products and services and its work on the production of and trade in environmental goods and services and organic agriculture. UNCTAD should continue to pursue its work on environmental goods, services and technologies in the context of trade policy and negotiations as well as in the broader context of sustainable development.

The Commission noted the importance of stimulating competitiveness and called on UNCTAD to continue its work on competition policies and to strengthen the formulation and implementation of national and regional competition policies and laws best suited to development needs.

On 23 March, the Commission took note of the reports of the three expert meetings and one ad hoc expert meeting. It also took note of the report on the second annual meeting of the Global Network of Export-Import Banks and Development Finance Institutions (G nexid) (Geneva, 22-23 March).


**Subsidiary bodies.** In 2007, two expert meetings took place, both in Geneva, on issues to be considered by the Commission.

The Expert Meeting on Trade and Development Implications of Financial Services and Commodity Exchanges (3 and 20-21 September) [TD/B/COM.1/EM.33/4] was divided into two parts. Part I considered the development role of commodity exchanges and had before it an UNCTAD secretariat note on the subject [TD/B/COM.1/EM.33/2], which reviewed the potential development role of commodity exchanges in national and regional commodity sectors, appraised the regulatory requirements for overseeing their activities, and defined the role they could play in stimulating regional integration and South-South trade. It urged UNCTAD to strengthen its work on commodity exchanges with a focus on examining their place within national and regional commodity strategies; educating, raising awareness and building consensus among stakeholders about the potential development role of commodity exchanges; identifying new opportunities for exchange-based solutions to development problems; providing technical assistance to developing countries; and spearheading the work of the international community.

Part II of the Expert Meeting considered trade and development implications of financial services and had before it an UNCTAD secretariat note on the subject [TD/B/COM.1/EM.33/3], which reviewed key financial services and their trade and development implications in the context of countries’ growth and development objectives. Participants discussed challenges regarding liberalization of financial services and negotiations on financial services in trade agreements. The Meeting recommended that UNCTAD should strengthen its work in the areas of financial services. With a view to ensuring the viability and stability of the financial system, it should contribute to strengthening developing countries’ financial services sectors and supply capacity; assist developing countries undertaking policy reviews of financial services sectors; support developing countries in institution-building to prepare their domestic financial services sectors for challenges from liberalization and ensure that liberalization generated development benefits; assist developing countries in reaping benefits from the international trading system and trade negotiations; and support developing countries in harnessing regionalism for development.

The Expert Meeting on the Participation of Developing Countries in New and Dynamic Sectors of World Trade: the South-South Dimension (16-17 October) [TD/B/COM.1/EM.34/3] had before it an UNCTAD secretariat note on the subject [TD/B/COM.1/EM.34/2 & Add.1], which discussed new and dynamic sectors in South-South trade and the role of emerging economies in enhancing South-South trade dynamism. Participants agreed that the prospects for the dynamic and sustainable growth of demand for versatile goods and services in South-South trade provided fertile ground for sustaining income flow from commodity exports, building up supply capacity in manufacturing sectors and sharpening the competitive edge with regard to certain exports before entry into the global market. However, in the case of many developing countries, new market opportunities remained virtually untapped owing to various constraints. With regard to small countries, for instance, production, investment and business linkages with their traditional markets, namely those of the United States and the European Union, restricted almost all their economic activities in such a way that entering new markets in the South appeared too costly or risky. Market access
and entry conditions were also a major impediment. Other constraints included developing countries' lack of trade logistics; inefficient trade facilitation measures; and cumbersome customs-related administrative procedures. With respect to potential barriers in South-South trade, it was noted that while preferential trade agreements could be a vehicle for dynamism in South-South trade relations, the experience of North-South preferential trade agreements suggested that non-tariff barriers were likely to play a major role in defining access to markets even where tariff levels were very low. With a view to making South-South trade a major opportunity for developing countries to diversify into new and dynamic sectors, the Meeting made the following recommendations: enhance regional integration and make it viable for poorer developing countries; improve market access and entry conditions among the countries of the South; enhance business information flows among the countries of the South; continue to exploit new economic thinking on entering new and dynamic sectors, while paying attention to country specificity; and enhance interaction among policymakers and researchers.

Interdependence and global economic issues

TDB in October [A/62/15 (Part IV) & Corr.1] considered interdependence and global economic issues from a trade and development perspective, focusing on regional cooperation for development. Participants welcomed the Trade and Development Report, 2007 [Sales No. E.07.II.D.11] as an effort to analyse regional integration and as a key contribution to the debate on regional cooperation for development. They pointed out that problems of inequality, social exclusion and volatile growth still existed in some regions, and that progress towards the MDGs was difficult. The challenge was to translate recent improvements in growth performance into long-term progress. Recent financial instability had shown the fragilities of the global financial system, and the risks posed by global imbalances also raised concerns. A more stable global environment should be fostered through greater systemic coherence and macroeconomic policy coordination, and regional financial cooperation could help deal with shortcomings in the international financial system.

The topic of the “new regionalism” generated a lively debate. There was disagreement on some of the conclusions in the report, including on how comprehensive North-South free trade agreements should be and on the regulatory framework. Participants noted the need for caution and a careful evaluation of the benefits, in terms of trade and foreign direct investment, and the costs, in terms of loss of policy space, of such agreements for developing countries. Free trade agreements should pay attention to development needs. There was broad agreement that regional integration could have positive implications for participating countries. Regional cooperation had the potential to support national development strategies in developing countries and to help them integrate into the global economy. It was recognized that countries should make their own choices regarding their participation in regional integration in order to make optimal use of its potential, and that effective regional integration would require policies that went beyond trade liberalization. It was important to evaluate and monitor the effects of regional agreements on developing countries. Inequities in the distribution of trade and economic gains among members at different levels of development needed to be resolved.

Regional integration complemented a solid multilateral trading system, which remained the priority objective. Regionalism was considered a building block for wider economic processes and global negotiations. Delegations agreed that UNCTAD should continue its research and analysis on how regional and interregional cooperation could help developing countries further integrate into the global economy and avoid instability. Support should be given to strengthening economic cooperation among developing countries, especially the less developed ones. Regional agreements should be combined with UNCTAD assistance in building, consolidating and reinforcing the integration process. Networking and information-sharing should be promoted. Regional cooperation for development should be a key area of UNCTAD’s work.

Globalization and inclusive development

In August, an UNCTAD secretariat report considered globalization and inclusive development [TD/B/54/7] and highlighted topical policy issues that could contribute to promoting a more inclusive, pro-poor globalization process, including aspects relating to trade policy, regional integration, new and innovative financial mechanisms, building productive capacity, the global value-chain, the promises and perils of commodities, climate change and environmental concerns and opportunities, and the role of aid, including aid for trade. The report stated that the international community was facing two challenges: first, growth trends needed to be actively maintained, so as to allow an increasing number of developing countries to reap the benefits of globalization; second, there was a need to ensure that the globalization process would become more inclusive, so that it benefited countries and sectors of the population that had been left out. The emerging pattern of globalization was characterized by the increased role played by developing countries and by the related rise in South-South exchanges, which resulted in an increase in the South-South share of world merchandise exports. Another feature of the expansion was the boom in com-
modity demand and prices, which generated surpluses for many commodity-producing developing countries and led to improvements in their terms of trade. The report concluded that a more measured and coherent approach was needed to ensure that the benefits generated by globalization were more widely shared.

In October [A/62/15 (Part IV) & Corr.1] considered globalization and inclusive development and stated that the growing importance of the South was reflected in the world economy and was shaping the emerging new geography of international trade. Inclusive development was described as a moral imperative, and diversification and broadening of the foundation of global growth, with a focus on improving the quality of global economic integration, were seen as necessary if the MDGs were to be met. It was noted that lack of resources, productive capacities, access to technology and knowledge, and appropriate infrastructure, as well as inadequate access to transportation and communications services to connect with the world economy, continued to prevent many developing countries from reaping the benefits of globalization. Several delegations drew attention to the need to preserve policy space for developing countries to enable them to address the social impact of globalization and disseminate the benefits of economic growth to marginalized parts of the population. Concern was expressed regarding the long-term sustainability of the rise in commodity prices and the adverse effects of high price volatility. Developed countries that exported agricultural commodities while subsidizing domestic production were urged to reform their agricultural policies so as not to jeopardize export opportunities of developing countries. It was also pointed out that not all developing countries had benefited from higher commodity prices: those that were net food importers or dependent on energy imports faced additional burdens due to rising commodity prices. Several delegations noted that a more equitable distribution of the benefits of globalization at the national level needed a proactive, development-oriented State. To make development more inclusive, developing countries should strengthen institutional capacity for formulating policies that favoured the poor. Good governance was a key factor in designing national development strategies. The promotion of inclusive development, as well as policies and measures aimed at making it sustainable, required a new approach to global economic governance and a new focus for national policies on trade and development issues emerging from globalization.

Trade promotion and facilitation

In 2007, UN bodies continued to assist 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

According to its Annual Report 2007, the UNCTAD/WTO International Trade Centre (ITC) increased its delivery of technical assistance by 14 per cent to $28.9 million during the year. The largest portion of programme funds was spent in Africa (39 per cent), followed by Asia and the Pacific (24 per cent), Latin America and the Caribbean (11 per cent), Eastern Europe and Central Asia (9 per cent), and the Arab States (4 per cent). The rest (13 per cent) went to global programmes. The 50 LDCs continued to absorb about 40 per cent of its resources, underlining the priority which ITC continued to give to that category. The Aid for Trade initiative was fully launched by WTO in 2007 with ITC facilitating the private sector voice in the three meetings held in Peru, the Philippines and the United Republic of Tanzania. Launched at the WTO Hong Kong Ministerial Conference in December 2005, Aid for Trade helped developing countries, particularly LDCs, build the trade-related skills and infrastructure necessary to implement and benefit from WTO agreements and to boost their trade.

ITC continued to focus its activities on its five corporate goals. Under the goal of facilitating the integration of enterprises into the multilateral trading system, the number of country networks established and supported under the World Trade Net and related ITC programmes increased, as well as the level of activities of individual advocacy networks. The role of those programmes was to disseminate, at the individual country- or sector-level, business-oriented information on international trade negotiations and policy, to create capacity through train-the-trainer methodology and to provide a platform for business to interact with trade negotiators on priority issues under negotiation. Most of ITC’s efforts were focused on sub-Saharan Africa.

Under the goal of supporting the design of trade development strategies, ITC provided the methodologies and technical expertise enabling stakeholders to identify export strategy priorities. About 118 new trade development strategies were developed and implemented during the biennium 2006-2007, and special emphasis was put on supporting LDCs, which benefited from 46 per cent of all strategies developed and implemented.

As to the goal of strengthening key trade support services, both public and private, ITC assisted trade support institutions in the provision of efficient services to the business community. It worked with a sub-
stantial network of trade support institutions (tsis) in developing and transition economies—33 per cent of them in sub-Saharan Africa, 30 per cent in Asia and the Pacific, 14 per cent in Eastern Europe and cis, 13 per cent in Latin America and the Caribbean and 10 per cent in the Arab States. The expansion of itsc’s network of tsis in ldc’s was remarkable. Around 592 tsis had used an itsc support tool or adapted one for a special use.

On the goal of improving sector performance, 1,136 new enterprises participated in itsc buyers-sellers meetings and matchmaking activities during 2006-2007. Special emphasis on enterprises was placed in sub-Saharan Africa and the Arab States, which made up 30 per cent and 29 per cent respectively of the total. Itsc’s methodology consisted of: trade flow analysis and identification of products with complementary business interests; supply and demand surveys documenting market characteristics, business practices and industry players; and provision of a platform for negotiations between selected enterprises. As a result, new exports exceeding $35 million were generated and employment was created in key sectors for poverty reduction.

Under the goal of building enterprise competitiveness, 257 enterprise associations in 74 countries applied itsc-developed support tools—32 per cent of them in sub-Saharan Africa, 33 per cent in Asia and the Pacific, 13 per cent in Latin America and the Caribbean, 12 per cent in Eastern Europe and cis, and 10 per cent in the Arab States. Itsc sought to increase entrepreneurship and competitiveness at the enterprise level through products and services responding to the specific needs of exporting enterprises. Those services were delivered with and through intermediary organizations by certifying trainers and programmes.


Statements were made by the unctad Secretary-General, the wto Director-General and the itsc Executive Director. The Group held panels on Asia and the Pacific, Latin America and the Caribbean, Arab States, Europe and cis, and Africa. It stressed that the trade dimension was essential in development policy and the pro-poor dimension was essential in trade policy; requested more detail on itsc specialization, differentiation with other service providers and needs assessment; welcomed the organization’s marketing focus; and called for cross-regional trade projects, an emphasis on the needs of landlocked countries, and programmes highlighting backward linkages and employment generation. The Group noted that itsc’s strategy of working with export enterprises, trade support institutions and policymakers was appropriate and that itsc should build capacity in trade support institutions and among policymakers. It stressed the importance of highlighting the differences in trade-related needs and possible responses within specific groups of countries, particularly ldc’s, so that itsc would be able to provide solutions commensurate with the needs. It also recommended that itsc increase its support in the regions where it had had a limited presence, particularly in transition economies, Arab States, and Latin America and the Caribbean. The Group welcomed the presentation of regular budget resources by region, as that provided a clear picture of itsc resources (regular budget and extrabudgetary) spent in each region. Participants observed that, in addition to presenting itsc’s work programme, which addressed cross-cutting issues, itsc should present its approach/strategy for gender mainstreaming in trade, poverty reduction through trade and addressing trade and environmental issues. It should also move towards more consolidated and coherent activities at the country and regional levels. That should be accompanied by criteria for determining country, regional and global programmes and the amount of resources to allocate among the three levels. Itsc’s efforts to build strategic partnerships with other trade-related technical assistance providers were appreciated, and its key roles in marketing and implementing projects under the Enhanced Integrated Framework and Aid for Trade were recognized. The Group also welcomed itsc efforts to promote South-South trade, and recommended that it play a larger role in regional integration and in working with the private sector to help move forward the negotiations on the Global System of Trade Preferences among Developing Countries. Itsc was encouraged to develop knowledge, expertise and impact concerning business opportunities in environmental and ethical standards, products and services produced by women entrepreneurs, and services.

The Group endorsed the suggestion of a single trust fund for greater transparency and agreed that itsc should realign the Global Trust Fund financial year to a calendar year. A consolidated itsc trust fund would reduce transaction costs from an administrative point of view. The idea of providing a greater share of unmarked resources to itsc was encouraged, but that would need to go hand-in-hand with greater transparency in use of funds, improved reporting and efficient monitoring and evaluation of programme activities.

Pledges of trust fund contributions to itsc were announced by Canada, China, Denmark, Finland, France, Germany, India, Japan, the Netherlands, Norway, Russia, and Switzerland.
The Group, at its forty-first session (Geneva, 4-5 December) [ITC/AG(XLI)/216], discussed the ITC Consolidated Programme Document (CPD) for 2008-2009, including its strategies for Africa, the Arab States, Asia and the Pacific, CIS and South-Eastern Europe, and Latin America and the Caribbean. Statements were made by the WTO Director-General, the UNCTAD Secretary-General and the ITC Executive Director. On CPD as a whole, the Group supported the document’s general format and content as a sound basis for programming, including the division into global, regional and subregional programmes. It agreed that CPD should continue to reflect needs expressed by partner countries, and in particular the interests of the private sector, in line with ITC’s mandate, and that the document should be considered as work in progress, since its format would continue to evolve in response to need. ITC should consider expanding the number of integrated programme countries and the resources allocated to the respective regions, with a view to achieving a balanced distribution. It should also continue to consult with Member States on the content of CPD.

The Group considered options for a new governance structure and agreed that: the annual IAG meeting should take place in December with shorter, more streamlined working sessions; the financial reporting year would be aligned to the regular budget cycle, and the Global Trust Fund financial year would be co-terminous; a new ITC Trust Fund should be established as of 1 January 2008 and the Global Trust Fund should continue in parallel to the new Trust Fund until 31 December 2009; and discussions among interested parties on a possible new Consultative Board would be initiated in January 2008.

The Group received an overview of ITC’s current and projected funding, with a presentation on the evolution of ITC’s resources from 2000-2001 to 2008-2009. The largest share of ITC’s resource growth was due to extrabudgetary contributions from its donors. An outline of the share of the 2008-2009 projected resources distributed across regions showed that the two areas receiving the largest share were global programmes serving all regions and Africa, home to 35 LDCs. The Group invited ITC to provide clarifications on the funding gap between committed and required resources for 2008-2009 and sought more information regarding the expenditures of regular budget funds. It agreed that ITC should play a key role in Aid for Trade and receive support as long as it remained transparent and demonstrated full commitment to development goals. Multi-year financial commitments should be provided to facilitate ITC programming, and unearmarked contributions were desirable.

Pledges of trust fund contributions to ITC for 2008-2009 were announced by Canada, China, Denmark, Finland, France, Germany, the Netherlands, New Zealand, Norway, the Organisation internationale de la francophonie, Sweden and Switzerland.

**ITC administrative arrangements**

In March [A/62/6 (Sect.13)], the Secretary-General submitted preliminary budget estimates for ITC for the 2008-2009 biennium. Requirements, expressed in Swiss francs (SwF) at 2006-2007 rates, were estimated at SwF 68,782,100. Since SwF 610,000 from various sources were expected to be available to ITC during the 2008-2009 biennium, the contribution of each organization (United Nations and WTO) was estimated at SwF 34,086,050 at 2006-2007 rates for the biennium.

Having considered the Secretary-General’s report, the Advisory Committee on Administrative and Budgetary Questions (ACABQ), in its first report on the proposed programme budget for the 2006-2007 biennium [A/62/7], recommended that the General Assembly take note of the resources proposed in the ITC preliminary budget estimates.

The Secretary-General, in October, submitted revised budget estimates for ITC for the 2008-2009 biennium [A/62/6 (Sect.13)/Add.1]. The ITC requirements for 2008-2009 were estimated at SwF 68,680,900 before recosting and SwF 69,752,200 after recosting, representing an increase of 0.4 per cent compared with the approved budget for 2006-2007. Since the projected miscellaneous income was at SwF 700,000 for the 2008-2009 biennium, representing an increase of SwF 230,000 compared with the estimate for 2006-2007, the biennial contribution of each organization (United Nations and WTO) was at SwF 34,526,200, or $28,771,800.

In November [A/62/7/Add.10], ACABQ recommended that the General Assembly approve the proposed budget under section I, ITC UNCTAD/WTO, of the proposed programme budget for the 2008-2009 biennium, subject to certain recommendations outlined by the Committee.

The Assembly, in resolution 62/238, section I, of 22 December (see p. 1451), approved an amount of $28,099,800 for the 2008-2009 biennium.

**Enterprise, business facilitation and development**

The Commission on Enterprise, Business Facilitation and Development, at its eleventh session (Geneva, 19-23 February) [TD/B/COM.3/82], considered UNCTAD secretariat notes on: global value chains for building national productive capacities [TD/B/COM.3/79]; efficient transport and trade facilitation to improve participation by developing countries in international trade [TD/B/COM.3/80]; and information and communication tech-
nology (ict) and e-business for development [TD/B/COM.3/81]. It also considered a progress report on the implementation of the Commission’s agreed recommendations at its tenth session [TD/B/COM.3/78]; the report of the ad hoc expert meeting on building skills in developing countries: training, networking and ICTs (Geneva, 27-28 November 2006) [TD/B/COM.3/ AHM.1/3] and an UNCTAD secretariat note on the same subject [TD/B/COM.3/AHM.1/2]; and a number of 2006 expert meeting reports [YUN 2006, p. 1120].

In agreed recommendations on improving the competitiveness of small and medium-sized enterprises (SMES), the Commission requested that UNCTAD continue to provide its analytical work and technical assistance to developing countries, in particular LDCs, and to transition economies, on enterprise development that encompassed global and regional value chains, outward investment, supply-side improvement, research and development, and business linkages. UNCTAD should assist countries in identifying policies and measures that would enhance SME competitiveness, and should continue to expand its technical assistance through business linkages programmes and EMPRETEC and should continue to seek the necessary extrabudgetary resources for such activities.

In its recommendations on efficient transport and trade facilitation to improve participation by developing countries in international trade, the Commission asked UNCTAD to analyse the linkages between access to and supply of transport services, a facilitative trade environment and development prospects within globalized trade and production networks. UNCTAD should enhance cooperation with member States in their effort to devise and implement national and international policies aimed at promoting transport and trade facilitation. Assistance should continue to be provided to developing countries, in particular LDCs, and to transition economies to support their participation in transport and trade facilitation negotiations, particularly in the context of the Doha Development Round.

On ICT and e-business for development, the Commission agreed that it was important to assess the economic impact of ICT, to develop national and international ICT strategies and to adopt an appropriate legal framework for e-commerce. It recommended that UNCTAD, through its research and policy-oriented analytical work as well as technical cooperation, assist developing countries, in particular LDCs, and transition economies in identifying approaches, strategies and policies on ICT. UNCTAD should continue to carry out its role in the implementation of the World Summit on the Information Society (WSIS) [YUN 2003, p. 857, & YUN 2005, p. 933], as well as in its follow-up to WSIS in its capacity as secretary to the Commission on Science and Technology for Development.


**Subsidiary bodies.** A number of expert meetings were held in Geneva during the year. The Expert Meeting on Regional Cooperation in Transit Transport: Solutions for Landlocked and Transit Developing Countries (27-28 September) [TD/B/COM.3/EM.30/3] had before it an UNCTAD secretariat note on the subject [TD/B/COM.3/EM.30/2]. The meeting discussed industry views and experiences on transit; strategies of a transit country; and selected transit arrangements. It noted that landlocked developing countries had had only limited success in reaping the benefits of trade-related globalization processes and agreed that access of those countries’ traders to global markets should be improved. Participants concluded that, in landlocked developing countries, supply chains should extend to reach users and consumers. In the relation between multilateral, regional and bilateral solutions, the experts agreed that the multilateral approach should prevail, and regional, bilateral and local solutions should build on the multilateral framework. It was noted that the existence and efficient use of transport infrastructure was a prerequisite for enabling efficient transit solutions, and infrastructure should be considered at the local, national and regional levels, involving both public and private sector financing. International financial institutions were called upon to provide adequate resources, and further investment was required in the institutional infrastructure, at the national and regional levels, to improve transit. That included mechanisms to facilitate the communication between the three main groups of partnerships: the private and public sector, landlocked and transit countries, and service providers and users. The experts also agreed that corridor developments should be supported further and that it was important to ensure the financial sustainability of corridor arrangements by ascertaining that the services and the environment were feasible in the long term, in particular by incorporating transit corridors as part of industrial developmental initiatives and policies. ICT was considered the most important support facility for ensuring sustainability of transit solutions.

The Expert Meeting on Increasing the Participation of Developing Countries’ SMES in Global Value Chains (18-19 October) [TD/B/COM.3/EM.31/3] had before it an UNCTAD secretariat note on the subject [TD/B/COM.3/EM.31/2]. The meeting addressed policies and measures for integrating and expanding the participation of SMES in global value chains (GVCs) and emphasized the importance of developing a favourable business environment as a precondition. Efforts should be made to improve the capacity of SMES to meet international standards and to innovate or upgrade. One of the most relevant issues in the context of integrating
Commodities

The desa/unctad report World Economic Situation and Prospects 2008 [Sales No. E.08.II.C.2] stated that the ascending trend in the prices of non-oil commodities continued during 2007, albeit with increased volatility. Non-oil primary commodity prices rose by nearly 15 per cent in United States dollar terms and 10 per cent in special drawing rights. While moderating, the continued robust growth in the world economy sustained the upward trend of commodity prices. The demand for raw materials and food products by the rapidly growing emerging economies remained strong. Higher oil prices as well as increasing environmental concerns relating to climate change redirected some demand towards alternative sources of energy, such as biofuels, and that in turn led to further increases in the demand for maize and soybeans, driving up their prices. After a mild retreat at the beginning of 2007, food prices rose progressively over the rest of the year. Sugar prices formed an exception, as they continued to decrease, and tropical beverages prices remained flat in the first half of the year, but rose in the second half. Maize prices reached record levels, mainly fuelled by growth in the demand for meat and, consequently, animal feed, and by the expansion of the biofuels industry. The index for prices of vegetable oils and oils increased by 40 per cent in the first three quarters of 2007. The prices of agricultural raw materials increased modestly, and cotton prices increased by 20 per cent until August. The minerals, ores and metals price index increased by more than 10 per cent.

The price of oil exhibited a strong upward bias, surpassing previous record levels in nominal terms and skirting record levels in terms of real prices. Oil prices began their upward spiral towards the end of the summer, increasing from an average of $71 per barrel in August to $92.5 per barrel by November, a rise of 30 per cent. Prices were driven upwards mainly by supply-side factors, including fluctuating commercial stock levels, geopolitical tensions in the Middle East and adverse weather conditions that affected production. In addition, there was a strong element of speculative investment attracted by the weakened dollar, pushing oil prices even higher than market fundamentals would suggest. Worldwide oil demand fell in the fourth quarter of the year owing to higher oil prices, and supply showed monthly gains in production. Nonetheless, oil price increased by another $10 between October and November. That was explained by a combination of factors. The dollar depreciation triggered part of the increase as investors in the oil market sought compensation for a loss in purchasing power in terms of the euro and other currencies. Geopolitical concerns aroused by the conflict between Turkey and Kurdish factions in Iraq, as well as suicide bombings in Afghanistan and an attack on an oil pipeline in Yemen, fuelled speculation that pushed up prices.

Individual commodities

Timber. As at 31 December, the International Tropical Timber Agreement, 2006 [YUN 2006, p. 1124] had 18 signatories and four parties. During the year, Cameroon, Colombia, Ecuador, the European Union, Greece, Japan, Malaysia, Mexico, the Netherlands, the United Kingdom and the United States signed the agreement; Japan, Malaysia, the United Kingdom and the United States became parties.

Olive oil and table olives. As at 31 December, the International Agreement on Olive Oil and Table Olives, 1986, as amended and extended, 1993 [YUN 1993, p. 760] had 14 members. During the year, Montenegro became a member.
Sugar. As at 31 December, the International Sugar Agreement, 1992 [YUN 1992, p. 625] had 22 signatories and 57 parties. During the year, Chad, the Congo, Morocco, Tunisia, Uganda and the United Arab Emirates became parties.


Cocoa. As at 31 December, the International Cocoa Agreement, 2001 [YUN 2001, p. 880] had 11 signatories and 17 parties.

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, as well as commodity development activities such as research and marketing, had entered into force in 1989, and the Fund became operational later that year.

As at 31 December, the Agreement had 113 parties. The Caribbean Community and the Southern African Development Community became parties during the year.

Finance

Financial policy

The World Economic and Social Survey 2007 [Sales No. E.07.II.C.1], which was devoted to development in an ageing world, stated that population ageing posed important challenges, especially ones related to the financial viability of pension systems, the provision of adequate health and long-term care, and the integration of older people as active agents of societal development. The Madrid International Plan of Action on Ageing [YUN 2002, p. 1194] recognized that the contributions and concerns of older persons should be placed within the context of the international development agenda, including the MDGs. Population ageing would affect the size and composition of the labour force and might have negative implications for economic growth. It could also affect economic growth through changes in consumption, investment and savings patterns.

The capacity to save might diminish with age, affecting the generation of savings as a greater number of persons grew older. That might have implications for global savings and the availability of investment finance, particularly owing to the weight of the countries with ageing populations in the world economy. Population ageing had an impact on financial markets as an increasing share of household savings flowed into pension funds and other investment plans for retirement. Institutional investors played an important role in deepening financial markets and in providing additional liquidity for long-term investment projects. At the same time, however, they largely operated outside of financial market regulation and supervision mechanisms that applied more generally to the banking system. If unchecked, the financial market operations of pension funds could thus be a source of financial instability and enhanced market speculation. Also, as increasing investments were intermediated outside of the banking system, monetary authorities were losing some control over credit growth, thereby limiting the effectiveness of monetary policies. Improved international regulatory measures were needed to avert possible destabilizing effects on financial markets of the operations of large pension funds and to prevent the income security of older persons from being jeopardized.

The presence of institutional investors in advanced economies and their rapid rate of growth in many emerging economies were transforming the structure of financial systems. In developed economies in the period from 1990 to year-end 2003, assets under management by institutional investors had risen from $14 trillion to $47 trillion and from 78 per cent to 160 per cent of their aggregate GDP. The three major institutional groups (insurance companies, pension funds and investment companies) used by households as repositories for retirement savings experienced strong growth during that period. A number of developing economies saw a similar surge in the presence of institutional investors. The factors that induced the shift towards institutional investors varied among countries, but a common thread was the emphasis on private pension and retirement funding as Government-funded pensions came under pressure.

The World Economic Situation and Prospects 2008 stated that global financial turmoil during the third quarter of 2007, triggered by a debacle in the sub-prime mortgage loan sector in the United States, signalled downside risks for the global outlook. It revealed that the problems in the United States housing market were closely associated with the problem of global imbalances and showed the lack of adequate supervision and regulation of financial markets, which had become increasingly integrated but also decreasingly transparent. In response to the turmoil, monetary authorities in the major developed economies altered their policy stance, with monetary and fiscal easing in the United States, the main deficit economy, and tightening in Japan, one of the major surplus economies. The anticipated monetary tightening in some other economies was held back, while Europe’s macroeconomic policy stance was more or less neutral. Macroeconomic policies in the major developed economies were not geared to reducing the global imbalances.
Among the major surplus economies of the developing world, monetary and fiscal policies varied greatly. China tightened its monetary policy whilst mildly easing its fiscal stance; India, the Russian Federation and other surplus countries among the economies in transition tightened their monetary policy stance to address inflationary pressures. During 2007, most major oil exporters in Western Asia pegged their currencies to the United States, and their monetary policies, which closely followed those of the United States Federal Reserve Board, remained accommodative. In Latin America, Brazil continued to cut policy interest rates, while Mexico tightened monetary policies under inflationary pressures.

**Financial flows**

According to the desa/unctad report on the **World Economic Situation and Prospects**, developing countries as a group continued to make significant outward transfers of financial resources to developed economies. However, the increase in the volume of transfers moderated. The total net financial transfers from developing countries increased from $728 billion in 2006 to $760 billion in 2007, a 4.4 per cent increase. The increase mainly came from East and South Asia, where outward net transfers to developed economies continued to accelerate. All other developing country sub-groupings registered some decline in net resource outflows. The reduction of the trade surplus in the Russian Federation was the main reason for an overall decline in net outward financial flows from countries with economies in transition, from $136 billion in 2006 to $109 billion in 2007. The impact of the turmoil in world financial markets on private financial flows to developing countries was limited. The relative resilience of emerging markets to the global financial turmoil was due to three main factors: the response of central banks in the major developed economies served to lift equity markets, including in emerging markets; the global financial turbulence was concentrated in innovative credit instruments mostly prevalent in mature financial markets, rather than in developing countries; and there was an improvement in the macroeconomic indicators of a number of key emerging economies.

At the global level, foreign direct investment (FDI) inflows reached an estimated $1.5 trillion in 2007. In the three major groups of economies—developed countries, developing countries, and South-Eastern Europe and the Commonwealth of Independent States—FDI flows rose again. The financial and credit crises that began in the latter half of 2007 did not noticeably affect FDI inflows. Transnational corporations had liquidity to finance their own investments, including FDI, and the real economic impact of the crisis was limited. Cross-border mergers and acquisitions in the first half of 2007 increased by 53 per cent compared to those in the corresponding period of 2006, although those flows declined in the latter half of the year.

**Economic development in Africa**

In July, an unctad secretariat overview of economic development in Africa [TD/B/54/4] reviewed the challenge of reclaiming policy space, concentrating on domestic resource mobilization and developmental States. The overview examined the potential of African countries to increase their total domestic resource envelope, in order to reduce dependence on official development assistance and diversify their development resources. A complementary objective of the report was determining how to channel those resources into productive investments to increase their efficiency. It stated that most of the challenges to development in general, and to domestic resource mobilization and investment in particular, were manifestations of market failures. African countries should pursue a mix of policies tailored to their own institutional (economic, political and social) arrangements and to the specific situation of each country, rather than a one-size-fits-all approach. The overview highlighted the need for “developmental States” in Africa with the required policy space to design and implement policies that addressed their priorities and made optimal use of available resources. It argued that only by reclaiming their developmental role could African States give true meaning to the rhetoric of ownership in macroeconomic and resource management.

Recent economic performance in Africa had been strong, with a growth rate of 5.7 per cent in 2006. However, those rates were insufficient for African countries to reach the first MDG of halving poverty by 2015. It was estimated that growth rates of 7 to 8 per cent were necessary, and in order to achieve such rates, African countries required a significant and sustained increase in resources devoted to promoting development. The overview, noting the problem of excessive dependence on external resources, stated that a focus on improving domestic resource mobilization and the quality of its use would not only increase the level of resources available for development and poverty alleviation, but could also create the policy space necessary for African States to claim real ownership of their development processes. The amount of domestic resources should be maximized where possible, and those resources should be made available for productive use and should be utilized efficiently and effectively. There were financial resources in African economies which, if properly mobilized and channelled to productive investments, could boost economic performance. African countries could adopt a financial sector charter based on an arrangement among Governments, the business community and the financial sector: the charter should define the expected contribution of the financial sector to the
The UNCTAD Trade and Development Board (TDB) [A/62/15 (Part IV) & Corr.1], in agreed conclusions adopted on 11 October [agreed conclusions 491(LIV)], concurred with the secretariat’s statement that African countries should mobilize their domestic financial resources to reduce their dependence on external resources in the medium to long term, and agreed that sustaining and improving upon current levels of economic growth required the promotion of an enabling environment to facilitate entrepreneurship, improved market access and economic diversification into higher-value-added exports. It noted the importance of leadership at the national level in mobilizing additional domestic resources, and of the assistance of development partners in strengthening institutions and developing programmes. The Board encouraged UNCTAD to assist African countries in their efforts to promote the mobilization of domestic resources and the collection and use of tax revenues to support equitable growth. TDB emphasized, in the context of the enhanced mobilization of domestic resources and ownership of development programmes, the importance for African countries of increasing their ability to use their policy space and design and implement policies that addressed their challenges and priorities. It underscored the need for effective use of financial resources raised both domestically and from development partners, and stressed the need to learn from the experiences of successful developing economies, bearing in mind the specific needs and circumstances of African countries. Reaffirming that each country should take primary responsibility for its own development, it stressed that the role of national policies and development strategies could not be overemphasized, development should be based on a global partnership, and State involvement should improve efficiency in the use of scarce resources and provide an enabling environment in which the private sector could operate optimally. TDB emphasized that multilateral institutions such as UNCTAD, WTO, the World Bank and the International Monetary Fund (IMF) had a critical role to play in helping African countries, and agreed that UNCTAD should continue to undertake analysis and provide policy advice on African development.

**International financial system**

**Report of Secretary-General.** In response to General Assembly resolution 61/187 [YUN 2006, p. 1128], the Secretary-General submitted a July report [A/62/119] on the international financial system and development, which complemented his report [A/62/217] (see p. 991) on follow-up to and implementation of the outcome of the International Conference on Financing for Development [YUN 2002, p. 953] and his report [A/62/151] on recent developments in external debts (see p. 985). The July report reviewed trends in international official and private capital flows to developing countries and efforts to strengthen international institutions concerned with expanding the flow and stability of development financing. It analysed the increased net resource outflows from developing and transition economies in 2006, the increased private sector flows and risk-taking in developing and transition economies, and the slowdown in efforts to increase the aid effort beyond debt relief. As to reforming the international financial architecture, the report reviewed governance reform at the Bretton Woods institutions; multilateral surveillance; international standards and codes; financing for crisis prevention; IMF engagement with low-income countries; and regional financial cooperation.

In his conclusions, the Secretary-General stated that governance reforms and improved multilateral surveillance should be seen as a first step towards the development of a broader-based consultation process. A stronger multilateralized institutionalized mechanism of surveillance and policy coordination was needed. New surveillance mechanisms should enhance focus, symmetry, objectivity, equity and even-handedness. A more active use of regional funds and surveillance mechanisms and policy consultations should complement the IMF role. Stressing the importance of ensuring that standards and codes were mutually consistent and flexible enough to be applied in countries at different stages of financial development, the Secretary-General called on the parties concerned to be involved in the work of international regulatory and standard-setting bodies, including private entities. Developing countries in particular should establish the capacity to understand those issues, adapt the use of codes according to their domestic conditions and determine the proper timing of their adoption. IMF should have adequate tools for crisis prevention, and its increasingly important role in low-income countries through surveillance, technical assistance and concessional lending should be matched by an increased capacity to undertake those activities. Comprehensive governance reforms aimed at solving the problem of under-representation of developing countries in global financial institutions were indispensable.

**IMF/World Bank Development Committee.** The joint IMF/World Bank Development Committee, in a communiqué issued following its 15 April meeting (Washington, D.C.), stated that there was a concern that total official development assistance (ODA) actually declined in real terms in 2006 and that pledges made in 2005 to double aid for Africa by 2010 had not yet been translated into increased donor resources for programmes on the ground. It urged donors who had not done so to make efforts towards the target of 0.7 per cent of gross national income as ODA.
and called for renewed efforts at scaling up financing to support sound country-owned programmes for the achievement of the MDGs. It welcomed new and emerging public and private sources of aid and, noting the increasing risks of aid fragmentation and earmarking leading to higher transaction costs for recipients and reduced aid effectiveness, it emphasized the importance of the country-owned approach to development, which provided a platform for aligning multiple sources of development finance with national priorities and country systems. The Committee reiterated the importance of reinforcing donor coordination, as well as enhancing efforts to ensure aid effectiveness, and progress in implementing the 2005 Paris Declaration on Aid Effectiveness. The international financial institutions, working in partnership with the United Nations and other donors, were encouraged to review their policies, procedures and incentives.

In a communiqué issued following its 21 October meeting (Washington, D.C.), the Committee agreed that strengthened support for the inclusion and empowerment of the poorest in development, especially in sub-Saharan Africa, and for active engagement by the World Bank Group in fragile and conflict-affected States should be key elements in the strategic framework. It underlined the importance of innovative financing mechanisms and welcomed the progress made by many low-income countries in strengthening development strategies and implementing policy and institutional reforms. Noting that many countries had enhanced their capacity to absorb larger amounts of aid productively, it reaffirmed the importance of the country-based model, founded on strong country ownership. The Committee called on donors to increase aid for development, improve aid predictability, address financing gaps for meeting the MDGs, and make efforts towards the target of 0.7 per cent of gross national income as ODA. Noting that global economic growth remained strong and that the direct impact of recent financial market turbulence on developing countries had been limited, it urged Governments to implement policies supporting economic resilience and urged the Bank and the Fund to support and monitor those efforts.

GENERAL ASSEMBLY ACTION

On 19 December [meeting 78], the General Assembly, on the recommendation of the Second Committee [A/62/417/Add.2], adopted resolution 62/185 without vote [agenda item 52 (b)].

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled “Towards a strengthened and stable international financial architec-

ture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity”, as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of 22 December 2005 and 61/187 of 20 December 2006,


Recalling further the 2005 World Summit Outcome,

Recalling its resolution 60/265 of 30 June 2006 on follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals, and its resolution 61/16 of 20 November 2006 on strengthening of the Economic and Social Council,

Emphasizing that the international financial system should further sustain economic growth and support sustainable development and hunger and poverty eradication efforts, while allowing for the coherent mobilization of all sources of financing for development, including the mobilization of domestic resources, international investment flows, official development assistance, external debt relief and an open, equitable, rule-based, predictable and nondiscriminatory global trading system,

Stressing the importance of commitment to sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development,

Stressing also that good governance at the international level is fundamental for achieving sustainable development, reiterating in this regard the importance of promoting global economic governance by addressing the international finance, trade, technology and investment patterns that have an impact on the development prospects of developing countries in order to ensure a dynamic and enabling international economic environment, and reiterating also that, to this effect, the international community should take all necessary and appropriate measures, including ensuring support for structural and macroeconomic reform, finding a comprehensive solution to the external debt problem and increasing the market access of developing countries,

Reaffirming the commitment to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting, stressing to that end the importance of continuing efforts to reform the international financial architecture, and acknowledging the need for continued discussion on the issue of the voting power of developing countries in the Bretton Woods institutions, which remains a concern,

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 the Millennium Development Goals,

Emphasizing the need for additional, stable and predictable financing to assist developing countries to undertake their investment plans and strategies to achieve the internationally agreed development goals, including the Millennium Development Goals,

Recognizing, in this regard, the value of developing innovative sources of financing from various sources, on a public, private, domestic and external basis, to increase and supplement traditional sources of financing,

Welcoming the contribution to the mobilization of resources for development through innovative financing initiatives taken by groups of Member States,

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 global economic growth and a stable international financial system, inter alia, can support the ability of developing countries to achieve the internationally agreed development goals, including the Millennium Development Goals, and stresses the importance of cooperative and coordinated efforts by all countries and institutions to cope with the risks of financial instability;

3. Emphasizes that economic growth should be further strengthened and sustained, noting that global economic growth depends on national economic growth and that the implementation of sound macroeconomic policies at all levels could significantly contribute to a revitalization of economic growth;

4. Stresses the importance of the United Nations playing a fundamental role in the promotion of international cooperation for development and in discussing international economic and development policies;

5. Notes the holding of the annual meeting of the International Monetary Fund, in October 2007, stresses the importance of early agreement on a credible and time-bound package of quota and voice reforms in the Fund, reiterates the need to effectively address the issue of enhancing the voice and participation of developing countries in the Bretton Woods institutions, encourages the Bretton Woods institutions to take further and effective measures, and invites the World Bank and the Fund to continue to provide information on this issue, using existing cooperation forums, including those involving Member States;

6. Reiterates its invitation to the World Bank, the International Monetary Fund, the regional development banks and other relevant institutions to further integrate development dimensions into their strategies and policies, consistent with their respective mandates, and to fully implement the principles stated in those strategies and policies, in particular the objectives of pro-poor growth and poverty reduction;

7. Notes that developing countries as a whole continue to experience a net outflow of financial resources, and reiterates its request to the Secretary-General, in continuing collaboration with international financial institutions and other relevant bodies, to analyse the range of reasons and consequences for this in his report under this item;

8. Also notes that some developing countries have net inflows of financial resources, and reiterates its request to the Secretary-General, in continuing collaboration with international financial institutions and other relevant bodies, to analyse the range of reasons and consequences for this in his report under this item;

9. Takes note of the efforts of central banks, regulatory bodies and financial institutions to mitigate the global economic impacts of financial volatility resulting from adjustable-rate mortgage losses and related imbalances in developed economies, and encourages those bodies to further continue such efforts;

10. 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 systemically 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;

11. 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 in assessing debt sustainability;

12. Recognizes the need for multilateral surveillance to remain at the centre of crisis prevention efforts and that surveillance should focus not only on crisis-prone countries but also on the stability of the system as a whole;

13. Reiterates 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;

14. Notes the impact of financial crises or risk 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;

15. Underlines the importance of competitive and inclusive private and public financial markets in mobilizing and allocating savings towards productive investment and thus making a vital contribution to national development efforts and to an international financial architecture that is supportive of development;

16. Encourages regional cooperation, including through the private sector and public-private partnerships, to intermediate between savings and demand for long-term
investment in developing countries, including the development, where appropriate, of regional bond markets;
17. Welcomes the launching of initiatives, including South-South initiatives and triangular cooperation, to support and accelerate the sustained social and economic development of developing countries;
18. Invites the international financial and banking institutions to consider enhancing the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant development institutions, including the United Nations Conference on Trade and Development, to continue their work on this issue, including its potential impact on the development prospects of developing countries;
19. 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;
20. Emphasizes that it is essential to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes, underlines the need to ensure their implementation, on a voluntary and progressive basis, as a contribution to reducing vulnerability to financial crisis and contagion, and notes that more than one hundred countries have participated in or agreed to participate in the joint World Bank–International Monetary Fund financial sector assessment programme; and encourages countries that are not yet participating in the programme to consider doing so;
21. Notes the proposal to use special drawing rights allocations for development purposes, and considers that any assessment of special drawing rights allocations must respect the Articles of Agreement of the International Monetary Fund and the established rules of procedure of the Fund, which requires taking into account the global need for liquidity at the international level;
22. Invites the multilateral and regional development banks and development funds to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, and stresses that strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and are an essential source of knowledge and expertise for their developing-country members;
23. Calls for the continued effort of the multilateral financial institutions, in providing policy advice, technical assistance and financial support to member countries, to work on the basis of nationally owned reform and development strategies, to pay due regard to the special needs and implementing capacities of developing 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 hunger and poverty eradication policies and strategies;
24. Stresses the need to continuously improve standards of corporate and public sector governance, including accounting, auditing and measures to ensure transparency, noting the disruptive effects of inadequate policies;
25. Requests the Secretary-General to submit a report to the General Assembly at its sixty-third session on the implementation of the present resolution;
26. Decides to include in the provisional agenda of its sixty-third session, under the item entitled “Macroeconomic policy questions”, the sub-item entitled “International financial system and development”.

Debt problems of developing countries

Report of Secretary-General. In response to General Assembly resolution 61/188 [YUN 2006, p.1131], the Secretary-General submitted a July report [A/62/151] on recent developments in external debt, which reviewed trends in the external debt of developing countries and the related capital flows from developing to developed countries. It analysed the role of new borrowing strategies of developing countries and new debt instruments and players, reviewed progress in the Heavily Indebted Poor Countries (HIPC) Initiative, launched in 1996 [YUN 1996, p. 867], and in Paris Club (group of creditor countries) rescheduling. The report pointed to several issues related to the debt sustainability framework for low- and middle-income countries and discussed potential vulnerabilities arising from the increasingly important role of structured finance.

In its conclusions, the report noted that long-term interest rates in the developed world were rising and that the first half of 2007 had seen localized turmoil in some emerging market countries. Moreover, a few developing and transition countries were characterized by large current account deficits and overvaluation of their exchange rates. The high incidence of foreign currency debt in developing countries, together with the volatility of the real exchange rate, increased the instability of the gross national product growth and capital flows and the risk of sudden debt explosions. Most domestically issued debt had the advantage of being denominated in the domestic currency and might reduce currency mismatches and count on a more stable investor base. As a consequence, Governments which were trying to limit excessive foreign borrowing and develop the infrastructure for a domestic debt market should be supported. However, it was necessary to move beyond the traditional external/domestic debt dichotomy. The switch to domestic borrowing could entail important trade-offs, and debt managers should consider those trade-offs between the cost and risk of alternative forms of financing. Excessive focus on external debt might distract policymakers from the fact that the real sources of vulnerabilities were ma-
turity and currency mismatches that led to a situation in which the maturity and currency composition of domestically issued debt were not included among the vulnerability indicators to predict financial crises or debt sustainability. Crisis prevention required detailed and prompt information on debt structure.

The presence of global imbalances and the flowing of capital from poor to rich countries were a source of concern, as some emerging market countries might decide that they no longer needed the support of international financial institutions. The report highlighted the need for a reform of the governance and structure of those institutions and the development of a cooperative global monetary system and, noting that no progress had been made towards developing a mechanism for the resolution of sovereign default, stressed that this should remain a priority for the international community. Debt relief had been slow and should be expanded to low-income countries which were not part of the HIPCs Initiative and the Multilateral Debt Relief Initiative (MDRI). It was necessary to expand ODA flows with the objective of achieving the MDGs. There were serious issues with the structure of the debt sustainability framework for low-income countries, and debt sustainability for development purposes should be assessed on a case-by-case basis, with the engagement of borrower Governments in adapting sustainability criteria to the situation at hand. Increased attention should be paid to the contingency risk arising from private-sector borrowing and Governments’ capacity to manage such risks appropriately.

Other actions. The joint IMF/World Bank Development Committee, in a communiqué issued following its 15 April meeting (Washington, D.C.), stated that, as financial flows increased, it was important to maintain debt sustainability. The Committee encouraged the World Bank and IMF to report regularly on the extent of full creditor participation in HIPCs and delivery of donor commitments to financing the full cost of debt relief, to enhance creditor coordination around the debt sustainability framework, and to support borrowers in building debt management capacity and in devising and implementing sound external finance strategies. It also urged debtors and creditors to use the World Bank–IMF debt sustainability framework to guide their decisions.

In a communiqué issued following its 21 October meeting (Washington, D.C.), the Committee noted the progress in implementing the HIPCs Initiative and the MDRI and stressed the need for creditors to participate on an equitable basis, including non–Paris Club and commercial creditors. It also stressed the importance of providing dollar-for-dollar compensation for lost credit reflows due to the two initiatives. The Committee observed that, improved debt burden indicators notwithstanding, the risk of debt distress in many HIPCs remained a challenge to their long-term debt sustainability. It thus emphasized the importance of sound lending and borrowing decisions guided by the World Bank–IMF Joint Debt Sustainability Framework (DSF), and the strengthening of public debt management, for preventing unsustainable debt accumulation by HIPCs. It welcomed the efforts of the Export Credit Group of the Organisation for Economic Cooperation and Development (OECD) to develop sustainable lending guidelines embodying the DSF.

The World Economic Situation and Prospects 2008 stated that debt reduction packages were approved in the HIPC Initiative for 32 out of 41 eligible countries, 26 of which were African. As of October 2007, the Initiative provided $46 billion in debt-service relief in net present value terms. Although the initial sunset clause became effective on 31 December 2006, it was decided to grandfather all countries that had been, or would be, assessed to have met the Initiative’s income and indebtedness criteria based on end-2004 data.

In March, the Inter-American Development Bank joined the MDRI officially. As of August, total MDRI assistance delivered to post-completion-point HIPCs was estimated at $37.6 billion in nominal terms. As a result of those measures, debt-service payments by the 32 beneficiary countries declined by almost 2 per cent of GDP between 1999 and 2006. Only 22 countries reached the completion point at which lenders provided the full debt relief committed at decision point, and their irrevocable debt relief amounted to less than half of the estimated total HIPC cost of $68 billion. The remaining interim and pre-decision-point countries faced challenges to progress under HIPCs. Speedier resolution of arrears was needed so that low-income countries could benefit from debt relief under those initiatives. The average delay that HIPCs experienced between decision and completion points had increased since 2000. Progress was hampered in several pre-decision countries by internal conflicts, difficulties in macroeconomic stabilization and poverty-reduction programmes or arrears to multilateral institutions. The HIPC aim of reducing debt to sustainable levels was not realized and long-term debt sustainability remained an elusive goal for most HIPCs.

GENERAL ASSEMBLY ACTION

On 19 December [meeting 78], the General Assembly, on the recommendation of the Second Committee [A/62/417/Add.3], adopted resolution 62/186 without vote [agenda item 52 (c)].

External debt and development: towards a durable solution to the debt problems of developing countries

The General Assembly,
Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December
2005 and 61/188 of 20 December 2006 on external debt crisis and development,

Recalling also the International Conference on Financing for Development and its outcome, which recognizes sustainable debt financing as an important element for mobilizing resources for public and private investment,

Recalling further the United Nations Millennium Declaration adopted on 8 September 2000,

Recalling the 2005 World Summit Outcome,

Recalling also its resolution 60/265 of 30 June 2006 on follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

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

Reaffirming that each country must take primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, cannot be overemphasized in the achievement of sustainable development, and recognizing that national efforts should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Emphasizing that debt sustainability is essential for underpinning growth, and underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals, and that countries should direct those financial resources freed through debt relief, in particular through debt reduction and cancellation, towards activities consistent with poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

Noting with appreciation that the Multilateral Debt Relief Initiative and bilateral donors have provided significant debt relief to twenty-two heavily indebted poor countries that have reached the completion point under the enhanced Heavily Indebted Poor Countries Initiative,

Noting with satisfaction the improvement in the external debt situation of heavily indebted poor countries but concerned that there remains a number of low- and middle-income developing countries that are still facing difficulties in finding a durable solution to their external debt problems, which could adversely affect their sustainable development,

Welcoming the fact that the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative have enabled heavily indebted poor countries to increase their expenditures on health, education and other social services consistent with national priorities, development plans and internationally agreed development goals, including the Millennium Development Goals,

Stressing the importance of addressing the challenges of those heavily indebted poor countries that are facing difficulties in reaching the completion point under the Heavily Indebted Poor Countries Initiative, and expressing concern that some heavily indebted poor countries continue to face substantial debt burdens and need to avoid rebuilding unsustainable debt burdens after reaching the completion point under the Initiative,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

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

2. Emphasizes the special importance of a timely, effective, comprehensive and durable solution to the debt problems of developing countries, since debt financing and relief can contribute to economic growth and development;

3. Also emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations;

4. Reiterates that debt sustainability depends on a confluence of many factors at the international and national levels, emphasizes that country-specific circumstances and the impact of external shocks should continue to be taken into account in debt sustainability analyses, underlines 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, 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-dependent developing countries, as well as by the impact of developments in financial markets, and to continue to provide information on this issue using existing cooperation forums, including those involving Member States;

5. Underlines the fact that the long-term sustainability of debt depends, inter alia, on the economic growth, mobilization of domestic resources and export prospects of debtor countries and, hence, on the creation of an enabling international environment conducive to development, progress in following sound macroeconomic policies, transparent and effective regulatory frameworks and success in overcoming structural development problems;

6. Notes with appreciation the progress under the Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative, calls for their full and timely implementation and the provision of additional resources to ensure that the financial capacity of the international financial institutions is not reduced, and stresses the need for all creditors to participate on an equitable basis, including non–Paris Club and commercial creditors;

7. Emphasizes in this regard that debt relief does not replace other sources of financing;

8. Urges donors to ensure that their commitments to the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries Initiative are additional to existing aid flows, emphasizes that full compensation by donors on the basis of fair burden-sharing for the Multilateral Debt Relief Initiative costs of relevant financial institutions is essential, calls for continued support to countries to complete the Heavily Indebted Poor Countries Initiative process, and encourages all parties, both creditors and debtors, to fulfil their commitments as rapidly as possible in order to complete the debt relief process;
9. 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 borrowing and lending and the need to help those countries to manage their borrowing and to avoid a build-up of unsustainable debt, including through capacity-building in the area of debt management and the use of grants and concessional loans, underlines the important role of the joint Debt Sustainability Framework of the International Monetary Fund and the World Bank for low-income countries in guiding borrowing and lending decisions, and encourages continued review of the Framework, with the full engagement of borrower Governments in an open and transparent manner;

10. Encourages further improving the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

11. Reiterates its invitation to the World Bank and the International Monetary Fund to keep the overall implications of the Debt Sustainability Framework for low-income countries under review, calls for transparency in the computation of the country policy and institutional assessments, and takes note of the disclosure of the country performance ratings of the International Development Association that form part of the Framework;

12. Welcomes and encourages the efforts of the heavily indebted poor countries, calls upon them to continue to strengthen 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 creditors, both private and public, that are not yet fully participating in debt relief initiatives to substantially increase their participation, including by providing comparable treatment to the extent possible to debtor countries that have concluded sustainable debt relief agreements with creditors, and invites the international financing institutions and the donor community to continue to provide adequate and sufficiently concessional financing;

13. 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, sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals, and in this regard urges countries to direct those resources freed through debt relief, in particular through debt cancellation and reduction, towards those objectives;

14. Calls for the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based financing, cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate and on a case-by-case basis, significant debt relief or restructuring for low- and middle-income developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative, as well as the exploration of mechanisms to comprehensively address the debt problems of those countries;

15. Encourages the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative to take into account their medium-term debt sustainability in addition to their financing gaps, and takes note with appreciation of the Evian approach of the Paris Club in providing terms of debt relief tailored to the specific needs of debtor countries while preserving debt cancellation for heavily indebted poor countries;

16. Stresses the need to significantly address the debt problems of middle-income developing countries, and in this regard stresses the importance of the Evian approach of the Paris Club as a practical means to address this issue, and notes that the current debt sustainability framework used to analyse the debt situation of middle-income countries focuses mostly on medium-term debt dynamics;

17. Notes that several developing countries have been able to reduce their external public debt by issuing more domestic debt to pay off foreign currency liabilities, appreciates that, while this switch in debt structure substantially reduces the foreign exchange risk of public debt liabilities, the levels of domestic debt could create other challenges for macroeconomic management and public debt sustainability, and calls for a reinforcing capacity to manage the new levels of domestic debt in order to maintain the overall public debt sustainability;

18. Also notes that some low- and middle-income developing countries that are not included in existing debt relief initiatives also experience constraints in mobilizing the resources needed to achieve the internationally agreed development goals;

19. Invites creditors and debtors to continue to use, where appropriate and on a case-by-case basis, mechanisms such as debt swaps for alleviating the debt burden of low- and middle-income developing countries with an unsustainable debt burden that are not eligible for the Heavily Indebted Poor Countries Initiative, and takes note of the discussions and assessment by the Paris Club of the proposal for “Debt for Equity in Millennium Development Goal Projects”;

20. Stresses the need to continue to take effective measures, preferably within the existing frameworks, to address the debt problems of the least developed countries, including through cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private;

21. 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, and recognizes the need for countries to be able to invest, inter alia, in health and education while maintaining debt sustainability;

22. Notes that credit-rating agencies play an important role in determining countries’ access to international capital markets and the cost of such borrowing, and, in this regard, calls upon the international financial and banking institutions to consider enhancing the transparency of risk-rating mechanisms, and notes that sovereign risk assessments made by the private sector should maximize the use
of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis;

23. Welcomes the efforts of and calls upon 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;

24. Also welcomes the efforts of and invites creditors to provide flexibility to developing countries affected by natural disasters on a case-by-case basis so as to allow them to address their debt concerns;

25. Further welcomes the efforts of and calls upon the international community to support institutional capacity-building in developing countries for the management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

26. 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 other relevant multilateral financial institutions and stakeholders, to continue cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

27. Invites the international community, including the United Nations system, to continue efforts to increase financial support in respect of capacity-building activities for developing countries in the area of debt management and debt sustainability, and encourages countries to create transparent and accountable debt management systems;

28. Calls upon all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problems of developing countries;

29. Requests the Secretary-General to submit to the General Assembly at its sixty-third 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 situation and debt-servicing problems of developing countries and a review of debt management capacity-building efforts, particularly those of the United Nations system;

30. Decides to include in the provisional agenda of its sixty-third session, under the item entitled “Macroeconomic policy questions”, a sub-item entitled “External debt and development: towards a durable solution to the debt problems of developing countries”.

Financing for development

Follow-up to the International Conference on Financing for Development

High-level meeting of Economic and Social Council, Bretton Woods institutions, WTO and UNCTAD. In accordance with Economic and Social Council decision 2007/202 of 6 February, the tenth special high-level meeting of the Council with the Bretton Woods institutions (World Bank Group and IMF), WTO and UNCTAD was held in New York on 16 April. The meeting addressed the theme of coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus. Before it was a note by the Secretary-General on the same subject [E/2007/10 & Corr.1], providing information and raising a number of questions on four sub-themes: good governance at all levels; voice and participation of developing countries in international economic decision-making, including the Bretton Woods institutions; realizing the Doha Development Agenda: effective use of trade and investment policies; and aid effectiveness and innovative financing for development.

The Council President, in his summary of the proceedings [A/62/76-E/2007/55 & Corr.1], noted the view of participants that the world economic situation was favourable to promoting development objectives. Annual global growth was about 5 per cent, inflation was tame and financial stability had improved. It was important for countries to bolster domestic financial foundations, for IMF symmetrical surveillance to be strengthened, and for multilateral consultations on global imbalances under the IMF aegis to be assisted. Enhancing governance, which constituted a key pillar of the development cooperation of many donors, called for strengthened bilateral and multilateral cooperation. Good governance was a prerequisite to ensure ODA effectiveness and could not simply be imposed from outside; the principles of commitment and ownership by the recipient country were also essential. Participants stressed the need for greater coherence within and among the major international organizations while maintaining a diversity of donors in development cooperation. Participation of developing countries in international economic decision-making should be achieved through a transparent, open and democratic process. Several first steps had been taken in some areas, and IMF had adopted a road map for a new quota formula, a major determinant of voting power, to be finalized not later than spring 2008. Participants stressed the importance of assigning a relatively large weight to economic size in any quota formula, as well as to the population variable, while ensuring an adequate representation to small economies and countries. They also highlighted the urgency of a successful conclusion of the Doha Round of trade negotiations, which not only would mean new trade opportunities but would also strengthen the multilateral trading system in important ways. It was noted that sufficient policy space was necessary for LDCs, landlocked developing countries and small island developing States, and trade facilitation was critical for progress in their exports. Countries in those groups should not be required to
undertake commitments too costly to implement. Aid effectiveness was a critical factor in international cooperation outcomes, according to many participants, and some stressed the importance of giving a stronger voice to developing countries in improving the aid architecture, including monitoring of the volume and composition of aid flows and policies. A number of participants emphasized the need to improve aid effectiveness by enhancing ownership, increasing donor coordination, streamlining conditionalities and expanding budget support.

Communication. Spain, in a 4 April letter to the Secretary-General [A/62/71-E/2007/46], transmitted a summary of the proceedings of the Intergovernmental Conference on Middle-Income Countries (Madrid, 1-2 March), which pointed out that the international community had not made progress with respect to cooperation with those countries and urged it to provide support to their development efforts. Middle-income countries should develop an efficient institutional framework, improve their financial stability and achieve sustainable growth over the long term. Cooperation with middle-income countries required international efforts, and discussion should be based on an analytical effort aimed at assessing their situation and defining the most appropriate response in each case.

ECONOMIC AND SOCIAL COUNCIL ACTION

On 27 July [meeting 47], the Economic and Social Council adopted resolution 2007/30 [draft: E/2007/L.31] without vote [agenda item 6 (a)].

Follow-up to the International Conference on Financing for Development

The Economic and Social Council,


Recalling further the 2005 World Summit Outcome and General Assembly resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals,

Recalling General Assembly resolution 61/16 of 20 November 2006,

Welcoming the decision by the General Assembly, contained in its resolution 61/191, that the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus would be held in Doha in the second half of 2008,

Noting the commencement, in accordance with General Assembly resolutions 60/188 and 61/191, of the preparatory process for the review conference, through direct intergovernmental consultations of the whole with the participation of all Member States and the major institutional stakeholders involved in the financing for development process, on all issues related to the review conference,

Taking note of the High-level Dialogue on Financing for Development, which is to be held on 23 and 24 October 2007 in New York,

Welcoming the launch of the Development Cooperation Forum,

1. Takes note 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, the World Trade Organization and the United Nations Conference on Trade and Development, held in New York on 16 April 2007, and of the note by the Secretary-General on coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus, prepared in collaboration with the major institutional stakeholders and other relevant organizations of the United Nations system;

2. Reaffirms its resolve to continue to make full use of the existing institutional arrangements for reviewing the implementation of the Monterrey Consensus of the International Conference on Financing for Development, as set out in paragraph 69 of the Monterrey Consensus and in line with General Assembly resolution 57/270 B, including the high-level dialogues convened by the Assembly and the spring meetings of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, bearing in mind the need to enhance the effectiveness of the follow-up process of the Monterrey Consensus;

3. Requests the President of the Council, with the support of the Financing for Development Office of the Department of Economic and Social Affairs of the Secretariat, to initiate consultations, including with all major institutional stakeholders, on how to enhance the impact of the special high-level meetings of the Council, in order:

(a) To focus the special high-level meetings on specific issues, in the context of the implementation of the Monterrey Consensus, within the holistic integrated approach of the Consensus, in consultation with all major institutional stakeholders, and to report thereon to the Council well in advance of the meeting, and underlines in this regard the importance of transparency and openness with respect to Member States;

(b) To finalize the preparations well in advance of the meeting, in order to facilitate the participation of all participants and ensure high-level participation;

(c) To discuss innovative ways and mechanisms to enhance interaction between the Council and the major institutional stakeholders in preparation for the special high-level meetings of the Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development;

(d) To request the regional commissions, with the support of regional development banks, as appropriate, and in cooperation with the relevant United Nations entities, 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 General Assembly resolution 58/230, undertake specific activities, and provide inputs to the follow-up to the Conference, including the spring meetings of the Council;

(c) To continue to involve all relevant stakeholders, including civil society organizations and the private sector, in accordance with the rules of procedure of the Council and the accreditation procedures and modalities of participation utilized at the International Conference on Financing for Development and in its preparatory process.

Reports of Secretary-General. On 3 August, the Secretary-General submitted a report [A/62/190] on follow-up to and implementation of the Monterrey Consensus [YUN 2002, p. 953] of the International Conference on Financing for Development: the regional dimension, prepared by the five regional commissions (Economic Commission for Europe; Economic and Social Commission for Asia and the Pacific; Economic Commission for Latin America and the Caribbean; Economic Commission for Africa; Economic and Social Commission for Western Asia) in response to General Assembly resolutions 59/293 [YUN 2005, p. 1064] and 61/191 [YUN 2006, p. 1135]. The report reflected progress in mobilizing domestic and international resources, ODA, technical cooperation, FDI and private financial flows for development, and analysed the regional dimension of relevant issues for improving the coherence of the international monetary, financial and trading systems in support of development. It underlined that staying engaged with all major stakeholders, including at the regional level, through continued discussions of issues relevant to the follow-up process was critical. Regional commissions had taken a leading role in organizing follow-up activities to the International Conference, in cooperation with other stakeholders. Those activities had raised awareness of the aims of the Monterrey Consensus and of the need to adopt policies and regulations for the sustainable development of developing countries, including the promotion of development finance and the strengthening of cooperation on internationally agreed development goals.

In a 10 August report [A/62/217], submitted in response to General Assembly resolution 61/191 [YUN 2006, p. 1135], the Secretary-General provided an analytical assessment of the implementation of agreements reached at the 2002 International Conference on Financing for Development, prepared in collaboration with the major institutional stakeholders, as an input to the High-level Dialogue on Financing for Development. The report should be read in conjunction with the reports of the Secretary-General on: the international financial system and development [A/62/119] (see p. 982), external debt crisis and development [A/62/151] (see p. 985), international trade and development [A/62/266] (see p. 967), and the regional dimension of the implementation of the Monterrey Consensus [A/62/190] (see above), as well as 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, WTO and UNCTAD [A/62/76-E/2007/55 & Corr.1] (see p. 989). The report covered the six core areas of the Monterrey Consensus: mobilizing domestic financial resources for development; mobilizing international resources for development; FDI and other private flows; international trade as an engine for development; increasing international financial and technical cooperation for development; external debt; and addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development. It also reviewed key intergovernmental and multi-stakeholder activities carried out in implementing the commitment to staying engaged.

Communications. In an 8 October letter [A/62/488], Pakistan, as the Chairman of the Group of 77, transmitted to the Secretary-General the Ministerial Declaration adopted at the thirty-first annual meeting of Ministers for Foreign Affairs of the Group of 77 and China (New York, 27 September), in which they emphasized the need for a strengthened global partnership for development and reiterated the significance of increased financing, including the need to meet the target of 0.7 per cent of gross national product for ODA to developing countries. The Ministers reiterated the need for the international community to adopt an effective, equitable, durable and development-oriented solution to the debt problems of developing countries and reaffirmed the high priority that developing countries attached to the financing for development process. They stressed the importance of efforts to reform the international financial architecture so as to enhance the participation of developing countries in international decision-making and called for reform of the global financial architecture and economic governance to ensure that global policies and processes in finance, trade, investment and technology were development-oriented and addressed the needs and concerns of developing countries.

Pakistan, in another letter to the Secretary-General dated 18 October [A/62/507-S/2007/636], enclosed the Final Communiqué of the Annual Coordination Meeting of Ministers for Foreign Affairs of the States members of the Organization of the Islamic Conference (New York, 2 October), in which they urged the developed countries that had not done so to materialize the target of 0.7 per cent of gross national product for ODA set for the end of 2007, in order to enable the developing countries to meet the MDGs, as set by 2015. In that connection, particular attention should be given to the implementation of the Monterrey Declaration.
High-level Dialogue on Financing for Development

In September, the Secretary-General submitted a note [A/62/271] on the proposed organization of work of the High-level Dialogue on Financing for Development, in response to General Assembly resolution 61/191 [YUN 2006, p. 1135]. On 18 October, the General Assembly decided to accredit seven NGOs to the High-level Dialogue and to the NGO hearings to be held on 22 October (decision 62/507).

The third High-level Dialogue on Financing for Development was held in New York (23-25 October), under the overall theme “The Monterrey Consensus: status of implementation and tasks ahead”. The High-level Dialogue, attended by Member States, institutional stakeholders, non-governmental organizations (NGOs) and business sector entities, consisted of a series of plenary and informal meetings and of six interactive multi-stakeholder round tables on: mobilizing domestic financial resources for development; mobilizing international resources for development; FDI and other private flows; international trade as an engine for development; increasing international financial and technical cooperation for development; external debt; addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.

In November, the Assembly President provided a summary of the High-level Dialogue [A/62/550], which reviewed discussions held in the plenary, round tables and interactive dialogue meetings. Several speakers, the summary said, drew attention to two serious issues that needed to be addressed. First, a considerable number of countries would not achieve all of the MDGs by 2015. Second, income inequality had worsened both between and within countries. Confronting those problems required the complete fulfilment of the commitments made by all partners in the Monterrey Consensus. Many participants underscored the favourable trends in FDI and other private financial flows to developing countries since the early 2000s. Yet, most of those flows remained concentrated in a small number of countries. The key challenge was to find ways to sustain the favourable trends so that all developing countries could benefit. Various speakers stressed the progress achieved in solving some of the more serious debt problems through the Heavily Indebted Poor Countries (HIPCs) Initiative and the Multilateral Debt Relief Initiative. As a result, social expenditures in those countries as a share of gross domestic product had increased substantially. However, serious debt problems persisted in a significant number of non-HIPC low-income countries, including some least developed countries. It was important to address that situation by developing new debt relief initiatives. Some suggested that 100 per cent official debt cancellation should be considered for all least developed countries to free resources for the achievement of the MDGs.

GENERAL ASSEMBLY ACTION

On 19 December [meeting 78], the General Assembly, on the recommendation of the Second Committee [A/62/418], adopted resolution 62/187 without vote [agenda item 53].

Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus

The General Assembly,


Recalling also the 2005 World Summit Outcome,

Recalling further its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals, and its resolution 61/16 of 20 November 2006 on the strengthening of the Economic and Social Council,

Taking note of the reports of the Secretary-General,

Taking note also of the summary by the President of the General Assembly of the High-level Dialogue on Financing for Development, held in New York from 23 to 25 October 2007,

Taking note further 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, the World Trade Organization and the United Nations Conference on Trade and Development, held in New York on 16 April 2007,

Welcoming with appreciation the offer of the Government of Qatar to host the follow-up international conference to review the implementation of the outcome of the International Conference on Financing for Development, in accordance with paragraph 73 of the Monterrey Consensus and its resolutions 60/188 and 61/191,

Noting the steps taken by the President of the General Assembly at its sixty-first session to initiate direct intergovernmental consultations of the whole, with the participation of all Member States and the major institutional stakeholders involved in the financing for development process, on all issues related to the review conference,

1. Decides that the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus:

(a) Will be held in Doha from 29 November to 2 December 2008;

(b) Will be held at the highest possible political level, including with the participation of Heads of State or Government, ministers, special representatives and other representatives, as appropriate;

(c) Will include plenary meetings and six interactive multi-stakeholder round tables on the themes based on the six major thematic areas of the Monterrey Consensus;
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(d) Will result in an intergovernmentally agreed outcome;
(e) Will also result in summaries of the plenary meetings and of the round-table discussions, to be included in the report of the conference;

2. Reiterates that the Review Conference should assess progress made, reaffirm goals and commitments, share best practices and lessons learned and identify obstacles and constraints encountered, actions and initiatives to overcome them and important measures for further implementation, as well as new challenges and emerging issues;

3. Reaffirms its resolve to continue to make full use of the existing institutional arrangements for reviewing the implementation of the Monterrey Consensus, as set out in paragraph 69 of the Consensus and in line with resolution 57/270 B, including the high-level dialogues convened by the General Assembly and the spring meetings of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, bearing in mind the need to enhance the effectiveness of the follow-up process of the Monterrey Consensus;

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

5. Invites non-governmental organizations and business sector entities to participate in the Review Conference and its preparatory process, in accordance with the rules of procedure of the General Assembly, in particular the accreditation procedures and modalities of participation utilized at the Monterrey Conference and in its preparatory process, and decides that:

(a) Registration will be open to all non-governmental organizations that are in consultative status with the Economic and Social Council and to all non-governmental organizations and business sector entities accredited to the Monterrey Conference or to its follow-up process;
(b) Interested non-governmental organizations and business sector entities that are not in consultative status with the Economic and Social Council or were not accredited to the Monterrey Conference shall apply to the General Assembly and the spring meetings of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development, bearing in mind the need to enhance the effectiveness of the follow-up process of the Monterrey Consensus;

6. Reaffirms the special role that the international financial and trade institutions, in particular the major institutional stakeholders involved in the financing for development process, are invited to play in all aspects of the Review Conference, including their active involvement in its preparatory work, following the experience of the Monterrey Conference;

7. Calls upon the regional commissions, with the support of regional development banks and other relevant entities, to hold regional consultations, as appropriate, during the first half of 2008, which would serve to provide inputs to the preparations for the Review Conference;

8. Requests the President of the General Assembly at its sixty-second session to continue direct intergovernmental consultations of the whole with the participation of all States and the major institutional stakeholders involved in the financing for development process on all issues related to the Review Conference, and decides that those consultations must be scheduled in advance and must be open, inclusive and transparent;

9. Also requests the President of the General Assembly to provide a programme of work, from within existing resources, taking into account relevant meetings scheduled for 2008 and their outcomes, including six substantive informal review sessions of the whole on the six thematic areas of the Monterrey Consensus, of a maximum duration of eleven working days plus one working day for informal interactive hearings with representatives of civil society and the business sector during the period from January to June 2008, to be followed by informal consultations on the contents of the outcome document of the Review Conference, with the view to presenting the first draft outcome document by the end of July 2008, followed by informal consultations and drafting sessions, as required, in the period from September 2008 until the holding of the Review Conference;

10. Further requests the President of the General Assembly, with the support of the United Nations Secretariat to prepare informal summaries of the review sessions referred to in paragraph 9 above, as inputs to the preparations for the Review Conference;

11. Invites Governments and all relevant stakeholders, including the World Bank, the International Monetary Fund, the World Trade Organization, the United Nations Conference on Trade and Development, the United Nations Development Programme, regional development banks and all other relevant regional bodies, to provide substantive inputs to the preparatory process of the Review Conference, including the activities referred to in paragraph 9 above;

12. Invites donor Governments and other relevant stakeholders to continue to provide extrabudgetary resources, in particular through voluntary contributions to the Trust Fund for the Follow-up to the International Conference on Financing for Development, in order to support the activities involved in the preparations for the Review Conference in 2008, and to support the travel and participation of representatives of developing countries, in particular least developed countries;

13. Requests the Secretary-General to submit by the end of July 2008 a report on the latest developments related to the review process on financing for development and the implementation of the Monterrey Consensus;

14. Also requests the Secretary-General to prepare a note on the organization of work of the Review Conference;

15. Decides to include in the provisional agenda of its sixty-third session an item entitled “Follow-up to and implementation of the outcome of the 2002 International Conference on Financing for Development and the preparation of the 2008 Review Conference”.

Will also result in summaries of the plenary meetings and of the round-table discussions, to be included in the report of the conference;
By decision 62/546 of 22 December, the Assembly decided that the agenda item on follow-up to and implementation of the outcome of the International Conference on Financing for Development would remain for consideration at its resumed sixty-second (2008) session.

**Investment, technology and related financial issues**

The UNCTAD Commission on Investment, Technology and Related Financial Issues held its eleventh session in Geneva from 8 to 14 March [TD/B/COM.2/78].


The Commission, in agreed recommendations, urged UNCTAD to continue its global analysis on FDI and its analytical work on the impact of FDI on development to identify productive, beneficial and effective FDI, in order to help developing countries and transition economies better understand how FDI could contribute to growth and development. It should also continue its analytical work on the multiple factors necessary to attract and benefit from FDI, and assist developing countries and transition economies in their formulation and implementation of policies conducive to attracting and benefiting from FDI. The rising trend of outward FDI from developing countries and transition economies should be encouraged through greater South-South cooperation, and UNCTAD should continue to study South-South FDI and its impact and to facilitate the exchange of experience. It should also continue to study FDI in services, such as tourism and infrastructure, as well as trends in national FDI policies, and to work on the trade and development aspects of corporate social responsibility as it related to transnational corporations. UNCTAD’s analytical work should draw lessons from successful experiences with the transfer and diffusion of technology through FDI and other channels, and should support efforts by developing countries, in particular LDCs, to respond to technological changes, identify best practices in transfer of technology and assess the effectiveness of policies aimed at domestic innovative capability-building. UNCTAD should serve as the UN system focal point for matters related to IIAs, and advance understanding of related issues and their development dimension, including with reference to investor-State dispute resolution, involving all stakeholders and giving particular consideration to the needs of LDCs. Member States were urged to establish a standing expert group to foster a greater understanding of the complex issues related to IIAs and their development implications.

The Commission on 14 March took note of the reports of the two Expert Meetings, the report of the Ad Hoc Expert Meeting, and the UNCTAD secretariat’s progress report on the implementation of the Commission’s recommendations. It also took note of the report of the Intergovernmental Group of Experts on International Standards of Accounting and Reporting, endorsed the agreed recommendations contained therein and approved the provisional agenda for that body’s twenty-fourth session. The Commission also decided that the provisional agenda for its twelfth (2008) session, as well as topics for expert meetings, would be decided on by the Trade and Development Board in April.


**Subsidiary bodies.** In 2007 two expert meetings took place, both in Geneva. The Expert Meeting on
Development Implications of International Investment Rulemaking (28-29 June) [TD/B/COM.2/EM.21/3] had before it an UNCTAD secretariat note on international investment rulemaking [TD/B/COM.2/EM.21/2]. The Meeting focused on the lack of policy coherence in the IIA universe, which could have the following dimensions: incoherence between a country’s IIA network and its domestic economic and development policies, and incoherence among a country’s IIA. Reasons for that incoherence included political pressure to accept an IIA irrespective of the coherence aspect, lack of awareness of the coherence issue, and lack of coordination between national and international actors. More exchange of information, capacity-building, technical assistance, coordination and consensus-building at the multilateral level were identified as solutions, as well as the strengthening of national expertise and institutional capacity to better understand and implement IIA. On issues relating to balancing public and private interests in IIA, the experts discussed new treaty language and the use of general treaty exceptions and reforms to investor-State dispute settlement procedures as ways of strengthening the State’s role. The question of corporate social responsibility and whether IIA should include binding obligations on investors was raised, as was the question of how IIA could increase foreign investors’ contribution to economic and social development. As to strengthening the development dimension of IIA and improving capacity-building in developing countries, participants noted that most IIA had not dealt with development issues directly and discussed what could be done to strengthen the development aspect. The experts also pointed out that exceptions and reservations in respect of treaty obligations relating to the protection of national security, public health and the environment could be used for development purposes. The issue of capacity constraints was raised, and UNCTAD was urged to strengthen its technical assistance and capacity-building programmes. Suggestions were made for improving the efficiency of developing countries in managing their investment policies and keeping them coherent, and UNCTAD was asked to develop a matrix of FDI-related policies of different countries and to formulate best-practice rules, including on inter-State dispute settlement mechanisms. The experts stressed the role of national laws on investment, especially with regard to the admission and establishment of foreign investors and the development implications of domestic legislation, which should be reflected in IIA. They concluded that the debate on IIA should put more emphasis on their development dimension and that UNCTAD should provide more extensive knowledge and discuss newly emerging problems.

The Expert Meeting on Comparing Best Practices for Creating an Environment Conducive to Maximizing Development Benefits, Economic Growth and Investment in Developing Countries and Countries with Economies in Transition (24-25 September) [TD/B/COM.2/EM.22/3] had before it an UNCTAD secretariat note on the subject [TD/B/COM.2/EM.22/2]. The Meeting focused on policies aimed at maximizing the development benefits of FDI, and on considering best practices for meeting the five strategic FDI challenges that had emerged from UNCTAD’s Investment Policy Reviews: devising systematic competitiveness policy for FDI, upgrading efficiency-seeking FDI and moving up the value chain, benefiting from FDI in small markets, fostering the FDI role in facilitating economic transition, and using FDI to build peace in post-conflict countries. The experts added the following challenges: devising public-private partnerships in infrastructure investment, attracting FDI in export-oriented competitive sectors, integrating FDI strategies into overall development strategies, and creating institutional frameworks that supported FDI. The experts underlined the need to replicate best practices through UNCTAD and other agencies. They also noted that work on best practices should be pursued and that UNCTAD would be the appropriate forum for providing extensive knowledge and for discussing emerging issues in that regard.

**Competition law and policy**

The Intergovernmental Group of Experts on Competition Law and Policy, at its eighth session (Geneva, 17-19 July) [TD/B/COM.2/CLP/63], held consultations and discussions on competition law and policy; review of the Model Law on Competition; 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 1980, p. 626]; the UNCTAD work programme, including capacity-building and technical assistance on competition law and policy; and the provisional agenda of the Group’s next session.

The Group had before it a voluntary peer review of competition policy: West African Economic and Monetary Union (WAEMU), Benin and Senegal [UNCTAD/DITC/CLP/2007/1(Overview)]; the model law on competition [TD/RBP/CONF.5/7/Rev.3]; a handbook on competition legislation [TD/B/COM.2/CLP/55]; a directory of competition authorities [TD/B/COM.2/CLP/56]; an UNCTAD secretariat note on ways in which possible international agreements on competition might apply to developing countries, including through preferential or differential 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/Rev.3]; a review of capacity-building and technical assistance on competition law and policy [TD/B/COM.2/CLP/61]; a study on
competition in energy markets [TD/B/COM.2/CLP/60]; and UNCTAD secretariat reports on: criteria for evaluating the effectiveness of competition authorities [TD/B/COM.2/CLP/59]; competition policy and the exercise of intellectual property rights [TD/B/COM.2/CLP/22/Rev.1]; experiences gained on international cooperation on competition policy issues and the mechanisms used [TD/B/COM.2/CLP/21/Rev.5]; and recent important competition cases involving more than one country [TD/B/COM.2/CLP/62].

In its agreed conclusions, the Group expressed appreciation to waemu, Benin and Senegal, for volunteering for a peer review during the eighth session; invited States to assist UNCTAD on a voluntary basis by providing experts or other resources for activities in connection with voluntary peer reviews; and decided that UNCTAD should undertake further reviews on the competition law and policy of member States or regional groupings of States, back to back with the Group's ninth (2008) session. The Group underlined the key roles of competition policy and intellectual property rights in attaining development objectives and the need to strengthen international cooperation, and requested that the UNCTAD secretariat prepare a report on the subject, for submission to the ninth session. It emphasized the importance of competition in energy markets and of elaborating and applying criteria to evaluate the effectiveness of competition authorities adapted to the needs and conditions of developing countries as a tool for enhancing competition enforcement. The Group called on States to increase cooperation between competition authorities and Governments in order to strengthen international action against anti-competitive practices as covered by the Set. It decided to consider at its ninth session how to develop bilateral and regional cooperation mechanisms in the competition policy area. The Group requested the UNCTAD secretariat to expand its capacity-building and technical cooperation activities in all regions, to prepare a report on abuse of dominance and to continue publishing as non-sessional documents a series of documents, including a revised and updated version of the Model Law on Competition on the basis of submissions to be received from States by 31 January 2008.

International standards of accounting and reporting

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), at its twenty-fourth session (Geneva, 30 October–1 November) [TD/B/COM.2/ISAR/43] had before it UNCTAD secretariat notes on: guidance on corporate responsibility indicators in annual reports [TD/B/COM.2/ISAR/41] and the information needs of stakeholders and the selection criteria for core indicators [TD/B/COM.2/ISAR/42]; the review of practical implementation issues of international financial reporting standards (IFRS) [TD/B/COM.2/ISAR/37]; and case studies of South Africa [TD/B/COM.2/ISAR/39], Turkey [TD/B/COM.2/ISAR/40] and Pakistan [TD/B/COM.2/ISAR/38]. The experts also considered the accounting and financial reporting guidelines for small and medium-sized enterprises (SMEGA) level 3 guidance: proposed revisions [TD/B/COM.2/ISAR/CRP.5], the 2007 review of the implementation status of corporate governance disclosures: an inventory of disclosure requirements in 25 emerging markets [TD/B/COM.2/ISAR/CRP.6], and case studies in China [TD/B/COM.2/ISAR/CRP.8] and Egypt [TD/B/COM.2/ISAR/CRP.7].

In its agreed conclusions, the Working Group reiterated the importance of principles-based, high-quality and enforceable global financial reporting standards for the functioning and stability of the international financial system, and emphasized the need for robust standards for facilitating investors' ability to make decisions about investment alternatives and to promote the flow of financial resources to developing countries and transition economies. It identified practical implementation challenges of IFRS and requested that the UNCTAD secretariat review practical implementation issues relating to IFRS, prepare a publication that synthesized the lessons learned by reviewing the country case studies, continue conducting studies and disseminate its research in that area. The Group deliberated on the proposed revisions of SMEGA level 3 and requested that the UNCTAD secretariat incorporate into the document comments and suggestions received during the session and reconvene a consultative group with a view to finalizing and distributing for comments an updated SMEGA level 3. It also requested that the UNCTAD secretariat consider comments and suggestions on the Exposure Draft of a Proposed International Financial Reporting Standard for Small and Medium-sized Entities of the International Accounting Standards Board.

With regard to the guidance on corporate responsibility indicators in annual reports, the Group reiterated the importance of corporate responsibility reporting and concluded that the guidance could be a useful voluntary tool for promoting communication with stakeholders and positive corporate contributions to host developing countries. It agreed that the UNCTAD secretariat should prepare the guidance for publication and dissemination, and that UNCTAD should coordinate that work with other international organizations, together with private and public sector stakeholders. As to corporate governance disclosures, the Group reiterated the importance of good practices in corporate governance for promoting investment, stability and economic growth, and urged UNCTAD
to carry out case studies with research partners from around the world.

Taxation


On 4 October [meeting 48], the Council adopted resolution 2007/39 [draft: E/2007/L.38] without vote [agenda item 13 (b)].

Committee of Experts on International Cooperation on Tax Matters

The Economic and Social Council,

Recalling its resolution 2004/69 of 11 November 2004, in which the Council decided that the Ad Hoc Group of Experts on International Cooperation in Tax Matters should be renamed the Committee 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,

1. Takes note with appreciation of the report of the Committee of Experts on International Cooperation in Tax Matters on its second session and the significant progress made in the Committee’s work;

2. Notes with gratitude the establishment of the trust fund by the Secretary-General to supplement regular budget resources, and urges all Member States and relevant organizations to contribute generously to the fund;

3. Requests the Secretary-General to prepare a comprehensive report addressing the financing of the Committee’s work, including that of its subcommittees, taking into account the issues raised by the Committee at its second session, for consideration by the Economic and Social Council at its organizational session for 2008;

4. Decides that the third session of the Committee shall be convened in Geneva from 29 October to 2 November 2007;

5. Approves the provisional agenda for the third session of the Committee as contained in paragraph 63 of its report on its second session.


The Committee requested that the subcommittee on improper use of treaties complete the work on the new Commentary for the next version of the United Nations Model Convention by its next session. Regarding the definition of permanent establishment, it agreed that the paper on an updated commentary to article 5 had been finalized and urged the subcommittee to continue the updating of the document regarding a possible new article 5 and Commentary in time for consideration at the Committee’s next session. Regarding taxation of development projects, the Committee invited the International Tax Dialogue Steering Group to continue its work, including discussing the draft guidelines in a joint meeting or meetings of donors and tax experts. As to exchange of information including the Code of Conduct on Cooperation in Combating International Tax Evasion, the subcommittee was asked to coordinate the views expressed in the discussions and finalize the work. The proposed Code of Conduct was supported, although references addressing the possible political and economic isolation of countries should be removed, the title of the document should be amended to refer to tax evasion only, and the relationship between normal tax planning and abusive practices should be explained. As to the revision of the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries, it was agreed that the subcommittee should continue its work on revising the Manual. The subcommittee on dispute resolution should continue its work in the light of the views expressed in the discussions, particularly in relation to ways of improving the mutual agreement procedure. The Committee also decided that the status of the group on the revision of Commentaries should be upgraded to that of a working group, that relevant country positions should be included in the Manual rather than in the Commen-
tories, that lengthy quotations from the OECD Model should make appropriate attribution and follow the proposed style, and that proposed article 27 of the Model should be amended in the same fashion. The subcommittee on the treatment of Islamic financial instruments should prepare, for the Commentary, a short general description in relation to other arrangements that would cover returns from Islamic financial instruments, as well as a more extensive version for the Manual. As to the report of the Expert Group Meeting on Tax Aspects of Domestic Resource Mobilization and Doha Financing for Development Follow-up Conference issues, the Committee had been asked to consider how it could contribute to the preparations for the Doha Follow-up Conference; it was agreed that such consideration would be included in the agenda for its next session. The Committee also decided to hold its fourth session from 20 to 24 October 2008.

Transport

Maritime transport

The Review of Maritime Transport, 2007 [Sales No. E.07.II.D.14] reported that world seaborne trade increased in 2006, reaching 7.4 billion tons of loaded goods. Boosted by the need to diversify supply sources and the growing South-South trade, demand for maritime transport services measured in ton-miles increased by 5.5 per cent and reached 30,686. The world merchant fleet expanded to 1.04 billion deadweight tons (dwt) at the beginning of 2007, a remarkable 8.6 per cent increase, surpassing the 7.2 per cent growth of the previous year. The tonnage of oil tankers in 2006 increased by 8.1 per cent and that of dry bulk carriers by 6.2 per cent; those two types of ships together represented 72 per cent of total tonnage. The fleet of general cargo ships increased by 4.9 per cent. The highest growth was recorded for container ships, which increased by 17 million dwt, or 15.5 per cent. Total tonnage on order at the end of 2006 reached 6,908 vessels, with a total tonnage of 302.7 million dwt. It consisted of 118 million dwt of oil tankers, 79 million dwt of dry bulk carriers, 8 million dwt of general cargo vessels, 51.7 million dwt of container ships and 45.6 million dwt of other vessel types.

As to fleet ownership, at the beginning of 2007, developing countries controlled approximately 31.2 per cent of the world dwt, developed countries about 65.9 per cent, and economies in transition the remaining 2.9 per cent. Between January 2006 and 2007, the foreign-flagged share decreased slightly for the first time, from 66.5 to 66.3 per cent of the world total. The 10 largest open and international registries together accounted for 53.7 per cent of the world fleet. Of the remaining tonnage, 18.9 per cent was registered in developed countries, 1.3 per cent in countries in transition and 27.7 per cent in developing countries.

Transport of dangerous goods


The report stated that the secretariat had published the fourteenth revised edition of the Recommendations on the Transport of Dangerous Goods: Model Regulations [ST/SG/AC.10/34/Add.1 & Corr.1; Sales No. E.07/VIII.1 & Corr.1], the amendments to the fourth revised edition of the Recommendations on the Transport of Dangerous Goods: Manual of Tests and Criteria [ST/SG/AC.10/34/Add.2; Sales No. E.07/VIII.2] and the first revised edition of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) [ST/SG/AC.10/34/Add.3 & Corr.1; Sales No. E.05.II.E.13]. All main legal instruments or codes governing the international transport of dangerous goods by sea, air, road, rail or inland waterway were amended accordingly, with effect as from 1 January 2007, and many Governments transposed the provisions of the Model Regulations into their own legislation for domestic traffic for application as from 2007. Many Governments and international organizations took steps to revise national and international legislation in order to implement the GHS by 2008. The Committee adopted amendments to the Model Regulations, the Manual of Tests and Criteria and the GHS. It also adopted a programme of work and planned sessions for the two Subcommittees of Experts and for the Committee for the biennium 2007-2008 in accordance with Council resolution 1999/65 [YUN 1999, p. 906], and recommended a draft resolution for adoption by the Council (see below).


ECONOMIC AND SOCIAL COUNCIL ACTION

On 23 July [meeting 40], the Economic and Social Council adopted resolution 2007/6 [draft: E/2007/53] without vote [agenda item 13 (m)].
Work of the Committee of Experts on the Transport of Dangerous Goods and on the Globally Harmonized System of Classification and Labelling of Chemicals

The Economic and Social Council, 
Recalling its resolutions 1999/65 of 26 October 1999 and 2005/53 of 27 July 2005, 
Having considered the report of the Secretary-General on the work of the Committee of Experts on the Transport of Dangerous Goods and on the Globally Harmonized System of Classification and Labelling of Chemicals during the biennium 2005-2006, 

A. Work of the Committee regarding the transport of dangerous goods

Recognizing the importance of the work of the Committee for the harmonization of codes and regulations relating to the transport of dangerous goods, 

Bearing in mind the need to maintain safety standards at all times and to facilitate trade, as well as the importance of this to the various organizations responsible for modal regulations, while meeting the growing concern for the protection of life, property and the environment through the safe and secure transport of dangerous goods, 

Noting the ever-increasing volume of dangerous goods being introduced into worldwide commerce, and the rapid expansion of technology and innovation, 

Recalling that the major international instruments governing the transport of dangerous goods by the various modes of transport and many national regulations are now better harmonized with the Model Regulations annexed to the Committee's recommendations on the transport of dangerous goods, but that the uneven progress in the updating of national inland transport legislation in some countries of the world remains, inter alia, a reason for regulatory disharmony at the worldwide level and represents a serious legislative obstacle to international multimodal transport, 

Aware of activities initiated by the International Atomic Energy Agency in order to address the problems caused by the denial of shipments of radioactive material, including the creation of a senior-level steering committee that includes representatives of international organizations, 

Sharing the concern of the International Atomic Energy Agency at the negative consequences of these denials and related transport delays which render radioactive isotopes useless for their intended application, such as medical diagnosis, therapy, industrial applications, production of nuclear power and research, 

1. Expresses its appreciation for the work of the Committee of Experts on the Transport of Dangerous Goods and on the Globally Harmonized System of Classification and Labelling of Chemicals with respect to matters relating to the transport of dangerous goods, including their security in transport; 
2. Requests the Secretary-General: 
(a) To circulate the new and amended recommendations on the transport of dangerous goods to the Governments of Member States, the specialized agencies, the International Atomic Energy Agency and other international organizations concerned; 

(b) To publish the fifteenth revised edition of the Recommendations on the Transport of Dangerous Goods: Model Regulations and the amendments to the fourth revised edition of the Recommendations on the Transport of Dangerous Goods: Manual of Tests and Criteria in all the official languages of the United Nations, in the most cost-effective manner, no later than the end of 2007; 
(c) To make those publications available on the website of the Economic Commission for Europe, which provides secretariat services to the Committee, and to make them available also on CD-ROM; 
3. Invites all Governments, the specialized agencies, the International Atomic Energy Agency and the other international organizations concerned to transmit to the secretariat of the Committee their views on the Committee's work, together with any comments that they may wish to make on the amended recommendations; 
4. Invites all interested Governments, the regional commissions, the specialized agencies and the international organizations concerned to take into account the recommendations of the Committee when developing or updating appropriate codes and regulations; 
5. Requests the Committee to study, in consultation with the International Maritime Organization, the International Civil Aviation Organization, the regional commissions and the intergovernmental organizations concerned, the possibilities of improving the implementation of the Model Regulations on the Transport of Dangerous Goods in all countries for the purposes of ensuring a high level of safety and eliminating technical barriers to international trade, including through the further harmonization of international agreements or conventions governing the international transport of dangerous goods, or a possible joint approach to the development of an effective international instrument on multimodal international transport of dangerous goods, as appropriate; 
6. Invites United Nations programmes, specialized agencies and other intergovernmental organizations concerned with transport of dangerous goods safety or transport facilitation, or by the negative impact of denials of shipments of radioactive material, as well as non-governmental organizations representing transport associations, to take action, as deemed appropriate, to facilitate the transport and quick delivery of such material and to enhance their cooperation in this respect with the International Atomic Energy Agency; 

B. Work of the Committee regarding the Globally Harmonized System of Classification and Labelling of Chemicals

Bearing in mind that in paragraph 23 (c) of the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"), countries were encouraged to implement the Globally Harmonized System of Classification and Labelling of Chemicals as soon as possible with a view to having the system fully operational by 2008, 

Bearing in mind also that the General Assembly, in its resolution 57/253 of 20 December 2002, endorsed the Johannesburg Plan of Implementation and requested the Economic and Social Council to implement the provisions of the Plan relevant to its mandate and, in particular, to
promote the implementation of Agenda 21 by strengthening system-wide coordination,

**Noting with satisfaction:**

(a) That all United Nations programmes and specialized agencies concerned with chemical safety in the field of transport or of the environment, in particular the Economic Commission for Europe, the United Nations Environment Programme, the International Maritime Organization and the International Civil Aviation Organization, have taken appropriate steps to amend or are considering amending their legal instruments in order to give effect to the Globally Harmonized System by the 2008 target date or as soon as possible,

(b) That the International Labour Office and the World Health Organization are also taking appropriate steps to adapt their existing chemical safety recommendations, codes and guidelines to the Globally Harmonized System, in particular in the areas of occupational health and safety, pesticide management and the prevention and treatment of poisoning,

(c) That Member States participating in the activities of the Subcommittee of Experts on the Globally Harmonized System of Classification and Labelling of Chemicals, as well as the European Commission, are actively preparing revisions of national or regional legislation applicable to chemicals for implementation of the Globally Harmonized System,

(d) That several United Nations programmes, specialized agencies and regional organizations, in particular the United Nations Institute for Training and Research, the International Labour Organization, the World Health Organization, the Economic Commission for Europe, Asia-Pacific Economic Cooperation, the Intergovernmental Forum on Chemical Safety, Governments, the European Commission and non-governmental organizations representing the chemical industry, have organized or contributed to multiple workshops, seminars and other capacity-building activities at the international, regional, subregional and national levels in order to raise administration, health sector and industry awareness and to prepare for the implementation of the Globally Harmonized System,

**Aware** that effective implementation by 2008 will require further cooperation between the Subcommittee of Experts on the Globally Harmonized System and the international bodies concerned, continued efforts by the Governments of the Member States, cooperation with the industry and other stakeholders, and significant support for capacity-building activities in countries with economies in transition and developing countries,

**Recalling** the particular significance of the United Nations Institute for Training and Research/International Labour Organization/Organization for Economic Cooperation and Development Global Partnership for Capacity-building to Implement the Globally Harmonized System for building capacities at all levels,

1. **Commends** the Secretary-General for the publication of the first revised edition of the Globally Harmonized System of Classification and Labelling of Chemicals in the six official languages of the United Nations, in book form and on CD-ROM, and for its availability together with related informational material on the website of the secretariat of the Economic Commission for Europe;

2. **Expresses its deep appreciation** to the Committee, United Nations programmes, specialized agencies and other organizations concerned for their fruitful cooperation and their commitment to the implementation of the Globally Harmonized System of Classification and Labelling of Chemicals;

3. **Requests** the Secretary-General:

(a) To circulate the amendments to the first revised edition of the Globally Harmonized System of Classification and Labelling of Chemicals to the Governments of Member States, the specialized agencies and other international organizations concerned;

(b) To publish the second revised edition of the Globally Harmonized System of Classification and Labelling of Chemicals in all the official languages of the United Nations in the most cost-effective manner no later than the end of 2007, and to make it available on CD-ROM and on the website of the secretariat of the Economic Commission for Europe, which provides secretariat services to the Committee;

4. **Invites** Governments that have not yet done so to take the necessary steps, through appropriate national procedures and/or legislation, to implement the Globally Harmonized System as soon as possible, with a view to having the system fully operational by 2008;

5. **Reiterates its invitation** to the regional commissions, United Nations programmes, the specialized agencies and other organizations concerned to promote the implementation of the Globally Harmonized System and, where relevant, to amend their respective international legal instruments addressing transport safety, workplace safety, consumer protection or the protection of the environment so as to give effect to the Globally Harmonized System through such instruments;

6. **Invites** Governments, the regional commissions, United Nations programmes, the specialized agencies and other organizations concerned to provide feedback on implementation to the Subcommittee of Experts on the Globally Harmonized System of Classification and Labelling of Chemicals;

7. **Encourages** Governments, the regional commissions, United Nations programmes, the specialized agencies and other relevant international organizations and non-governmental organizations, in particular those representing industry, to strengthen their support of the implementation of the Globally Harmonized System by providing financial contributions and/or technical assistance for capacity-building activities in developing countries and countries with economies in transition;

C. **Programme of work of the Committee**

**Taking note** of the programme of work of the Committee for the biennium 2007-2008 as contained in paragraphs 43 and 44 of the report of the Secretary-General,

**Noting** the relatively poor level of participation of experts from developing countries and countries with economies in transition in the work of the Committee and the need to promote their wider participation in its work,

1. **Decides** to approve the programme of work of the Committee;

2. **Stresses** the importance of the participation of experts from developing countries and from countries with
economies in transition in the work of the Committee, calls, in that regard, for voluntary contributions to facilitate their participation, including through support for travel and daily subsistence, and invites Member States and international organizations in a position to do so to contribute;

3. Requests the Secretary-General to submit a report to the Economic and Social Council in 2009 on the implementation of the present resolution, the recommendations on the transport of dangerous goods and the Globally Harmonized System of Classification and Labelling of Chemicals.

**UNCTAD institutional and organizational questions**


In December 2006, TDB decided to hold open-ended and transparent consultations in January 2007 for the in-depth examination of the report of the UNCTAD Panel of Eminent Persons on enhancing the development role and impact of UNCTAD [TD/B/EX(40)/2]. The Board stated that those discussions should also relate to the twelfth (2008) session of UNCTAD, designated UNCTAD XII, with a view to reaching agreement by the end of February and formally starting the preparatory process for UNCTAD XII in April. TDB also decided that consultations should continue in Group D with a view to reaching consensus on Kyrgyzstan’s application for membership in that group; it took note of those consultations and decided to postpone the issue until its next executive session.

In April, TDB took note of the reports of its subsidiary bodies and the report of the Working Party on the Medium-term Plan and Programme Budget on its forty-eighth session [TD/B/WP/193]. It adopted an agreed outcome [TD/B/EX(41)/L.3] on recommendations of the report of the Panel of Eminent Persons on enhancing the development role and impact of UNCTAD, requested that the UNCTAD Secretary-General consult and report on the implementation of recommendations in Cluster 1 of the outcome through the Consultations of the President of the Board or the extended Bureau, and requested that its extended Bureau consider the steps for the follow-up to recommendations contained in Cluster 2 in the context of preparations for UNCTAD XII. TDB approved the theme and sub-themes for UNCTAD XII (see p. 1104), and mandated that the extended Bureau decide on the next steps with regard to the theme and preparations for UNCTAD XII. It also approved the proposed amendments to certificate of origin of the Generalized System of Preferences (GSP) form A [TD/B/EX(41)/2]. TDB approved Kyrgyzstan’s application for membership of list D in the list of States referred to in General Assembly resolution 1995(XIX), with the understanding that the decision would be without prejudice to the composition of the five UN regional groups for the purposes of the distribution of posts within the Assembly and its bodies in New York. It decided that the Southern African Customs Union should be included in the list provided for in rule 76 of its rules of procedure. The Board decided to postpone until its next executive session consideration of the application by the Arab Federation for Protection of Intellectual Property Rights (AFPIPR) for inclusion in the list provided for in rule 77 of its rules of procedure, and requested that the extended Bureau review that application before the Board’s next executive session.

In June, TDB considered activities undertaken by UNCTAD in favour of Africa [TD/B/EX(42)/2] and decided that the agendas for the twelfth sessions of the Commissions would be reviewed and approved during consultations of the President once the report of the UNCTAD Secretary-General was available. It also decided to postpone consideration of the application by AFPIPR and to review it together with other applications at its fifty-fourth session, and approved the proposed amendments to certificate of origin GSP form A [TD/B/EX(42)/3].

In October, TDB 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 [agreed conclusions 490(LIV)], and on economic development in Africa: reclaiming policy space—domestic resource mobilization and developmental States [agreed conclusions 491(LIV)] (see p. 982); and adopted a decision on the review of UNCTAD technical cooperation activities [dec. 492(LIV)] (see p. 1002). It also decided to establish an open-ended Preparatory Committee, to be chaired by its President, and approved the draft provisional agenda for UNCTAD XII [TD/B/54/CRP.3]. TDB took note of the report of the United Nations Commission on International Trade Law on its fortieth session [A/62/17] (see p. 1374); the report of the ITC UNCTAD/WTO Joint Advisory Group (JAG) on its fortieth session [ITC/AG(XL)/214] (see p. 976); and the UNCTAD secretariat reports on UNCTAD assistance to the Palestinian people [TD/B/54/3] (see p. 469) and on progress made in the implementation of the outcomes of the major UN conferences and summits, and UNCTAD’s contributions [TD/B/54/6]. It also took note of the reports of the Working Party on the Medium-term Plan and Programme Budget on its resumed forty-eighth session and on its forty-ninth session (see p. 1002); the secretariat oral reports on UNCTAD XI multi-stakeholder partnerships; the sum-
mary of hearings with civil society and the private sector, in accordance with the São Paulo Consensus [YUN 2004, p. 955]; and the oral report by the Advisory Body set up in accordance with the Bangkok Plan of Action [YUN 2000, p. 891] on the implementation of courses by the secretariat in 2006-2007.

**Working Party.** The UNCTAD Working Party on the Medium-term Plan and Programme Budget held three sessions in 2007, all in Geneva: the forty-eighth session (29-31 January) [TD/B/WP/193], the resumed forty-eighth session (9-11 July) [TD/B/WP/197] and the forty-ninth session (10-14 September) [TD/B/WP/198/Rev.1].

**Technical cooperation**

In a July report [TD/B/WP/195 & Add.1,2], the UNCTAD Secretary-General provided a review of technical cooperation activities in 2006. Contributions to UNCTAD voluntary trust funds amounted to $29.2 million, a decrease of 16 per cent over the previous year. Contributions from developed countries accounted for 56 per cent ($16.3 million) of overall contributions, an increase of 2.4 per cent compared to 2005. Contributions from developing countries and countries with economies in transition accounted for 32 per cent ($9.2 million) of total contributions, a decrease of 12 per cent. Contributions from multilateral donors amounted to $3.3 million, accounting for 12 per cent. Contributions from the private sector continued to represent about 1 per cent of total contributions. The overall expenditures on technical cooperation increased by $5 million to reach $35.2 million, an increase of 16 per cent over 2005. Trust funds were the main source of financing, accounting for 91.4 per cent of total expenditures; the other two sources were the UN regular programme of technical cooperation and development account and the United Nations Development Programme (UNDP).

UNCTAD technical cooperation activities continued to be provided on the basis of national/country, regional and interregional projects. Expenditure on interregional projects, covering all developing regions and groupings (including LDCs and countries with economies in transition), amounted to $17.3 million (49 per cent of total expenditures). In 2006, expenditures amounted to $3.8 million (11 per cent) on regional projects and to $12.8 million (40 per cent) on country projects. By region, there was an increase in absolute terms of expenditure in all regions. Expenditure on technical cooperation in Africa and Asia accounted in each case for about 20 per cent of the total. In Africa, that percentage was an increase over the previous year. Total expenditure in Latin America and the Caribbean also increased, accounting for 8.2 per cent of overall expenditure. The share of expenditure in Europe continued to decrease. By programme, in addition to the Automated System for Customs Data and Debt Management and Financial Analysis System projects, which together accounted for 43 per cent of total expenditure, other major programmes were in the area of trade negotiations and commercial diplomacy, trade, the environment and development, and investment policy and capacity-building.

**Technical cooperation strategy**

The Working Party on the Medium-term Plan and Programme Budget at its forty-ninth session in September [TD/B/WP/198/Rev.1] considered the July report on UNCTAD technical cooperation activities in 2006 (see above) and adopted a draft decision for consideration by TDB on the review of UNCTAD technical cooperation activities and their financing.

On 9 October [A/62/15 (Part IV) & Corr.1 (dec. 492[LIV])], TDB took note of the UNCTAD technical cooperation activities and the reports prepared for the Working Party, invited donors to provide adequate funding and urged donors and the UNCTAD secretariat to enhance assistance to LDCs. It reiterated the importance of an equitable distribution of resources among the developing country regions and countries with economies in transition, as well as the importance of technical assistance responding to the specific and special needs of LDCs, small, structurally weak, vulnerable economies, small island developing States, and landlocked and transit developing countries. Welcoming the fact that a significant part of assistance was provided through interregional activities, the Board urged donors to continue their support. TDB expressed concern at the decrease of UNDP resources to UNCTAD and invited UNDP and the UNCTAD secretariat to establish mechanisms for technical cooperation on trade-related issues, to be carried out by UNCTAD in accordance with its mandate and expertise. It also requested that the secretariat increase the impact and efficiency of UNCTAD technical cooperation activities and that it keep States updated on a regular basis. TDB took note of the secretariat’s proposals for the implementation of recommendation 18 of the Report of the Panel of Eminent Persons, on increasing UNCTAD participation in mechanisms for technical assistance and regional development programmes; urged donors and beneficiaries of the UN country-based development assistance plans to provide support in view of the inclusion of UNCTAD’s operations in the national plans; and encouraged UNCTAD to strengthen efforts in supporting the integration of economic and trade-related issues in UN development assistance frameworks and national strategic plans. It also took note of the proposals for the implementation of recommendation 19 of the same Report, on consolidating UNCTAD projects, and requested that the secretariat initiate the process aiming at establishing annual plans for thematic trust funds. The Board also urged donors to provide contributions
to the new thematic trust funds, aimed at enhancing the effectiveness of technical cooperation activities without compromising the scope, content and manner of delivery. UNCTAD invited donors to make multi-year contributions and urged the secretariat to enhance projects in the area of commodities, especially in African commodity-dependent countries, and to report on progress at the next meeting of the Working Party.

Evaluation

In July, an independent team submitted an in-depth evaluation of UNCTAD’s advisory services on investment [TD/B/WP/196], in response to a request of the Working Party on the Medium-term Plan and Programme Budget at its forty-third session [YUN 2004, p. 988]. The evaluation, which covered the period from January 1999 to June 2007, assessed the relevance, impact, sustainability, effectiveness and efficiency of UNCTAD’s advisory services on investment, as well as other issues related to its inter-programme synergies and cooperation with other international organizations. It concluded that UNCTAD’s advisory services had been relevant and had had an impact, and that their delivery had been efficient and effective. However, the Investment Gateway project, an online information system alerting international investors on investment opportunities in selected countries, had been the least successful and efficient project, and its shortfalls required that project management and implementation procedures be revisited and redesigned. In view of the lack of results during the period 2002-2006, UNCTAD should review its operations in that regard. In its recommendations, the evaluation team stated that UNCTAD should engage in a comprehensive review of its investment advisory services and strengthen its cooperation and coordination with other agencies providing technical assistance in the investment area. UNCTAD’s advisory services should be supported through multi-donor and multi-year trust funds with an increased donor base, and UNCTAD should be able to draw on UNDP resources. It should improve the dissemination and marketing methods for its publications, projects and operational activities, and achieve a geographical balance, giving special attention to LDCs. Centralized management oversight, project implementation structures and quality control should be ensured, and consideration should be given to developing an electronic gateway providing an independently certified, Internet-based public domain for presenting a country’s investment climate and its investment opportunities. In its operational observations and recommendations related to problems encountered by some projects during implementation, the evaluation team stated that UNCTAD should share with member countries its evaluation of projects, support country-level efforts to diversify the beneficiary base for its services and keep in touch with direct country beneficiaries after project completion. UNCTAD’s advisory services should emphasize their “training-of-trainers” dimension and make more use of national consultants.

In an August note on the management response to the evaluation report [TD/B/WP(XLIX)/CRP.4], the secretariat concurred with the findings of the evaluation and reported on plans for implementing its recommendations.

At its forty-ninth session in October [TD/B/WP/198/Rev.1], the Working Party adopted agreed conclusions on the in-depth evaluation of UNCTAD’s advisory services on investment. It noted that the investment advisory services programme had been relevant and delivered efficiently and effectively. It endorsed the strategic and operational recommendations and observations, welcomed the proposed management response and requested that management implement across all divisions the recommendations and observations contained in the report. Noting with concern the findings on the Investment Gateway programme, it requested that the secretariat take appropriate management action to redress the problems and inform the Working Party. It also requested that the secretariat report on progress made on other recommendations at its next session on technical cooperation.

In August, an UNCTAD secretariat note [TD/B/WP(XLIX)/CRP.3], prepared in response to the evaluation of UNCTAD’s trade-related technical assistance and capacity-building on accession to WTO [YUN 2006, p. 1143], reported on the implementation, between October 2006 and August 2007, of the recommendations contained in the evaluation.

Another August secretariat note [TD/B/WP(XLIX)/CRP.2] reported on the implementation, between October 2006 and July 2007, of recommendations by the independent external evaluation of the courses on key issues on the international economic agenda [TD/B/WP/189].

At its forty-ninth session in October [TD/B/WP/198/Rev.1], the Working Party adopted agreed conclusions on follow-up to the previous evaluations. It noted the integral technical assistance provided by UNCTAD, including post-accession assistance provided to States and the unique, comprehensive and high-quality technical assistance programme on accession to WTO. It took note of the views expressed by a number of beneficiary countries and requested that the secretariat report on progress made on the WTO accession programme.

In its agreed conclusions on the evaluation process, the Working Party attached great importance to the independent evaluation process in UNCTAD. It urged the UNCTAD Secretary-General to strengthen the evaluation process by improving its methodology and ensuring the provision of adequate resources, and invited donors to support that effort.
Medium-term plan and programme budget

At its forty-eighth session in January [TD/B/WP/193], the Working Party, in agreed conclusions, noted the draft proposed work programme for 2008-2009 on trade and development [TD/B/WP/L.123] and requested the UNCTAD Secretary-General to transmit the Working Party’s proposed revisions [TD/B/WP/L.123/Rev.1] to the UN Secretary-General. It requested that the secretariat ensure the timely issuance of the pre-sessional documentation in all UN official languages, as well as the translation of UNCTAD’s main publications into official languages, and improve the development and use of indicators of achievement so as to measure more effectively the implementation of UNCTAD’s activities. It requested that the secretariat improve the draft programme budget and provide it with quantitative information and with an explanatory note on the methodologies and processes used to establish indicators of achievement and other units of measurement. The Working Party requested that the secretariat highlight to States any proposals to move to the regular budget activities earmarked for funding through voluntary contributions. It urged UNCTAD to explore modalities for financing participation in UNCTAD intergovernmental meetings of experts from developing countries and countries with economies in transition and stressed that all activities, programmes and projects contained in the programme budget should be developed and implemented according to needs and the principle of equitable geographical distribution of resources among developing country regions and countries with economies in transition.

On 31 January, the Working Party approved the draft proposed work programme on trade and development for 2008-2009 as amended [TD/B/WP/L.123/Rev.1].


At its resumed forty-eighth session [TD/B/WP/197], the Working Party reviewed the proposed programme budget on trade and development for the 2008-2009 biennium [A/62/6 (Sect.12) & Corr.1]. In agreed conclusions, the Working Party recommended that the General Assembly support the programme with a number of changes, and requested that the secretariat ensure that activities were planned and implemented in a geographically balanced and demand-driven manner and that subprogrammes received sufficient resources for implementation; ensure the full implementation of the training courses on key issues on the international economic agenda; implement an effective, holistic programme on commodities; strengthen the work on creative industries and on new and dynamic sectors, in particular those of special interest to developing countries; strengthen synergy and coherence between programmes for the development of Africa and LDCs; and strengthen its work on insurance to fulfil the provisions of the São Paulo Consensus [YUN 2004, p. 955]. It also requested that the secretariat begin an informal process, involving States, to come up with improved indicators of achievements and performance measures. It further requested that the secretariat ensure that UNCTAD’s main publications and main website pages were translated into the official languages as early as possible, and that it improve the quality and clarity of its documents and explanatory notes for the Working Party. The UNCTAD Secretary-General was urged to find a sustainable solution for the financing of the participation of experts from developing countries, including the least developed countries, and countries with economies in transition in UNCTAD’s intergovernmental expert meetings.

In October [A/62/15 (Part IV) & Corr.1], TDB took note of the Working Party’s report on its resumed forty-eight session and endorsed the agreed conclusions.

Preparations for UNCTAD XII

At its forty-first executive session in April [A/62/15 (Part II) & Corr.1], TDB approved the theme and sub-themes for UNCTAD XII and requested the extended Bureau to decide on the next steps with regard to the theme and preparations. The theme of the Conference would be: “Addressing the opportunities and challenges of globalization for development”. The sub-themes would be: enhancing coherence at all levels for sustainable economic development and poverty reduction in global policymaking, including the contribution of regional approaches; key trade and development issues and the new realities in the geography of the world economy; enhancing the enabling environment at all levels to strengthen productive capacity, trade and investment; mobilizing resources and harnessing knowledge for development; and strengthening UNCTAD: enhancing its development role, impact and institutional effectiveness.

At its fifty-fourth session in October [A/62/15 (Part IV) & Corr.1], TDB reviewed preparations for UNCTAD XII. Delegations expressed mixed views on its provisional programme. For some, it did not reflect the outcome of the Board’s forty-first executive session, notably by allocating less time to the sub-theme on the role of UNCTAD. For others, however, the provisional programme was a fair reflection of the executive session’s outcome and struck a good balance in its sequencing of the sub-themes and in the time allocated to them.
Documentation. Several documents were prepared for consideration by UNCTAD XII. A report by the UNCTAD Secretary-General on globalization for development: opportunities and challenges [TD/413] considered new realities and persistent challenges; coherence in global policymaking: multilateralism at a crossroads; key trade and development issues in the global economic environment; strengthening productive capacities, trade and investment: the enabling environment; and strengthening UNCTAD’s role, impact and effectiveness. A pre-conference negotiating text [TD(XII)/PC/1], submitted by the Preparatory Committee Chair, discussed the sub-themes of UNCTAD XII. Notes by the UNCTAD secretariat covered the interface between trade and climate change policies and the role of UNCTAD [TD(XII)/BP/2]; the conference entitled “Global initiative on commodities: re-launching the commodities agenda” (Brasilia, 7-11 May) [TD(XII)/BP/1], which addressed commodity development issues; the conference entitled “Globalization of port logistics: opportunities and challenges for developing countries” (Geneva, 12 December) [TD(XII)/BP/3], which examined the status of global container terminal services; and the outcome of the expert meeting (Arusha, United Republic of Tanzania, 22-24 October) [TD/415] in preparation for UNCTAD XII: identifying issues and priorities for LDCs for action during and beyond UNCTAD XII.