

**THE UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT
(UNCTAD)
Review of institutional and programme issues**

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Contents

	<u>Paragraph</u>	<u>Page</u>
Acronyms		iv
EXECUTIVE SUMMARY AND RECOMMENDATIONS		v
I. INTRODUCTION	1 - 6	1
II. MANDATE, ACHIEVEMENTS AND CHALLENGES	7 - 25	3
A. Development Mission	7 - 11	3
B. Major Achievements	12 - 18	4
C. Challenges	19 - 25	7
III. REFORM PROCESS	26 - 40	9
A. UNCTAD VIII	26 - 34	9
B. Restructuring of the United Nations in the economic, social and related fields and its implications for UNCTAD	35 - 40	11
IV. RELATIONS WITH THE WORLD TRADE ORGANIZATION	41 - 53	13
A. Role of UNCTAD in the area of trade	42 - 46	14
B. Complementarity between UNCTAD and WTO	47 - 53	14
V. COOPERATION WITH THE BRETTON WOODS INSTITUTIONS	54 - 63	17
NOTES		20

Acronyms

ACTS	Advance Cargo Tracking System
ASYCUDA	Automated System For Customs Data
DAC	Development Assistance Committee (of OECD)
DMFAS	Debt Management and Financial Analysis System
ECOSOC	United Nations Economic and Social Council
FAO	Food and Agriculture Organization of the United Nations
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariff and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
IDA	International Development Association
IMF	International Monetary Fund
IMO	International Maritime Organization
ITC	International Trade Center
ITO	International Trade Organization
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
LDCs	Least Developed Countries
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
SDR	Special Drawing Rights
TRIPs	Trade-Related Intellectual Property Rights
UNCED	United Nations Conference on the Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational Scientific and Cultural Organization
UN-NADAF	United Nations New Agenda for the Development of Africa in the 1990s
UNIDO	United Nations Industrial Development Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Current efforts to strengthen and revitalize the role of the United Nations in the economic, social and related fields provide the institutional context for this report, which is the first ever prepared by the Joint Inspection Unit on UNCTAD, a major actor in international economic relations.

Despite the many profound changes that have occurred in the global economic environment over the past three decades, such as the ever deepening economic interdependence of nations, the emergence of regional trading blocs and economic integration movements, and the recent creation of the World Trade Organization, the rationale that led to the creation of UNCTAD in 1964 remains as valid today as it was three decades ago. Notwithstanding the differences and shifts in the economic philosophies of the Member States that have tended to inhibit its full potential and effectiveness in the past decade or so, UNCTAD can be given credit for a long record of tangible achievements since its creation, as reviewed in chapter II. The Inspector's findings leave no doubt that UNCTAD has thus far provided the international community with more than value for money.

At the same time, the Inspector observes that UNCTAD is faced with a number of challenges; some of these stem from the fact that many of the problems in trade and development, for which the institution was established to address, continue to bedevil the majority of the developing countries, and more acutely the least developed, landlocked and island developing countries for which UNCTAD has institutional responsibility within the United Nations system. UNCTAD's lack of field visibility, and its apparent inability to fashion a field-oriented and priority-driven technical cooperation strategy supportive of developing countries, represent a major challenge to be tackled by the institution. UNCTAD should not only be producing high quality reports and technical documents; it should also intensify its technical cooperation activities by promoting, *inter alia* interregional information systems or networks in trade, science and technology, commodity markets and trade, and investment flows, in partnership with other relevant entities within the United Nations system.

The report also assesses the results of reforms within UNCTAD and the United Nations secretariats, as well as the strengthening of cooperative linkages between UNCTAD and other institutions. While the restructuring process has definitely strengthened the intergovernmental machinery and programme outputs of UNCTAD, the Inspector believes that subsequent reform initiatives should aim to deepen - and not broaden - UNCTAD's mandate. They should also seek to institute, as a matter of policy, greater synergies between UNCTAD Secretariat and other parts of the United Nations Secretariat in addressing high priority issues in the area of trade and development. The Inspector also welcomes the emerging cooperation between UNCTAD and WTO.

The reinforcement of cooperation and coordination between UNCTAD and the Bretton Woods institutions at the policy-making and secretariat levels would appear highly desirable taking advantage of on-going efforts to revitalize the overall policy coordination role of the United Nations in the economic, social and related fields, as

provided for in the Charter. Additionally, greater use could be made of existing Relationship Agreements between the United Nations and the multilateral financial institutions in order to enhance cooperation and coordination on global development issues.

In the light of the above, the Inspector offers the following main recommendations:

RECOMMENDATION 1: Strengthening the role of UNCTAD

(a) As part of the continuing restructuring process throughout the United Nations, the Secretary-General of the United Nations and the Secretary-General of UNCTAD should further enhance cooperation between the UNCTAD Secretariat and the secretariats of the regional economic commissions and other Departments at United Nations Headquarters in the economic and social sectors. Such improved collaboration should, among other things, lead to the harmonization and streamlining of related programmes of work within the Secretariat, and should enable the secretariats of the regional commissions and Headquarters entities to contribute substantive inputs to the Trade and Development Conference and Board, while UNCTAD secretariat could play a more active role in the substantive servicing of the Second Committee and ECOSOC.

(b) Further strengthening should concentrate on UNCTAD's action-oriented research capacity of relevance to the national level, and on working more closely with the private sector and NGOs.

RECOMMENDATION 2: Building System-wide partnerships for development.

(a) UNCTAD should continue to expand the cooperation arrangements and joint activities it has developed with other parts of the United Nations System, such as FAO, UNEP, UNIDO, WIPO, UNESCO, IMO, etc.

(b) The above mentioned organizations as well as the regional commissions and other Secretariat entities could be invited to participate in the systematic building of interregional information systems or networks in the fields of trade, science and technology, commodities, and investment promotion.

RECOMMENDATION 3: Strengthening the technical cooperation function

In the context of on-going efforts to restructure and revitalize the United Nations in the economic, social and related fields, and adapt the UNCTAD programme of work to the evolving international setting, consideration should be given to a significant strengthening of the technical cooperation role of UNCTAD in the principal areas of its responsibility. The UNCTAD secretariat should play a bigger role in building interregional technological networks involving other organizations of the System.

RECOMMENDATION 4: Least Developed, Landlocked and Island developing countries.

In its future programmes of work UNCTAD should continue to give due prominence to the unique development needs of the LDCs, landlocked and island developing countries and should project their concerns more systematically throughout the UNCTAD secretariat and at the level of other organizations within the United Nations system.

RECOMMENDATION 5: Cooperation with WTO

The complementarity of functions between UNCTAD and WTO appears quite clear. Member States cannot but benefit from such complementarity as well as from the related synergies between the two institutions. The General Assembly has made specific recommendations in this respect. The recent steps taken to develop UNCTAD-WTO cooperation both at the secretariat and institutional levels should continue to be encouraged.

RECOMMENDATION 6: Cooperation with the Bretton Woods Institutions

(a) The General Assembly and the Economic and Social Council could seek to strengthen consultations, technical exchanges and reciprocal rights of attendance at meetings between the multilateral financial institutions, on the one hand, and United Nations economic and social entities, especially UNCTAD, on the other. The current process restructuring and revitalization of the Organization in the economic, social and related fields should take this fully into account.

(b) More frequent use could be made of the provisions of existing Relationship Agreements between the United Nations and the multilateral financial institutions in order to enhance cooperation and coordination on global development priorities. Both UNCTAD and the Bretton Woods institutions could more often take advantage of these instruments in the policy consultations.

I. INTRODUCTION

1. The present report has been prepared pursuant to General Assembly resolutions¹ on the restructuring and revitalization of the United Nations in the economic, social and related fields. In preparing the report, the Inspector was guided in particular by the views expressed by delegations at the General Assembly and Economic and Social Council in 1994 and 1995 on the need to enhance the unique role of the United Nations in promoting international economic cooperation for development, as envisaged in its charter. The Inspector equally took into account the recommendations offered by the United Nations Secretary-General in his report on Agenda for Development².

2. The decision to conduct the present review was also prompted by several considerations. Firstly, UNCTAD has never before been reviewed by the Joint Inspection Unit, and this report is intended to fill that gap. Secondly, UNCTAD's institutional evolution is likely to be affected, probably more than any other United Nations entity, by current trends in the global economic setting, such as the increasing transnationalization of the world economy, the growing linkages between peace and security, and economic, social and environmental issues, the emergence of trading blocs and economic integration patterns in different parts of the world, and the establishment of the World Trade Organization (WTO).

3. These considerations emerge as UNCTAD has a fundamental responsibility for the development of the developing countries whose improved economic prospects would benefit from and contribute to an increase in international trade. And lastly, the international community has entrusted UNCTAD with institutional responsibility for the Least Developed, Landlocked and Island Developing Countries, whose special development needs deserve to be given special attention.

4. Furthermore, developing countries are increasingly characterized by regional, sub-regional and country specificities in their political, economic, social and technological evolution. While some developing countries have registered significant economic growth in the past ten years, others are either struggling to make the transition to market economies, or still implementing macro-economic reforms necessary for sustainable economic growth and development. Meanwhile, the debt issue which emerged in Latin America in the 1980s devastating its economies, has emerged again, this time in Africa, as a major factor affecting the economic prospects of many developing countries. In these circumstances, the Inspector sought to assess the extent to which UNCTAD is effectively addressing these differing priorities of its constituency in the key areas of trade and development and in its integrated treatment of the development aspects of trade, finance, investment, technology and services.

5. The Inspector has adopted a broad approach in this report in order to better situate UNCTAD's current and future role in the overall institutional context of the United Nations system, including the regional economic commissions, WTO, and the Bretton Woods institutions. The report is more specifically addressed to the forthcoming UNCTAD IX, under item 8(d) of its provisional agenda dealing with institutional issues. The report will also be relevant to the work of the General Assembly and Economic and Social Council relating to the United Nations restructuring process in the economic, social and related sectors.

6. The report prepared in 1995 on UNCTAD by the United Nations Office of Internal Oversight Services (OIOS) focuses essentially on the internal administration and management of UNCTAD, whereas the present JIU report is more concerned with the mission, mandate, role, functions and programmatic aspects of UNCTAD within a new framework of international development cooperation, as articulated in relevant General Assembly resolutions.

II. MANDATE, ACHIEVEMENTS AND CHALLENGES

A. Development mission

7. UNCTAD was created in 1964 as an expression of the belief that a cooperative effort of the international community was required to bring about changes in the world economic order that would allow developing countries to participate more fully in a prospering world economy. UNCTAD was the product of efforts aimed at countering self-perpetuating asymmetries and inequities in the world economy, strengthening multilateral institutions and disciplines, and promoting sustained and balanced growth and development. The creation of UNCTAD marked the commitment of Member States "to lay the foundations of a better world economic order" through the recognition that "international trade is an important instrument for economic development".

8. Despite profound economic and political transformations in the world in the last thirty years, the essence of UNCTAD's development mission has not changed. Its thrust continues to be to enlarge opportunities in particular for developing countries to create their own wealth and income and to assist them to take full advantage of new opportunities.

9. The themes addressed by UNCTAD over the years have included:

- expanding and diversifying the exports of goods and services of developing countries, which are their main sources of external finance for development;
- encouraging developed countries to adopt supportive policies, particularly by opening their markets and adjusting their productive structures;
- strengthening international commodity markets on which most developing countries depend for export earnings and enhancing such earnings through their increased participation in the processing, marketing and distribution of commodities, and the reduction of that dependence through the diversification of their economies;
- expanding the export capacity of developing countries by mobilizing domestic and external resources, including development assistance and foreign investment;
- strengthening technical capabilities and promoting appropriate national policies;
- alleviating the impact of debt on the economies of developing countries and reducing their debt burden;
- supporting the expansion of trade and economic cooperation among developing countries as a mutually beneficial complement to their traditional economic linkages with developed countries; and

- special measures in support of the world's poorest and most vulnerable countries.

10. UNCTAD's early years coincided with economic growth particularly in developed countries, worsening terms of trade for developing countries' exports, especially for commodities, and an increasing income gap between developed and developing countries. The situation became even more difficult through the 1980s which came to be known as "the lost decade for development". One consequence was that the multilateral economic negotiations between developed and developing countries became deadlocked in most forums. As a result, a perceptible loss of confidence occurred in UNCTAD's role as a facilitator of consensus and conciliator of divergent views. Multilateralism as a method of dealing with international trade and development problems was eroded and several countries opted for bilateral approaches.

11. But the profound changes that took place in the world in the late 1980s forced a reassessment of international economic cooperation. A fresh consensus emerged in the early 1990s on the need for new actions to support the international trade and economic development of developing countries. UNCTAD, and in particular UNCTAD VIII, added impetus to the forging of the development consensus for the 1990s and of a new partnership for development as envisaged in the Declaration on International Economic Cooperation, in particular the revitalization of Economic Growth and Development of the Developing Countries, adopted by the General Assembly at its eighteenth special session held in April-May 1990.

B. Major achievements

12. The functions of UNCTAD comprise four building blocks:

- (i) policy analysis;
- (ii) intergovernmental deliberation, consensus-building and negotiations;
- (iii) monitoring, implementation and follow-up; and
- (iv) technical cooperation.

UNCTAD VIII added a new dimension, namely the exchange of experiences among Member States so as to enable them to draw appropriate lessons for the formulation and implementation of policies at the national and international levels. These functions are interrelated and call for constant cross-fertilization between the relevant activities. Thus, UNCTAD is at once a negotiating instrument, a deliberative forum, a generator of new ideas and concepts, and a provider of technical assistance. As a result of this multifaceted mandate, UNCTAD was entrusted with a wide spectrum of activities cutting across several dimensions of development.

13. Its achievements have therefore been of different kinds and of varying impact. Among the most significant achievements reported to the Inspector by the UNCTAD secretariat could be included:

- the agreement on the Generalized System of Preferences (GSP) (1971), under which over \$70 billion worth of developing countries' exports receive preferential treatment in most developed country markets every year;
- the setting up of the Global System of Trade Preferences among Developing Countries (1989);
- the adoption of the Set of Multilaterally Agreed Principles for the Control of Restrictive Business Practices (1980);
- negotiations of International Commodity Agreements, including those for cocoa, sugar, natural rubber, jute and jute products, tropical timber, tin, olive oil and wheat;
- the establishment of transparent market mechanisms in the form of intergovernmental commodity expert and study groups, involving consumers and producers, including those for iron ore, tungsten, copper and nickel;
- the negotiation of the Common Fund for Commodities (1989), set up to provide financial backing for the operation of international stocks and for research and development projects in the field of commodities, and which did not fulfil many expectations of the developing countries;
- the adoption of the resolution on the retroactive adjustment of terms of Official Development Assistance (ODA) debt of low-income developing countries under which more than fifty of the poorer developing countries have benefited from debt relief of over \$6.5 billion;
- the establishment of guidelines for international action in the area of debt rescheduling (1980);
- the Agreement on a Special New Programme of Action for the Least Developed Countries (1981);
- the Programme of Action for the Least Developed Countries for the 1990s (1990);
- the negotiation of conventions in the area of maritime transport: United Nations Convention on a Code of Conduct for Linear Conferences (1974), United Nations Convention on International Carriage of Goods by Sea (1978), United Nations Convention on International Multimodal Transport of Goods (1980), United Nations Convention on Conditions for Registration of Ships (1986), United Nations Convention on Maritime Liens and Mortgages (1993).

14. In addition, UNCTAD made some contributions on matters for implementation in other fora, such as:

- the agreement on ODA targets, including the 0.7 per cent of GDP target for developing countries in general and the 0.20 per cent target for LDCs;
- the improvement of the IMF's compensatory financial facility for export earnings shortfalls of developing countries;
- the creation of the Special Drawing Rights (SDRs) by the IMF;
- the reduction of commercial bank debt for the highly indebted countries promoted by the World Bank;
- the principle of "enabling clause" for preferential treatment of developing countries which were later reflected in GATT legal instruments, e.g., Part IV of GATT on trade and development.

15. Many of the instruments negotiated within UNCTAD have been implemented, providing benefits to the world economy generally and to the groups of countries concerned more particularly. However, there has never been a comprehensive evaluation of the actual functioning and impact of many of these instruments.

16. It is worth noting that both negotiations and the instruments, by bringing important issues to the forefront of international attention and discussion, have helped to shape national policies and legislations. This is certainly the case of the Code of Conduct for Linear Conferences and the negotiations on a Code of Conduct for the Transfer of Technology. The achievements therefore go beyond the negotiations on and the adoption of the instruments themselves.

17. UNCTAD has also made a valuable contribution at the practical level, especially in the formulation of national policies, instruments, rules and regulations, as well as in the development of national institutions, infrastructure and human resources, in practically all its fields of activity. These achievements, usually involving an important technical cooperation component, have proved their value and have been much appreciated by the Governments concerned. Special mention should be made of UNCTAD's computerized systems in the area of customs (ASYCUDA) and debt management (DMFAS) which are considered among the best products on the market.

18. Furthermore, UNCTAD supported the Uruguay Round negotiations by assisting developing countries in understanding the implications for their economies of discussion on various issues or sectors and in defining their position for the negotiations. For this purpose, UNCTAD prepared special studies on specific issues, provided relevant trade information and advice at regional and national level within its technical assistance programme. Through its three annual flagship publications, namely the Trade and Development Report, the World Investment Report and the Least Developed Countries Report, the UNCTAD secretariat has made a significant

contribution to international understanding of major economic and development issues.

C. Challenges

19. Notwithstanding its achievements, however, the question arises as to whether UNCTAD has to date fulfilled all the major expectations raised at the time of its creation in the mid 1960s. The fact that most developing countries continue to face serious problems in trade and development, such as declining terms of trade and export earnings, persistent tariff and non-tariff barriers, limited export capacities and opportunities for many LDCs, landlocked and island developing countries, poorly functioning international commodity agreements, etc. is certainly indicative of the major limitations facing the international community, including UNCTAD in the discharge of its mandate.

20. One particularly serious constraint that has inhibited the potential and effectiveness of UNCTAD in the past decade relates to the fact that it has had to operate against the background of prolonged economic difficulties and crises, in parallel with shifts and differences in perceptions regarding the international development situation and appropriate responsive actions. In addition to differences in economic philosophies among the Member States, there were also divergent attitudes regarding interactions between domestic policies and the international environment, between the public and private sectors, and between bilateral, regional and multilateral arrangements. While these clashing perceptions and visions in the past served to cast a shadow over UNCTAD's record of achievements, since Cartagena the politicization of UNCTAD has been on the wane with some positive effects on the establishment of the current climate and businesslike approach to issues.

21. Another problem has been the inadequate field-level visibility of UNCTAD in the developing countries in general and the LDCs, landlocked and island developing countries in particular. This problem stems partly from the comparatively limited resources for technical cooperation in relation to the needs of the developing countries, and partly from the lack of a field representation-which would allow UNCTAD to interact with other development partners within and outside the United Nations system, at the global, regional and country level. Consideration could also be given to building interregional and global cooperative networks in the areas of UNCTAD's mandate, as recommended in a recent JIU report on United Nations System Support for Science and Technology in Asia and the Pacific (JIU/REP/95/7).

22. At present, the United Nations Resident Coordinators in the developing countries also serve as UNCTAD's field representatives. However, the Resident coordinators generally lack resources and expertise in programme areas covered by UNCTAD's mandate and consequently may not always be in a position to incorporate trade and development dimensions in country programming exercises which constitute the framework for the development of technical cooperation projects supported by organizations of the system.

23. While the above comment on UNCTAD's technical cooperation role concerns the developing countries in general, it is especially relevant to UNCTAD's inadequate operational role in the LDCs, landlocked and island developing countries for which it has institutional responsibility within the United Nations system. A 1993 JIU report on this category of countries³, (A review of the Specific Development needs of Small Member States and the Responsiveness of the United Nations Development System to these needs) highlighted some unique development problems facing them, such as:

- limited resource endowment, usually resulting in dependence on a narrow range of primary commodity exports;
- a very small or virtually non-existent manufacturing sector, with a consequent need to import most manufactured goods;
- heavy dependence on imported food;
- rudimentary financial markets, with very weak local or regional markets;
- foreign ownership of most commercial banks and insurance companies;
- high levels of both urban and rural unemployment.

24. The Inspector takes the view that UNCTAD's support to these countries should be geared to a more action-oriented approach going beyond the production of reports and technical papers but should develop a more practical thrust to the maximum extent possible. For example, UNCTAD could work more frequently, if not regularly, with the Governments of these countries in order to generate and design special initiatives for support by the United Nations system and bilateral donors in the problem areas listed in paragraph 23 above.

25. As observed in a recent JIU report entitled "Evaluation of the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF). UNCTAD is making a palpable contribution to the development of Africa. This effort however needs to be intensified in more concrete ways along the lines outlined by the new Secretary-General of UNCTAD (see TAD/INF/2642) within the context of the new United Nations System Initiative on Africa. Possible structural adjustments in the UNCTAD secretariat could also be considered in that light.

III. REFORM PROCESS

A. UNCTAD VIII

26. Although successive UNCTAD Conferences over the years have endeavoured to adjust the work of UNCTAD to the changing international environment, the most far-reaching reforms were introduced by UNCTAD VIII, held at Cartagena, Colombia, in 1992. This reform embraced practically all aspects of the institution: its intergovernmental machinery and working methods, its mandate and programme orientations. Thus UNCTAD was the first United Nations institution to be completely reformed through intergovernmental agreement.

27. Besides introducing reforms specific to UNCTAD, the Cartagena Conference also addressed a number of innovative themes that have come to dominate international economic discussions in various fora, such as the importance of good governance and management, recognition of the role of market forces and competitiveness as well as entrepreneurial initiatives in the development process, and the need for effective coordination of the national policies of countries having great weight in the world economy.

28. The Cartagena Conference introduced reforms in four main areas:

(a) Work on policy analysis was refocused to emphasize national policies and domestic experiences with trade and development;

(b) the Trade and Development Board's subsidiary bodies were given new orientations in traditional areas of work, such as commodities, investment and financial flows, trade and trade facilitation, science and technology, etc.;

(c) the mandate in the area of services was broadened significantly;

(d) its mandate was also extended to include new areas of work, in particular poverty alleviation and comparative experiences with privatization.

29. The Conference additionally established a mechanism for the periodic review of progress in the implementation of its recommendations in order to ensure the necessary institutional adaptation to the evolving context. For example, the work programme was to be subject to periodic revision with the objective of:

(a) providing an enriched substantive and technical basis for policy discussion, negotiation and decisions;

(b) increasing UNCTAD's effectiveness in addressing national and international development issues; and

(c) stimulating a greater participation of officials responsible for policy formulation at the national level in the work of the organization.

30. The Trade and Development Board conducted, midway between Conferences, in June 1994, a review and evaluation of the work programme of its intergovernmental machinery, including: technical assistance programmes and, bearing in mind the calendar established in this regard, the programme budget and medium-term plan, so as to ensure full integration of all work undertaken by UNCTAD, establishing priorities for the period leading up to the next Conference.

31. In the mid-term review, the general conclusion of Member States was that the policy and institutional reforms initiated at UNCTAD VII had proved beneficial and that UNCTAD's work had become more useful and relevant to the needs of Member States. The exchange of national experiences on various issues (privatization, trade efficiency, investment and financial flows, technology transfer) was very valuable and had had a direct impact at the domestic policy-making level. The functioning of the ad hoc working groups had been characterized by a high level of discussions on specialized issues and by a substantial volume of work. The quality of the analytical work produced by the UNCTAD secretariat in support of the deliberations of the intergovernmental bodies was also recognized.

32. At the same time, the review identified areas in which further improvement was possible. Several countries felt that the last stage of the "progressive and dynamic sequence" envisaged by the Cartagena Commitment, involving identification of issues, analysis, consensus-building and negotiations, had been neglected.

33. The Board also drew some important lessons from experience to date:

- both the structure of its subsidiary bodies and their working methods needed further streamlining in view of resource and calendar constraints;
- unnecessary duplication should be avoided, both within UNCTAD and between the work of UNCTAD's intergovernmental bodies and that of other organizations;
- the concerns of some countries, particularly the LDCs, need to be better reflected in UNCTAD's work and their participation at meetings facilitated; and
- more practical follow-up should be given to intergovernmental deliberations.

34. Overall, it may still be too early to attempt a definitive assessment of the lasting beneficial impact of reforms introduced by the Cartagena Conference. By hindsight, and taking stock of developments following UNCTAD VIII and the conclusion of the Uruguay Round negotiations, the Cartagena Conference could have perhaps devoted more attention to deepening and fine-tuning - rather than stretching - UNCTAD's mandate in order to render it indisputably distinct and distinctive within the multilateral system. Although the Conference institutionally reshaped UNCTAD and fully anticipated the creation of WTO, it did not fundamentally alter the core functions of UNCTAD outlined in paragraph 12 above.

B. Restructuring of the United Nations in the economic, social and related fields and its implications for UNCTAD

35. The institutional reform of UNCTAD at the Cartagena Conference, which was endorsed by the General Assembly in resolution 47/183⁴, was a major contribution to the restructuring and revitalization of the United Nations in the economic, social and related fields, initiated by the Eighteenth Special Session of the General Assembly on International Economic Cooperation, held in April-May 1990. One of the conclusions reached at the Cartagena Conference was that UNCTAD was the most appropriate focal point in the United Nations for the integrated treatment of development and interrelated issues in the areas of trade, finance, investment, services and technology.

36. In keeping with this holistic approach, the United Nations Secretary-General, in his first major report on the restructuring of the United Nations Secretariat⁵, recommended the transfer to and incorporation within UNCTAD of the programmes on transnational corporations and science and technology for development, both of which had until then been autonomous entities within the United Nations Secretariat. While the Commission on transnational corporations has been effectively integrated within the UNCTAD intergovernmental structure, the Commission on science and technology for development continues to function as a subsidiary body of ECOSOC.

37. Although various UNCTAD reports, including especially the 1994 mid-term review by the Board, would seem to confirm the substantive and cost benefits flowing from the "new critical mass" of expertise created in UNCTAD to deal with investment and technology issues, the Inspector believes that any future evaluation of the merger should focus on whether the two programmes in question have continued to maintain their erstwhile vitality and spectrum of action.

38. It is recalled in this connection that, in reviewing the above-mentioned recommendation of the Secretary-General on the transfer of the two programmes to UNCTAD, some delegations at the General Assembly did advocate the preservation of the distinct and separate identities of the two programmes in the context of new organizational arrangements in UNCTAD. This approach appeared all the more sensible as the previous autonomous Programme on Science and Technology for Development, for example, addressed issues that transcended purely trade and development questions. At the time of its transfer to UNCTAD in 1993, much of the Programme's core activities were increasingly focused on promoting science and technology self-reliance, or the building of science and technology endogenous capacities in the developing countries. The Programme also served as an important node for promotional science and technology activities within the United Nations system as a whole.

39. The Inspector is of the opinion that these important roles of the science and technology programme should continue to be nurtured within UNCTAD's overall work programme, with special emphasis on the needs of the LDCs, the landlocked and island developing countries, as well as countries in transition to market economies. The integrated treatment of various issues falling under UNCTAD's mandate need not necessarily override the requirement for a free-standing strategy and programme for science and technology for development, that would relate, in addition to the Board, to other relevant subsidiary bodies of ECOSOC.

40. In view of the fact that the restructuring of the United Nations is a continuing process, the Inspector recommends that the Secretary-General's future initiatives include a strengthening of potential areas of collaboration and division of labour between the UNCTAD secretariat and other United Nations entities. For instance, UNCTAD, with its strong analytical capacity could provide substantive backstopping to the Second Committee of the General Assembly and to ECOSOC, thus complementing the departments in New York in the servicing of these legislative bodies. The systematic building of collaborative partnerships and synergies among United Nations Secretariat entities for the solution of high priority problems of the developing countries would facilitate the effective discharge by UNCTAD of its mandate, which cannot be viewed in isolation from developments in other parts of the Secretariat and System as a whole.

IV. RELATIONS WITH THE WORLD TRADE ORGANIZATION

41. The creation of the World Trade Organization (WTO) prompted a debate on the respective roles of UNCTAD and WTO. Views were expressed that, with WTO in existence, UNCTAD became redundant as it would duplicate the work of WTO. WTO provides a new institutional and contractual framework for the implementation of the multilateral trade agreements negotiated in the Uruguay Round.

A. Role of UNCTAD in the area of trade

42. On the basis of specific requests from the General Assembly and from its last two Conferences, UNCTAD addressed developments and issues in the Uruguay Round of particular concern to developing countries. The UNCTAD secretariat had provided regular analytical reports and studies on this matter and carried out a comprehensive programme of technical cooperation which facilitated substantially the participation of developing countries in the negotiations.

43. The General Assembly has reaffirmed⁶ UNCTAD's role as the most appropriate focal point, within the United Nations proper, for the integrated treatment of development and interrelated issues in the areas of trade, finance, technology, investment, services and sustainable development. This implies in the first instance that UNCTAD is particularly suited to deal with global policy issues which are multifaceted and involve mutual linkages, such as trade, technology, investment and finance and which are of interest to all its Member States. The transfer to UNCTAD of the Programmes on Transnational Corporations and on Science and Technology for Development has strengthened the role of UNCTAD in these areas. And in the second instance, that UNCTAD is required by its mandate to approach the above issues from the development perspective, that is to say, to examine the economic and policy implications of new developments, policy proposals and negotiations from the point of view of the development concerns of developing countries.

44. The consensus building function of UNCTAD has been particularly important in the trade field. UNCTAD provides a universal forum for policy analysis, as well as for seeking an international consensus on trade policy issues to prepare for later negotiations within WTO or other fora. In the past, principles established and decisions taken in UNCTAD were later reflected in GATT legal instruments, e.g., Part IV of GATT⁷ on trade and development and the "enabling clause" for preferential treatment of developing countries. This is especially relevant to the Generalized System of Preferences (GSP) established and monitored by UNCTAD.

45. UNCTAD is also playing a key role in undertaking technical cooperation activities in the area of international trade. For example, UNCTAD has been executing a programme to assist the integration of developing countries and countries in transition into the international trading system. Other programmes, aimed at assisting Governments to address policy issues, have been developed on customs reform and computerization (ASYCUDA), shipping, port management, multimodal transport and

management of transport routes, and transit traffic for the landlocked countries, trade and environment and trade efficiency.

46. The United Nations International Symposium on Trade Efficiency, organized by UNCTAD, which involved the participation of over eighty Ministers, of private enterprises and of local government, brought a new dimension to UNCTAD's work in the area of trade. Its outcome - a Ministerial Declaration⁸ and a set of recommendations on trade efficiency in six sectors, including customs, transport, telecommunications, trade information, financial services and business practices - provided a way forward for efforts at facilitating trade. These measures will reduce red tape and, through modern technology, lower trade transaction costs and increase trading opportunities, particularly for small and medium-sized enterprises in developing countries. The Inspector believes that UNCTAD's efforts in these new directions could be intensified in the future in the context of a significantly strengthened technical cooperation role.

B. Complementarity between UNCTAD and WTO

47. The outcome of UNCTAD VIII provided for strengthened complementarity between UNCTAD and GATT. While the possibility of the establishment of the WTO was already foreseen in the Cartagena Commitment, member Governments nevertheless reaffirmed UNCTAD's mandate and its important role in the international trading system, and subsequently endowed UNCTAD with new mandates in trade and trade-related areas, including matters deriving from the conclusion of the Uruguay Round. As the main functions of WTO are the implementation and negotiation of contractual trading rules and disciplines, there is considerable scope for complementarity between WTO and UNCTAD whereby the roles of the two organizations can be mutually supportive. This was recognized by the General Assembly at its 49th and 50th sessions⁹ and by the Trade and Development Board. The WTO Preparatory Committee also recommended that the WTO should establish arrangements with UNCTAD for effective cooperation at an early stage.

48. More specifically, the policy analysis and consensus building functions of UNCTAD can make essential contributions to the maturing of the intergovernmental consideration of trade issues to the point where they can be fruitfully negotiated in WTO. It can carry out groundwork covering the identification and normative/analytical exploration of the issues and the policy options - particularly in their developmental aspects - as well as the building of consensus on the basic parameters of possible international agreements. Such potential contribution has already been recognized internationally in the case of trade and environment and competition policy. A decision by the Commission for Sustainable Development at its second session and the General Assembly resolution 49/99¹⁰ recognized that the work undertaken in the Trade and Environment Committee of WTO would benefit from cooperation with UNCTAD and UNEP.

49. UNCTAD's intergovernmental bodies have established arrangements for the implementation of, and follow-up to the Uruguay Round agreements and to the participation of Member State therein. The Trade and Development Board, in its decisions 410(XL)¹¹ and 419(XLI)¹², has called for more policy analysis in order to identify new trading opportunities for developing countries and economies in transition arising from the Agreements. Upon request by the General Assembly, in its resolution 49/99, the specific challenges faced by the least developed and net-food importing developing countries are also to be examined with a view to making proposals for translating the relevant Marrakesh Ministerial Declaration into concrete action; and technical cooperation activities are to be intensified so as to enhance the capacity of developing countries and economies in transition to participate effectively in the international trading system.

50. The Trade and Development Board has equally called for constructive and effective cooperation between UNCTAD and WTO in the field of technical cooperation. Similar views were expressed by many Member States during UNCTAD's Thirtieth anniversary celebrations. Cooperation between the two institutions can be developed under Article V of the WTO Agreement, which stipulates that the General Council of WTO "shall make appropriate arrangements for effective cooperation with other intergovernmental organizations that have responsibilities related to that of the WTO". The relationship would be primarily operational and technical, and could include:

- (i) intensified cooperation in statistical and other technical services;
- (ii) joint undertaking of studies or research on issues of common interest; and
- (iii) enhanced coordination in the development and, where feasible, joint execution of technical cooperation projects.

51. Such a working relationship could be initiated in a number of substantive areas, for example in services, trade and environment and technical cooperation, particularly with respect to the evaluation of the impact of the Uruguay Round agreements at the country level, as well as the accession of new countries to the WTO. In addition, depending on future decisions relating to its work programme, WTO could be requested to collaborate with UNCTAD in the examination of new and emerging issues (such as trade and competition policies) for which UNCTAD has a great deal of experience and has been mandated by its member Governments.

52. Two recent concrete actions indicate that the complementarity of functions between UNCTAD and WTO can go beyond the theoretical debate. The first relates to the decision taken by the executive heads of UNCTAD and WTO¹³ to establish cooperative arrangements at the Secretariat level in order to maximize the synergies between the two institutions and obtain full benefit of the complementarity of their functions. Specific areas of work have been identified for joint action. One example is the agreement reached to provide technical assistance to African countries in the process of implementation of the Uruguay Round agreements. The second concrete action refers to the decision of the 50th session of the General Assembly¹⁴ which

invited UNCTAD IX to transmit its assessment of the challenges and opportunities arising from the Uruguay Round to the WTO Ministerial Conference, scheduled to take place in Singapore in December 1996.

53. The discussion of UNCTAD-WTO relations so far seems to place the onus of institutional and functional adjustments on UNCTAD vis-à-vis WTO. The Inspector believes that WTO should also be encouraged by its Member States, who also happen to be UNCTAD's Member States, to avoid duplication and promote cooperation with UNCTAD and existing relevant mandates of other organizations within the system.

V. COOPERATION WITH THE BRETTON WOODS INSTITUTIONS

54. The Bretton Woods institutions are invited, on a regular basis, to participate at the meetings of UNCTAD's intergovernmental machinery. UNCTAD has been regularly invited to attend, as an observer, the meetings of the Interim and the Development Committees as well as the annual meetings of the World Bank and the IMF. Since 1975, UNCTAD has provided technical support to the Group of 24, mostly in the form of research papers on issues under discussion and negotiation in the IMF and the World Bank. The purpose of this project has been to assist developing countries in strengthening their technical preparedness and ability to participate in and contribute to all phases of the discussions and negotiations taking place within the framework of the IMF and the World Bank. The emphasis of current research activities is on the new implications of the integration of developing countries into the international financial system, including the effects of the macroeconomic policies of the major industrial countries.

55. Several of UNCTAD's technical cooperation activities involve the Bretton Woods institutions. In the area of debt management, UNCTAD has developed over the years the Debt Management and Financial Analysis System (DMFAS). UNCTAD offers assistance in the installation of DMFAS and provides the necessary training. There has been a joint programme with the World Bank in this area, and the installation of DMFAS in a number of countries is financed out of World Bank trust funds and by the borrowers themselves. In the area of transport, several borrowers of the Bank are using IDA credits to install UNCTAD's Advance Cargo Tracking System (ACTS). Likewise, World Bank borrowers are using loans/credits for customs reform and computerisation, including the installation of UNCTAD's specialized software (ASYCUDA). Similarly, UNCTAD is closely cooperating in the area of customs with the IMF. Further, the World Bank has shown interest in UNCTAD's Trade Point Programme and in using UNCTAD's Trade Control Measures Information System.

56. The cooperation between UNCTAD and the Bretton Woods institutions with respect to UNCTAD's assistance to debtor countries in the Paris Club debt renegotiations has been consistently close. It took essentially the form of exchange of information and statistical data on the latest economic developments in the respective countries as well as of discussions on substantive issues. UNCTAD also participated, on an ad hoc basis, in a few consultative group meetings organized by the Bretton Woods institutions (Bangladesh, Madagascar, Guinea Bissau).

57. In general, however, cooperation between UNCTAD and Bretton Woods institutions remains quite limited. It is focused essentially on technical assistance activities. The dialogue at policy level is almost nonexistent. The question is how to develop and strengthen cooperation between UNCTAD and these institutions taking into account the benefit the Member States might derive from increased policy dialogue between UNCTAD and the Bretton Woods institutions. The following considerations might be taken into account in this respect.

58. Implicit in the broad responsibility for promoting the economic and social purposes laid down in the United Nations Charter is the recognition that this vast enterprise cannot be accomplished without the concerted efforts of a large number of autonomous agencies, each having responsibilities in different fields. But the Charter goes further, by setting forth in Articles 58 and 63 a considered scheme of coordination through consultation and recommendations, under the leadership of ECOSOC, whereby these various agencies would be associated with the Organization in working towards common ends, acting as a team where necessary and maintaining a high degree of cooperation.

59. The major changes that have taken place in the world economy in recent years have underlined the crucial importance of the relationships between the United Nations and the Bretton Woods institutions in particular. Over the years these relationships have been fruitful. Consultation and, in some cases, collaborative activity on substantive matters of mutual concern, have been maintained between the United Nations and these institutions, including exchanges of information and documentation.

60. Concerns have been expressed by some developed countries about discussion of international financial and monetary issues in United Nations bodies on the grounds that these might constitute improper interference in the independent exercise by the IMF and the World Bank of their respective responsibilities. It is to be hoped that these concerns will be dispelled by the international consensus, articulated for instance at UNCTAD VIII, that on issues where other institutions were vested with the necessary powers of decision or rule-making, UNCTAD, and by the same token other United Nations bodies, should intensify cooperation with these institutions in the discussion of issues within their competence. Similarly, specialized institutions, including the Bretton Woods institutions, should provide substantive inputs to major United Nations undertakings and should endeavour to take fully into account the outcome of such undertakings in their own activities as decisions by Governments which are part of their own membership.

61. Considerable scope exists for strengthening the relations between the United Nations, in particular UNCTAD, and the Bretton Woods institutions. New impetus may be given to the arrangements for consultations and exchanges already mentioned. The existing practice as regards reciprocal representation at meetings could also be enhanced. Just as United Nations bodies have benefited from the extensive participation of the IMF and the World Bank staff members in the discussion of issues falling within their competence, so would these institutions gain from extending to the United Nations, in fuller measure, reciprocal rights of participation in their meetings, at least in the discussion of broad international financial and monetary issues where considerations of confidentiality are not paramount. Such symmetrical observer rights would enlarge the opportunities open to United Nations representatives to pursue consultations with these institutions as required by the Relationship Agreements, and to provide explanations of United Nations approaches to relevant issues as they emerge in the appropriate intergovernmental bodies.

62. The United Nations Charter has assigned a particularly important harmonization and coordination role to the General Assembly and the Economic and Social Council. This issue is now being addressed in the ongoing processes of restructuring and revitalization of the intergovernmental bodies concerned. Experience shows that because of inadequate coordination of national positions, policy inconsistencies are apt to appear in a number of key policy areas, such as:

- those between the efforts of debtors to meet their debt service obligations through export expansion and the protectionist policies of some of the creditor countries;
- those between aspects of structural adjustment programmes and the sluggish growth of the world economy as a whole;
- those between the development objectives set by the international community and the stagnating flows of concessional and, as regards some parts of the world, non-concessional resources;
- those between the recognition of the urgent need of developing countries for additional impact capacity and the inadequacy of financial resources commensurate with the generally accepted scale of the problem; and
- those between the broad policy approaches adopted to deal with political and economic problems, respectively.

63. The United Nations is ideally situated, and is indeed mandated by its Charter, to contribute, through consultation with all the organizations concerned and through recommendations to the relevant entities, to the achievement of coherence in global economic policy making. UNCTAD, with its integrated approach to development, could make a significant contribution in this respect if its full potential can be tapped by the Member States.

NOTES

1. General Assembly Resolutions 45/264 (1991); 46/235 (1992); and 48/162 (1993).
2. United Nations document A/49/665 (1994).
3. A review of the Specific Development needs of Small Member States and the Responsiveness of the United Nations Development System to these needs (JIU/REP/93/4).
4. Eight session of the United Nations Conference on Trade and Development (22 December 1992)
5. Review of the administrative and financial functioning of the United Nations (A/C.5/4/47/88), 1992
6. General Assembly resolution 50/95 on International trade and development (20 December 1995).
7. See the Results of the Uruguay Round of Multilateral Trade Negotiations: the Legal Texts published by the WTO Secretariat, 1994, 1995.
8. See TD/SYMP.TE/6 of 4 November 1994 entitled "Report of the United Nations International Symposium on Trade Efficiency, held at Columbus, Ohio, from 17 to 21 October 1994.
9. General Assembly resolution 49/97 and 50/95, ibid.
10. General Assembly resolution 49/99 on International Trade and Development (19 December 1994). ibid.
11. See TDB agreed conclusions 410(XL) Uruguay Round (29 April 1994).
12. See TDB agreed conclusions 419(XLI) Uruguay Round (30 September 1994).
13. WTO. Overview of developments in international trade and the trading system. Annual report of the Director General (WT/TPR/OV/1) General Assembly resolution 50/95, para. 24.
14. General Assembly resolution 50/95, para. 18, ibid.