

The Colombo Plan



**PROCEEDINGS AND CONCLUSIONS
OF THE THIRTY NINTH
CONSULTATIVE COMMITTEE MEETING**

**TEHRAN, ISLAMIC REPUBLIC OF IRAN
15 to 16 JUNE 2004**



THE COLOMBO PLAN

*For Co-operative Economic and Social Development
in Asia and the Pacific*

*Proceedings and Conclusions of the
Thirty Ninth Consultative Committee Meeting*

*Tehran, Islamic Republic of Iran
15 to 16 June 2004*

THE COLOMBO PLAN

Member Countries

<i>Afghanistan</i>	<i>Maldives</i>
<i>Australia</i>	<i>Mongolia</i>
<i>Bangladesh</i>	<i>Myanmar</i>
<i>Bhutan</i>	<i>Nepal</i>
<i>Fiji</i>	<i>New Zealand</i>
<i>India</i>	<i>Pakistan</i>
<i>Indonesia</i>	<i>Papua New Guinea</i>
<i>Iran</i>	<i>Philippines</i>
<i>Japan</i>	<i>Singapore</i>
<i>Korea</i>	<i>Sri Lanka</i>
<i>Laos</i>	<i>Thailand</i>
<i>Malaysia</i>	<i>United States of America</i>
<i>Vietnam</i>	

THE COLOMBO PLAN SECRETARIAT

*13th Floor, Bank of Ceylon Merchant Tower,
P.O. Box: 596, 28, St. Michael's Road,
Colombo 03, Sri Lanka.*

Tel: (94 11) 2381831 (Auto), 2564448.

Fax: (94 11) 2564531.

email: info@colombo-plan.org

Website: www.colombo-plan.org

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Formal inauguration of the 39th Consultative Committee Meeting held in Tehran, Islamic Republic of Iran on 15 and 16 June 2004.

39th Consultative Committee Meeting, Tehran, 2004

Agenda

A. Formalities and Procedural Matters

Registration of Delegates

1. Welcome Address by the Secretary-General,
39th Consultative Committee Meeting
2. Formal Opening of the 39th Consultative Committee Meeting
 - Inaugural Address by the Chief Guest
 - Response to the Chief Guest's Address
3. Announcements and Working Arrangements
4. Election of Chairman
5. Chairman's Acceptance Speech
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7. Appointment of Drafting Committee
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9. Adoption of the Agenda
10. Welcome of New Full Members
Mongolia
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B. Future Directions of the Colombo Plan

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C. Colombo Plan Activities

12. Consideration of the Report of the President of the Colombo Plan Council on the Special Session held on 18 November 2003:
- (i) Application for Full Membership of the Colombo Plan:
Mongolia
Vietnam
 - (ii) Proposed Amendment to the Constitution of the Colombo Plan
 - (iii) Kingdom of Cambodia:
Request for Exemption from Financial Contributions
 - (iv) Annual Reports of the Colombo Plan for 2000/2001, 2001/2002, and 2002/2003
13. Establishment of the Regional Electronic Commerce Centre in Tehran, Islamic Republic of Iran
14. Annual reports of the Governing Board of the Colombo Plan Staff College for Technician Education for 2000/2001 and 2001/2002

D. 15. Withdrawal of Membership: Kingdom of Cambodia

E. Special Issue

16. Foreign Direct Investment

F. Progress Within the Region and Future Development Priorities

17. Statement by UN-ESCAP

G. Technical Cooperation and Matters Concerning the Colombo Plan Region

18. Country presentations of bilateral technical co-operation programmes

H. 19. Date and Venue of the next Consultative Committee Meeting

I. 20. Any Other Business

J. 21. Statements by Observers

K. Concluding Session

22. Approval of the Record of Conclusions
23. Closing of the 39th Consultative Committee Meeting

RECORD OF CONCLUSIONS

A. FORMALITIES AND PROCEDURAL MATTERS

1. The 39th Meeting of the Colombo Plan Consultative Committee was held in Tehran, Islamic Republic of Iran from Tuesday, 15 to Wednesday, 16 June 2004. It was inaugurated on Tuesday, 15 June 2004. The Secretary-General of the 39th Consultative Committee Meeting was H.E. Dr. Mohammad Khazaei, Vice Minister for Economic Affairs and Finance and President of the Organisation for Investment, Economic and Technical Assistance of Iran, Ministry of Economic Affairs and Finance.

2. The Meeting was attended by delegates from 20 member countries and observers from 6 international and regional organizations. The President of the Colombo Plan Council, the Secretary-General and officers of the Colombo Plan Secretariat, the Director-General, Chairman and two Governing Board members of the Colombo Plan Staff College for Technician Education (CPSC) also participated in the Meeting. A list of participants is included at Annex IX.

3. The Consultative Committee expressed deep appreciation to His Excellency Dr. Seyed Safdar Hosseini, Minister of Economic Affairs and Finance of the Islamic Republic of Iran for his inaugural address. The inaugural address is included at Annex I. The Consultative Committee also expressed appreciation for the opening address made by H.E. Dr. Mohammad Khazaei, Secretary-General of the 39th Consultative Committee Meeting. The address is included at Annex II.

4. In his inaugural address, His Excellency Dr. Seyed Safdar Hosseini recognized the historical contribution of the Colombo Plan to its member countries in the fields of education and human resource development. He pointed out that globalization as a reality shapes the relations between the national and trans-national actors based on interdependency which brought about some opportunities as well as challenges and could result in profound changes in future economic and political transformation in member countries. He stressed that in the era of globalization employing modern technologies in every aspect of life especially in trade and commerce is a necessity. In this regard, the Government of the Islamic Republic of Iran has offered to establish a Regional Electronic Commerce Centre in Tehran to be utilized by member countries of the Colombo Plan for further development of their human resources. He wished the Colombo Plan all success in its future endeavours and fruitful deliberations at the 39th Consultative Committee Meeting.

5. H.E. Mr. Tshering Wangdi, Ambassador of Bhutan to Kuwait and leader of the delegation of Bhutan expressed on behalf of all delegations his gratitude to the Chief Guest, His Excellency Dr. Seyed Safdar Hosseini, Minister of Economic Affairs and Finance of the Islamic Republic of Iran for his gracious presence and for formally inaugurating the 39th Consultative Committee Meeting. The vote of thanks is included at Annex III.

6. Mr. Seyed Ahmad Mortazavi, Director-General, Organisation for Investment, Economic and Technical Assistance of Iran, Ministry of Economic Affairs and Finance, Government of the

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Islamic Republic of Iran and the leader of the delegation of the Islamic Republic of Iran was elected Chairman proposed by Japan and seconded by Sri Lanka.

7. H.E. Mr. Tshering Wangdi, Ambassador of Bhutan to Kuwait and the leader of the delegation of Bhutan was elected Deputy Chairman, proposed by Thailand and seconded by India.

Adoption of the Agenda

8. The Consultative Committee adopted the agenda without any amendments. The agenda is included at Annex IV.

Welcome of New Full Members: Mongolia and Vietnam

9. The Consultative Committee welcomed Mongolia and Vietnam as full members of the Colombo Plan. The leader of the delegation of Vietnam H.E. Mr. Do Ngoc Son, Assistant Minister and Director-General, Asia II Department, Ministry of Foreign Affairs of the Socialist Republic of Vietnam made a statement which is included at Annex V. Mongolia was not represented at the 39th Consultative Committee Meeting.

B. FUTURE DIRECTIONS OF THE COLOMBO PLAN

Consideration of the Report of the 2004 Eminent Persons Group (EPG) on the Colombo Plan presented to the 39th Consultative Committee Meeting by the President of the Colombo Plan Council

10. The President of the Colombo Plan Council in introducing the 2004 EPG Report highlighted the following:

... The 1994 EPG had recommended a two-pronged approach for Colombo Plan programme activities. The 2004 EPG was disappointed to find that over the past ten years, the first prong which is the permanent programme had been put into effect by the establishment of two new programmes - the Programme for Public Administration, and the Programme for Private Sector Development - but the second prong - that of implementing ad-hoc project-by-project basis programmes had not been actively implemented. The 2004 EPG was of the view that technical co-operation had always been the bed-rock of the Colombo Plan and the Colombo Plan should endeavour to conform to that.

... The issue of duplication was discussed at length and the 2004 EPG stressed that this issue had to be faced squarely, but it did not conclude that the answer was to abandon the field to other organizations.

... Cooperation with other regional and international organizations was encouraged and the 2004 EPG was delighted to note that cooperation with UN-ESCAP had improved substantially.

... The 2004 EPG regarded the emphasis on south-south cooperation as most appropriate. However, the 2004 EPG was not convinced that there has been much south-south cooperation in practice, as might have been the case.

... The 2004 EPG was of the view that the conduct of long-term training courses would stimulate and facilitate more south-south cooperation and this perhaps is the most promising prospect facing the Colombo Plan at this stage.

... The 2004 EPG recommended that Colombo Plan programmes should be regularly reviewed and general guidelines relating to efficiency and effectiveness be formulated for all Colombo Plan programmes to maximise their costs/effectiveness.

... Concern was expressed at the Colombo Plan's lack of involvement in the Virtual Colombo Plan established by Australia and the World Bank and which needs to be addressed urgently.

... The 2004 EPG Report also made suggestions about improving, without incurring heavy costs, the awareness of the Colombo Plan which is now at a very low level in most member countries.

... The issue of funding future activities was also discussed at great length by the 2004 EPG.

11. Member countries thanked the President of the Colombo Plan Council for presenting the 2004 EPG Report to the Consultative Committee.

12. The Consultative Committee adopted the 2004 EPG Report except the section dealing with the Colombo Plan Staff College for Technician Education as this matter would be dealt with under Agenda Item 14. With regard to this issue, some member countries pointed out that the 2004 EPG Report should be treated as a reference paper for the 39th Consultative Committee Meeting.

13. Comments made by individual member countries on the 2004 EPG Report are included at Annex VI.

C. COLOMBO PLAN ACTIVITIES

Consideration of the Report of the President of the Colombo Plan Council on the Special Session held on 18 November 2003

(i) Application for Full Membership of the Colombo Plan

Mongolia
Vietnam

(ii) Proposed Amendment to the Constitution of the Colombo Plan

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(iii) Kingdom of Cambodia: Request for Exemption from Financial Contributions

(iv) Annual Reports of the Colombo Plan for 2000/2001, 2001/2002 and 2002/2003

14. The President of the Colombo Plan Council presented the Report of the Special Session of the Colombo Plan Council held on 18 November 2003.

15. The Consultative Committee accepted the Report of the Special Session of the Colombo Plan Council. The Consultative Committee took note of Items (i), (iii) and (iv) and adopted Item (ii) - Proposed Amendment to the Constitution of the Colombo Plan.

Establishment of the Regional Electronic Commerce Centre in Tehran, Islamic Republic of Iran

16. The Consultative Committee welcomed in principle the initiative of the Government of the Islamic Republic of Iran to establish a Regional Electronic Commerce Centre in Tehran. The Consultative Committee directed the Colombo Plan Secretariat to conduct further studies on the areas of concern raised by member countries. The Colombo Plan Secretariat was requested to submit the report on the studies made to the Colombo Plan Council before the end of October 2004. The Consultative Committee also gave the Colombo Plan Council the mandate to act and take decisions on the report submitted by the Colombo Plan Secretariat.

Annual Reports of the Governing Board of the Colombo Plan Staff College for Technician Education for 2000/2001, 2001/2002 and 2002/2003

17. The Colombo Plan Staff College for Technician Education (CPSC) made a video presentation on its activities for the period covering 2000 to 2003.

18. The Consultative Committee considered and adopted the Reports of the Governing Board of CPSC.

19. With respect to certain apparent discrepancies in the financial statements of the CPSC for the years 2000 - 2003, the Consultative Committee requested the CPSC to respond to the queries raised, to the next Colombo Plan Council Meeting to be held next July 2004.

20. The Consultative Committee noted with concern the decision of the Government of the Republic of the Philippines to terminate its hosting of the CPSC and, upon consensus, decided to convey to the Government of the Philippines these concerns and request the Government of the Philippines to reconsider its decision regarding the proposed discontinuance of the hosting of the CPSC.

D. WITHDRAWAL OF MEMBERSHIP: KINGDOM OF CAMBODIA

21. The Consultative Committee noted with regret the decision of the Kingdom of Cambodia to withdraw its membership from the Colombo Plan. Member countries agreed to request the Kingdom of Cambodia to re-consider its decision.

22. The Consultative Committee directed the Colombo Plan Council to follow-up the issue of non-payment of arrears of mandatory membership contributions with the Kingdom of Cambodia.

E. SPECIAL ISSUE

Foreign Direct Investment

23. The Consultative Committee appreciated the efforts of the delegation of Iran in presenting a background paper on Foreign Direct Investment. The Consultative Committee noted that the background paper was comprehensive and informative.

24. The Consultative Committee directed the Colombo Plan Secretariat to conduct training courses, workshops and seminars on Foreign Direct Investment.

F. PROGRESS WITHIN THE REGION AND FUTURE DEVELOPMENT PRIORITIES

25. The Representative of the United Nations Economic and Social Commission for Asia and the Pacific delivered a statement which is included at Annex VII.

G. TECHNICAL COOPERATION AND MATTERS CONCERNING THE COLOMBO PLAN REGION

Country Presentations of Bilateral Technical Co-operation Programmes

26. The Consultative Committee noted with appreciation the contributions made by member countries in assisting the Colombo Plan in the implementation of its programmes. Member country presentations of bilateral technical cooperation programmes are included at Annex VIII.

H. DATE AND VENUE OF THE NEXT CONSULTATIVE COMMITTEE MEETING

27. The Consultative Committee accepted the gracious offer of the Royal Government of Bhutan to host the 40th Consultative Committee Meeting in 2006.

I. ANY OTHER BUSINESS

Establishment of the Regional Electronic Commerce Centre in Tehran, Islamic Republic of Iran.

28. A proposal from the Government of the Islamic Republic of Iran for the establishment of a Regional Electronic Commerce Centre in Tehran was submitted to the Consultative Committee Meeting. The Consultative Committee welcomed the idea. Due to the lack of a draft constitution, the Consultative Committee requested the Government of the Islamic Republic of Iran to provide a draft constitution to be finally discussed and decided at the next Colombo Plan Council Meeting.

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Statement by the Delegate of Afghanistan

29. The Consultative Committee took note of the statement made by the delegate of Afghanistan regarding special support in the reconstruction efforts of the Government of Afghanistan.

30. The Consultative Committee decided to await the concrete proposal from the Government of Afghanistan and directed the Colombo Plan Council to discuss this issue and to report its findings to the 40th Consultative Committee Meeting in 2006.

J. STATEMENTS BY OBSERVERS

31. Statements were delivered by the following observer delegations:

- Asian Development Bank
- Economic Cooperation Organisation
- United Nations Economic and Social Commission for Asia and the Pacific
- The World Bank

K. CONCLUDING SESSION

32. The Chairman in his closing statement expressed thanks to the distinguished delegates and observers for the excellent contributions made by them for the successful conclusion of the deliberations.

33. The Deputy Chairman responding on behalf of all the delegates and observers thanked the Government of the Islamic Republic of Iran for its gracious hospitality. He also thanked the Secretary-General of the 39th Consultative Committee Meeting and the Secretary-General of the Colombo Plan Secretariat and their staff for their dedication and their professionalism in conducting the activities of the Colombo Plan and the excellent arrangements made for the Meeting. In conclusion, he invited all delegates and observers to Bhutan for the 40th Consultative Committee Meeting to be held in 2006.

34. The Consultative Committee expressed its deep appreciation for the excellent arrangements and for the generous hospitality extended by the Government of the Islamic Republic of Iran and the outstanding services provided by the 39th Consultative Committee Meeting Secretariat under the direction of H.E. Dr. Mohammad Khazaei and Dr. Mohammad Bigdeli and the invaluable support provided by the Colombo Plan Secretariat.

Inaugural Address by His Excellency Dr. Seyed Safdar Hosseini, Minister of Economic Affairs and Finance, Islamic Republic of Iran

Your Excellency, Secretary General of the Colombo Plan Secretariat,
Your Excellency, President of the Colombo Plan Council,
Distinguished Guests,
Ladies & Gentlemen

At the outset, it gives me great pleasure to welcome H.E. Secretary-General of the Colombo Plan Secretariat, the Colombo Plan Secretariat staff, and all representatives of the member countries and international organizations participating in this esteemed gathering and wish you all a pleasant stay in Tehran. Also, I avail myself of this opportunity to express my gratitude to the Secretary-General and the Colombo Plan Secretariat for their sincere incessant efforts.

Undoubtedly, the Colombo Plan is one of the successful institutions in generating and distributing knowledge and useful experience of different countries in order to be employed by developing member countries. Most of the Colombo Plan contributions to the member countries are made in the field of developing human resources and groundwork, which in conjunction with emerging knowledge-based economy will assist these countries in the process of development.

The Islamic Republic of Iran, as one of the member countries, is determined to share its experience with the others, while taking the advantage of their experience in different issues offered in Colombo Plan training courses, workshops, etc. In this line, several training courses on international trade, globalization and e-commerce have been conducted, in coordination with the Colombo Plan Secretariat, in the Islamic Republic of Iran.

Besides, understanding the urgent need to develop in e-commerce and global trade, the Islamic Republic of Iran has taken major steps and provided the required infrastructure making the country, with no doubt, one of the e-commerce pioneers in the region.

Distinguished Guests,

Another remarkable and major issue is the so-called globalization and its consequences. By globalization, what first springs to the mind, is the free movement of goods, services, capital and individuals.

Besides, it is noteworthy that the globalization process did exist prior to the formation of the Westphalia system and national borders, and is, just intensified in the wake of the Cold War.

Anyhow, globalization is a reality, which shapes the existing relations between national and trans-national actors based on interdependency. In the era of globalization interdependency brings about some challenges and opportunities, which could result in extensive and profound changes in the economic and political future transformations in countries all around the world.

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Apart from the existing challenges and obstacles in the way of the nation states as the main actors in the international system, globalization followed by some opportunities which could inflow substantial profits into the developing countries, if accompanied by optimum utilization of the available resources and facilities. Evident increase in foreign direct investment flow, free trade zones, common regional markets, promotion of multilateralism and regional arrangements are some of the indicators demonstrate expediting movement toward globalization.

Due to the developed and mature economic structure and more influence in shaping emerging regional and international frameworks, the developed countries will encounter less difficulties and challenges, and subsequently are in a better position to direct their movement towards integration in this new globalized economy. On the contrary, this is not the case for the least developed and developing countries. While globalization is an inevitable process unfortunately it can increase the pressure on the countries specially developing economies and have a negative impact on their dynamic and efficient interaction with the world. Having encountered with these challenges the Colombo Plan has been successful to assist the developing member countries through conducting educational and applied training courses with the cooperation of the other reputable international organizations in order to increase the technical cooperation and exchange of scientific information and at the same time pave the way for sharing the member countries experience based on South-South cooperation.

Your Excellencies,

Benefiting this opportunity may I highlight some important remarks as follows:

- The necessity to employ the modern techniques and technologies in international trade and commerce activities has encouraged the Colombo Plan to consider establishing an e-commerce center in the region to be utilized by the member countries.

In this regard the Government of the Islamic Republic of Iran has offered its cooperation and collaboration to set up this center in Iran and hope that the final decisions will be taken in this Meeting in order to be able to fulfill such important mission.

- In most of the Colombo Plan member countries poverty alleviation is one of the main concerns. I take this opportunity to request the Colombo Plan to facilitate the process of utilizing the other countries successful experience in combating poverty and underdevelopment.

Nowadays, the most important issue faced by developing countries is to develop technology in the fields of banking and commerce. The new methods of transferring money, remote investment making using modern technologies; conducting the trade and money transactions without requiring physical transfer of money or documents, or granting credit to the trade agencies are some of the challenges to be dealt by the developing countries, otherwise in future, there would be a remarkable gap between the developed and developing countries and ultimately, we may not understand the meaning of the words and expressions used by developed nations every day and there would be no room to play in the arena of international relations.

For this reason, I ask H.E. Secretary-General and the staff of the Colombo Plan Secretariat to take this issue into consideration and pave the way for the member countries to take advantage of the modern technologies and information by enhancing the views and experience of the developed countries.

- I want to draw the Colombo Plan Secretariat's attention to consider the long-term courses in addition to the short-term courses and to get some scholarships following the negotiation with the most creditworthy universities in the world to be granted to member countries whereby the experts could benefit from the suitable educational facilities in Master and Ph.D. level.

Distinguished Guests,

In conclusion, once again I wish you success in all your undertakings, and hope you enjoy your visit to Iran and leave our country with a pleasant memory.

**Address by H.E. Dr. Mohammad Khazaei
Secretary-General, 39th Consultative Committee Meeting**

Your Excellency, Minister of Economic Affairs and Finance,
Your Excellencies, Vice Ministers from the various Iranian Government Ministries,
Your Excellency, Secretary-General of the Colombo Plan Secretariat,
Your Excellency, President of the Colombo Plan Council,
The Respected Ambassadors of the Member Countries of the Colombo Plan,
Distinguished Guests,
Ladies and Gentlemen,

It is an honour to be here and have the opportunity to greet you specially those who have traveled to Tehran from around the world and across Iran to participate in this 39th Colombo Plan Consultative Committee Meeting. I wish you all well for what is certain to be another successful meeting among member countries aimed at promoting development specially in human resources as well as South-South Technical Cooperation in the Asia and Pacific region. On behalf of the Government of the Islamic Republic of Iran, I would like to extend the warmest welcome to you all. In particular, I welcome H.E. Secretary-General of the Colombo Plan Secretariat and the Colombo Plan Secretariat staff and appreciate their sincere efforts in arranging and organizing such a great event. I am certain that by full utilization of this opportunity we could create new prospects for joint cooperation among the Colombo Plan member countries' businesses, governments, and nations.

I think we unanimously believe that extensive and intensive political and economic challenges and developments which we witnessed during the 1990s have changed the nature and structure of economic arrangements and relations which were dominant for decades worldwide, ended up with the new concept of global economy. Among its many definitions, globalization is also defined as an increase in world-wide interconnectedness. It is a process, the power and momentum of which are derived from growth in market economy, free trade and investment, and technological advances in communication. Most of the debate about the new economic era concerns the economic dimension of this complex process, but it is clear that the phenomenon also has socio-political, cultural and ecological dimensions. There is little doubt that new world-wide economy has produced significant gains at the global level by facilitating the growth of foreign trade and investments. Goods and services, capital, technology and labour all move more freely than ever before across borders. This in turn has fostered growth and higher standards of living in the participating economies. At the same time, increased foreign investments, media expansion and Internet connections facilitated the transfer of technology and provided opportunities for reducing differences in productivity. In addition to economic gains, there have been significant benefits in the areas of culture and governance. Public awareness has increased significantly as a result of greater access to newspapers, radio, television and people through the Internet.

Countries gain from convergence to new economic era when they are able to take advantage of the ready access to capital markets, information and technology, and to benefit from the improved competitive environment which enables them to exploit their relative strengths. This leads to improved efficiency for purposes of growth, human development and poverty reduction.

Unfortunately, however, experience has shown that the process produces both winners and losers. Why are some developing countries losers in this process and how can they reverse this trend? Any list of factors be the answer, the more important is the urgency to respond to the inevitable upcoming integration into the new world economy. Based on many analyses, if developing countries are not to be marginalised by modern economic age, a complete concerted set of actions must be taken immediately. Also more proactive intervention on the part of the various stakeholders from national governments, private sector and NGOs to local and international communities and organizations should be emerged.

The complexities of new economic epoch make it difficult for many developing countries even to grasp the process much less to gain any control over it. Therefore there is a clear need to develop knowledge and capacity that is directly applicable to the management of convergence into the modern economic epoch. Also there seems to be a need to recognize those specific aspects of globalization which received less attention to be the subjects of the capacity building programmes. In fact while by the collapse of the former Soviet Union and Eastern Block, non-market based economic schools have been undermined essentially and the surging movements in restructuring economies towards market economies has become the main trend among many developing countries, and at a time that the unanimous outlook to join to WTO has made countries implement extensive reforms in their foreign trade regimes, there are still many other actions required to be taken from other aspects, specially e-commerce and foreign direct investment.

As mentioned before, modern economy is driven by technological change, especially ICT. Among the various applications of ICT advances in the economies, I think that e-commerce is the most important and effective contribution of modern technologies in the economy. While such phenomenon was out of scope a decade ago, e-commerce, e-banking, e-business and e-government are now evolving on a daily basis. The volume of e-commerce in 2003 is estimated around 3.5 trillion USD while it was less than 100 billion USD just 5 years ago. The dramatic growth of e-commerce within the past few years shows the momentum and power inherent in the nature of e-environment and activities

At the same time we should not lose the sight of the drastic economic and social impact of ICT on every aspect of life, such as the great change in wealth generation methods utilized by more knowledge and skilled manpower, the high importance of training and education in IT fields; decentralization and promotion of SMEs; increase in domestic and international economic and social interactions, etc. In this regard, governments of the developing countries should welcome such great opportunity for economic growth by providing transparent environment, develop human resources and implement strategies for encouraging enterprises and especially SMEs to participate actively in this new environment. Understanding the necessity for prompt responses to the requirements of ICT era, Government of the Islamic Republic of Iran has taken many measures to develop ICT in general and e-commerce in particular. Some of the achievements are creation of more than 70,000 experts and establishment of more than 500 enterprises, attraction of more than 2 billion USD foreign investment in ICT fields. As best stipulated by H.E. President Khatami, "ICT has seriously affected the time and place in our era, and therefore, promotion and making use of information technology has become one of the priorities in the national development master plan of the country since 1999. Iran becomes

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ready to make the final leap and enter the information and communication society, after achieving the goals of the ongoing process of adapting the country to the modern developments in the field of information technology.⁹ In light of such guidelines, the Government of the Islamic Republic of Iran is prepared and proposed an initiative aimed at achieving the main objective in joint collaboration with other Colombo Plan member countries.

I believe that another important issue with great potential but much less realization among the Colombo Plan member countries is foreign investment. Foreign investment can play a significant role in the development process of host economies. In addition to capital inflows, foreign investments can be a vehicle for obtaining more economic growth; employment opportunities; knowledge and technology, managerial skills, and other important inputs integrating into international marketing, distribution and production networks; and improving the international competitiveness of firms and the economic performance of countries. Simultaneously, neither inflows of foreign investments nor the benefits from such inflows are automatic and governments need to consider the role of foreign investment in their development process and then design their foreign investment promotion policies accordingly. In this line, international cooperation can help and reinforce the foreign investment promotion greatly as the developed fields for policy action proposed above cannot easily be pursued by many countries while acting alone.

This creates a scope for other countries and organizations to help via measures aimed at technical assistance and capacity building. In this respect, international organizations and relevant national agencies can focus on the capacity-building-increasing. Different performances with respect to the foreign investment reception in the past and present have created 2 main types of countries with strong/weak potential as well as over/under the potential performance. Among these countries, those with good performances, whether gained in the past or at present can play a very constructive role in building capacities of those performing under their potential by transferring their knowledge and experience in developing business environment and promotional activities through training courses and workshops, seminars, and forums, expert meetings, etc. Such cooperation can have great developmental effects regarding the huge gap between foreign investment inflows in these two categories. This brings us to the 2nd initiative proposed by the Government of the Islamic Republic of Iran to which I hope we have your valuable support and contribution.

Before ending, once again I hope that this event will positively contribute to collaboration of the Colombo Plan member countries in promotion of growth and development as well as South-South Technical Cooperation in the Asia and Pacific region. Thank you very much for your patience.

Vote of Thanks by H.E. Mr. Tshering Wangdi Ambassador of Bhutan to Kuwait

Your Excellency, Dr. Seyed Safdar Hosseini,
Minister of Economic Affairs and Finance,
Government of the Islamic Republic of Iran;

Your Excellency, Dr. Mohammad Khazaei,
Secretary-General, 39th Consultative Committee Meeting;

Your Excellency, Mr. Iskandar Sarudin, President of the Colombo Plan Council;

Your Excellency, Mr. Kittipan Kanjanapitakul,
Secretary-General, Colombo Plan Secretariat;

Distinguished Delegates,
Ladies and Gentlemen!

It is both an honour and privilege for my delegation to be nominated to deliver the Vote of Thanks for the Inaugural Address given by His Excellency Dr. Seyed Safdar Hosseini.

On behalf of all the delegations present, I would like to express our deep appreciation to His Excellency, Dr. Seyed Safdar Hosseini for taking time off from his important duties to inaugurate this Meeting and inspire us with his thoughts on issues facing all of us.

The Colombo Plan holds special significance for Bhutan since it was the first multilateral organization that we joined in 1962. Since then Bhutan has been a recipient of critical technical assistance in numerous fields which have helped us in our efforts at social and economic development. We therefore consider the Colombo Plan to be a very valuable organization which has a significant role to play in the region.

Excellencies, Ladies and Gentlemen, I am confident that all of us gathered here will be able to work together to ensure a most successful outcome for this Meeting. May I conclude by expressing once again on behalf of my delegation and all other delegations present, our gratitude and appreciation to His Excellency, Dr. Seyed Safdar Hosseini and through him to the Government of the Islamic Republic of Iran and to the great people of Iran for the warm hospitality and kindness showered on us and to all the others who have worked so hard on the excellent arrangements made for the Conference.

Tashi Delek

**Address by H.E. Mr. Do Ngoc Son
Assistant Minister and Director-General, Asia II Department
Ministry of Foreign Affairs, Socialist Republic of Vietnam**

Mr. Chairman of the 39th Consultative Committee Meeting,
Your Excellency, Mr. Iskandar Sarudin, President, Colombo Plan Council,
Your Excellency, Mr. Kittipan Kanjanapitakul, Secretary-General of the
Colombo Plan Secretariat,
Excellencies,
Distinguished Delegates,
Ladies and Gentlemen,

It is a great privilege and honour for me to represent the Government of the Socialist Republic of Vietnam at the 39th Consultative Committee Meeting in this beautiful ancient city of Tehran. This is the first meeting Vietnam attends as a full member of the Colombo Plan.

First of all, allow me to express on behalf of the Vietnamese Government our most sincere thanks and deep appreciation to all the governments of member countries as well as to the Colombo Plan Secretariat for your strong support and assistance to Vietnam to become a full member of this prestigious organization in the Asia and Pacific region.

Our thanks and gratitude also goes to the Government of the Islamic Republic of Iran for the warm welcome and generous hospitality and also for the excellent arrangements of the Meeting.

Distinguished Delegates,
Ladies and Gentlemen,

In the Asia Pacific region, the Colombo Plan is recognized as the oldest inter-governmental organization. Like many other regional groupings, the Colombo Plan has experienced a long and hard history of development over the past 50 years because of so many fast and important changes taking place in our region. The organization has however, surmounted all the hardships and survived the challenges. The process of revitalization initiated by the organization in 1994 has brought major changes in its cooperation programmes and given the Colombo Plan a new sense of role to play. The Colombo Plan now can be proud of having succeeded in evolving into a premier inter-governmental organization for regional economic and social development in Asia and the Pacific.

Distinguished Delegates,
Ladies and Gentlemen,

Vietnam highly values the important contributions that the Colombo Plan has made in improving the quality of technical training in the region. The training programmes conducted by the organization correspond to what most of the member countries need. Vietnam, though being a late comer, has still enjoyed the benefit from these training courses. I would like

Use this opportunity to thank and to acknowledge the help that the Colombo Plan has given to Vietnam because you have trained and is training and will be training in the future, people who will be very important in our country for the progress of our nation.

On this note, I wish to make clear that the full membership of the Colombo Plan has committed Vietnam to working closely with other member countries to uphold the objectives of the organization as stated in the Constitution in order to advance the economic and social development in the Asia Pacific region. We will do our best to live up to the confidence you have given to us.

Thank you.

REPORT OF THE EMINENT PERSONS' GROUP ON THE COLOMBO PLAN

Introduction

1. The 2004 Eminent Persons Group on the Colombo Plan (EPG) met in Colombo from 15 to 19 March 2004 to review the Colombo Plan's progress over the last decade and to make recommendations on the organization's future activities. The members of the group were:

Dr Lloyd Fernando, Chairman, Sri Lanka;
Mr. John Ryan, Secretary, New Zealand;
Ms. Patricia Chia Yoon Moi, Malaysia;
Mr. Mitsuo Ishizaki, Japan;
Dr Sippanondha Ketudat, ESCAP/Thailand;
Prof. Chung Mo Koo, Republic of Korea;
H. E. Mr. Kia Tabatabaee, Iran.

2. Mr. Kittipan Kanjanapitakul, Secretary-General of the Colombo Plan Secretariat, played a full part in the meeting. The members of the EPG took part in the group in their personal capacities. The views they expressed during the meeting and in this report are not intended to represent the views of any government or institution.

3. The EPG's terms of reference were set out in the operative paragraph of letters of appointment sent by the President of the Colombo Plan Council, H. E. Mr. Iskandar Sarudin, High Commissioner for Malaysia in Sri Lanka, as follows:

"The Colombo Plan Council has decided to invite an Eminent Persons' Group (EPG) to review the revitalization process and propose future directions for the Colombo Plan. The revitalization of the Colombo Plan was a result of the recommendation made by the Eminent Persons' Group which met in Colombo in September 1994. Ten years have passed since the revitalization process began and the Colombo Plan Council has decided that it would be timely to meet and discuss the process of revitalization and to set guidelines for activities for the Colombo Plan for the next decade."

4. The President welcomed the members of the EPG and described their task at an opening session on 15 March. His remarks are at Annex A. The Chairman responded, and the text of his remarks is at Annex B. The Secretary-General then provided members of the group with a broad survey of the present situation of the Colombo Plan and the issues facing it. The text of his comments is at Annex C.

The 1994 Revitalization of the Colombo Plan

5. The EPG takes note of the successful efforts to revitalize the Colombo Plan that were agreed by the 1994 EPG and the 35th Consultative Committee Meeting (Seoul, 1994). They particularly note the conclusions that:

... the Consultative Committee endorsed the conclusions of the EPG that the Colombo Plan should be revitalized, and that the role best suited to both the region's development and the Colombo Plan's capacities continues to be technical co-operation. The Consultative Committee also endorsed the EPG's recommendation that the Colombo Plan should follow a two-pronged approach, with a few permanent and regular programmes in subjects of high priority to member governments, as well as training programmes formulated on a project-by-project basis, and supported through South-South co-operation.

5. Two new regular programmes, the Programme for Public Administration and the Programme for Private Sector Development, have been established under the first "prong". However, the recommendation of South-South co-operation through project-by-project activities has been implemented only to the extent of three small projects. The EPG assumes that this is because no funding has been available for the purpose, leaving the Colombo Plan unable to match the funding of co-operating developing countries. This is disappointing, and has led to a loss of the momentum built up earlier because South-South co-operation was the rationale for the Colombo Plan's revitalization, and offers the best opportunities for the Colombo Plan to contribute to the region's development.

The Future Role of the Colombo Plan

6. To restore that momentum, the Colombo Plan will need to optimize its existing activities and make improvements to existing programmes. Some suggestions to help the process are incorporated in this report. The EPG has devoted most of its energies, however, to taking a broad view of the organization's role and future. It stresses the importance of identifying suitable niches for the Colombo Plan, and finding sources of funding to carry out activities. The EPG notes that the situation of the Colombo Plan is still very similar to the situation in 1994, except that two new regular programmes are in operation.

8. The EPG believes that the Colombo Plan must continue its efforts to adapt to changing circumstances, while avoiding duplication with existing organizations in the region by efficiently responding to the real needs of member countries. The Colombo Plan needs to concentrate on what it can do better than other organizations, especially by finding niches in which it can demonstrate an advantage. Technical co-operation remains the area of greatest strength for the Colombo Plan.

9. The 1994 EPG concluded that "resolution of problems of duplication lies in co-ordination with other international agencies rather than in failure to satisfy needs." The 2004 EPG shares the view that the Colombo Plan should co-operate with other international organizations. The group heard with interest the Secretary-General's account of the excellent relationship with UN-ESCAP and of his plans to develop the relationships with other regional bodies.

10. The EPG also notes the conclusion of the 1994 EPG that "The Colombo Plan should act as a bridge for securing access to training institutions for countries that would otherwise

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not have access to them.* The Colombo Plan could play a valuable linking role in developing projects by getting the parties together and generating support as a catalyst and facilitator.

South-South Co-operation and the Two-Pronged Approach

11. The revitalization of the Colombo Plan focused on South-South co-operation, and using the resources of regional members, especially newly emerging donor countries, technical co-operation programmes. The EPG notes that, when the Colombo Plan committed itself to South-South co-operation as a modality, that concept was not well known or understood. Since then it has been well publicized, and the UNDP now has a special unit for South-South co-operation. Widespread understanding of the idea has been achieved. There is still some confusion, however, over the differences between South-South co-operation, TCDC, TC (third-country training programmes) and partnership. The Secretariat could usefully help define these different concepts in the course of its activities.

12. The recommended project-by-project activities in such areas as environmental education, and management of fisheries resources still offer good potential to help member countries in areas of need. Many newly emerging countries appear willing and to have the resources to take part in such projects. The task is one of finding sources of funding for the Colombo Plan's cost-sharing in South-South co-operation.

Programmes

a) The Drug Advisory Programme

13. The EPG concludes that the Drug Advisory Programme (DAP) has been a basically sound programme for over 30 years. In the early years, a balance was maintained between supply-reduction and demand-reduction activities. The balance then tilted heavily toward demand reduction, but there is now renewed interest in supply reduction. The DAP's mandate is for regional and sub-regional activities. The DAP works closely with the US Department of State, and also with the UN Office on Drugs and Crime, so that duplication problems are avoided.

14. Funding for the programme is largely from the United States, although contributions are made by some other member governments. The EPG views the funding of the DAP as modest in relation to the overall cost of the drugs problem but understands that funding is normally a restraint on DAP activities.

15. The DAP is reviewed by a panel of experts every four years. The reviews are focused on outputs rather than on outcomes, but are realistic given the nature of the subject matter. The EPG:

- Recommends that the Secretary-General consider whether there is a need to undertake some capacity-building within the DAP, taking account of the continuing growth of the drugs

- Takes note of the cessation of Japan's contributions to the DAP, and of the Secretary General's letter to the Japanese authorities requesting them to reinstate their support;
- Also notes that the problems arising from drugs production and trafficking can be very different in different parts of the Colombo Plan region;
- Recommends that the Secretariat continue to work with all member countries to identify their different needs, and to ensure that DAP activities are responsive to these needs. Sub-regional activities might be an appropriate way of accommodating these differences.

The Programme for Public Administration

The EPG is unanimous in the view that sound public administration is vital to development. The role and effectiveness of government depends on the quality of the public service. A quality public service also helps to combat corruption and thus to encourage investment and maximize the value of all government expenditure. The basis of good governance is a results-oriented public service that takes seriously its responsibilities to both government and public.

Several Asian countries, such as Thailand, Korea, Singapore and Malaysia, have made substantial efforts to improve the quality of their public administration. The EPG commends that:

- The PPA should continue to enable other governments to learn from them.

The EPG understands that the PPA was initially able to place only a small number of participants in courses already designed and conducted by APO and SEAFDEC. Only recently has it been possible to adapt some of the courses to suit the PPA, although they still contain unrelated content and are not ideal for the PPA's purposes.

The EPG considers that the May 2003 review of the PPA presents a good picture of the courses provided but stops short of providing a quantifiable basis for evaluation. The EPG:

- Endorses the recommendation of the review that the number of joint programmes based on cost-sharing be increased;
- Endorses the review's comments on networking of alumni and increasing the length of courses;
- Notes that the review raises valid questions about repetition of courses versus variety;
- Notes the issue of concentrating training in a smaller number of countries in the hope of maximizing its impact on them;
- Also notes the absence of tracer studies of participants in courses. While the review says that the PPA must be demand-driven, that would be difficult to achieve without tracer studies.
- Recommends the participation of trainees from the host country as desirable, both as a means of monitoring quality and as a means of building networks and improving awareness of the Colombo Plan.

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20. The PPA is funded wholly by Japan, and there has been a signal that Japan's support might not continue. The EPG is unanimous that the PPA has high potential to assist development in the region by raising the quality of public administration, and that it is consistent with Colombo Plan tradition. Some improvements to the programme appear necessary in order to realize its full potential, and these improvements should be made. The DAP took well over 20 years to build up the skills and the contacts to make a significant impact.

21. The EPG considers the focus of the PPA on "public administration in the context of market-oriented economic development" to be somewhat dated. If a particular economic setting is necessary, that should probably be "knowledge-based economic development." However, it might be preferable simply to keep the context open so that the PPA is able to adapt to changing requirements and promote issues such as administrative reform, responsiveness to civil society, delivery of effective services, and good governance. The EPG recommends that:

- The PPA should be reviewed and continued;
- Links should be strengthened with institutes of public administration and with government agencies in charge of the public service in member countries to facilitate exchanges about administrative reforms. The aim should be high-level exchanges among ministers and/or senior officials responsible for public services. These exchanges should be carefully prepared; should begin with exchanges through e-mail or on paper; and should progress to face-to-face meetings, which would need to be well-structured and well prepared.

c) The Programme for Private Sector Development

22. Two-thirds of the trainees in the PPSD are drawn from the government sector, and are paid for 100% by the programme. One-third of the trainees are from the private sector, and pay part of their own costs. There is demand from the private sector for a greater share of places available, and a move to a 50/50 split seems likely. The EPG welcomes this prospect, noting that the goal of developing the private sector implies that private sector people will be trained. The EPG recommends that:

- The goals of the programme be more clearly defined;
- The PPSD be reviewed;
- The Secretariat clarify the programme's interface with the PPA;
- The target group for the programme be identified more clearly.

23. While Korea remains the basic source of funding, a range of other donors have contributed to the PPSD. The EPG recommends that:

- As the PPSD is training private-sector people, private-sector corporations might logically be approached for funding.

Ad Hoc Projects on a Project-by-Project Approach

4. The EPG notes that the Secretariat has conducted three training projects on a project-by-project basis. These conform with the second part of the two-pronged approach commended by the 35th Consultative Committee Meeting. The projects were: "Ageing of populations in the Asia-Pacific region", a seminar on ageing conducted in 1999 for senior policy makers;

Two seminars on water management conducted by the Secretariat in 2002 in collaboration with the UN-ESCAP, the International Water Management Institute (IWMI) and the UN Food and Agriculture Organization;

An international workshop on raising the awareness of public administrators to promote inclusion of disabled persons in the development process held in collaboration with the UN-ESCAP.

5. The EPG recommends that:

- The Secretariat promote more projects on the same basis.

Guidelines for Programmes

6. The President's letters of invitation to the members of the EPG specifically tasked them to set guidelines for activities of the Colombo Plan. In the course of the meeting the Secretary-General posed a number of questions to the group about the administration of programmes. The EPG notes that there appear to be few clear guidelines for those involved in setting up and conducting programmes. The EPG therefore recommends that:

- General guidelines relating to efficiency and effectiveness be drawn up for all Colombo Plan programmes to maximize their cost/effectiveness. Some suggestions for these guidelines are in Annex D.

New Programmes

7. The EPG has not recommended new regular programmes on the lines of the DAP or the PPA, noting that they involve a long-term commitment from donors to meet ongoing costs. The three existing programmes appear to satisfy the first prong of the two-pronged approach recommended in 1994 as the basis for revitalization.

8. It believes that emphasis should now be placed on implementing the second part of that approach, with South-South co-operation on a project-by-project basis and co-operation in long-term training. It further recommends that member countries such as Singapore, India, Malaysia, Thailand and Iran, which have their own funds for co-operation, should be approached by the Secretariat as potential partners.

9. The EPG notes that long-term graduate and undergraduate training was the hallmark of the Colombo Plan. The 38th Consultative Committee Meeting urged its revival. The EPG does not recommend a return to the traditional approach to long-term training based on North-South funding. However, it notes the possibility of true South-South co-operation based either

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on full grant from the host country or on cost-sharing, with some costs such as international travel borne by the sending country or the Colombo Plan. Iran is now acting to revive long-term training, Thailand has announced that 200 long-term scholarships will be available to Colombo Plan member countries over a period of four years, and Malaysia has a long-term training programme in place. The EPG views these as important developments with significant implications for the region's cohesion and development. The EPG recommends that:

- The Secretary-General negotiate with these member countries, and others with similar programmes, to establish a long-term training programme for the Colombo Plan based on South-South co-operation.

30. At its 38th meeting the Consultative Committee recommended that the Colombo Plan "should embark on introducing various types of courses with specific objectives via distance learning." The EPG believes ICT and distance learning provide a potentially important new way for the Colombo Plan to contribute to the region's development. In this connection, however, the EPG notes with dismay that the Colombo Plan is not involved in the "Virtual Colombo Plan" that was launched by Australia and the World Bank in 2001. The programme appears to be a good one but its name poses problems and will complicate any efforts the Colombo Plan may make to venture into this field.

31. The EPG deeply regrets the inadequate response of the Secretariat to the approach from the Global Foundation in 1991. In view of Australia's continuing membership of the Colombo Plan, the Colombo Plan's lack of involvement in a project bearing its name remains difficult to understand. The EPG recommends that:

- elements of distance learning should be used when possible as part of regular programmes so that trainees absorb as much as possible of their training at home.
- more comprehensive approach to distance learning also seems to warrant investigation.
- The Secretary-General approach the Australian authorities at a high level to discuss the Colombo Plan's future involvement in a project bearing its name, taking account of Australia's membership of the Colombo Plan.

The Colombo Plan Staff College (CPSC)

32. The EPG notes the decision of the Philippines Government to terminate the Agreement with the Colombo Plan Staff College (CPSC), and that this development will have implications for the wider Colombo Plan. The EPG also notes that the issue is under consideration by the Colombo Plan Council and likely to be considered in detail by the Consultative Committee at its meeting in June 2004. The EPG further notes that the Secretariat has been unable to obtain information about the situation as directed by the Council. In these circumstances, and despite extensive discussion, the EPG is unable to make any substantive recommendation on this matter. However, in order to facilitate a move to another location, the EPG recommends that:

- a management audit of the CPSC should be undertaken. The availability of an audit would greatly assist both consideration by any potential host and discussion in the Consultative Committee.

General Issues

Awareness of the Colombo Plan

The EPG has concluded that public awareness of the Colombo Plan is low, and that support from potential donors would increase if the Colombo Plan's public image could be improved. The EPG recommends that:

- The quarterly newsletter should be continued and distributed to focal points in member governments, other regional development organizations, and selected news agencies;
- The newsletter should also be distributed to alumni when the proposed database of alumni has been established;
- Ad hoc press releases on issues of interest should be produced and given similar distribution;
- Participants in Colombo Plan training courses and seminars should be briefed about the Colombo Plan by exposure to a video or Power Point presentation;
- The Secretary-General take opportunities that arise to make speeches about the Colombo Plan and its activities during his official visits to member countries. The text of these speeches should be posted on the website and used to raise the profile of the organization.

A website offers the most practical and cost-effective means of boosting awareness of the Colombo Plan. Debate of development issues was a feature of the early meetings of the Consultative Committee, and forums or discussions on special topics could be initiated on the website from time to time. The EPG recommends that:

- The Secretary-General accelerate the opening of the new website and provide the staff and funding to maintain and regularly update it.

Alumni

The EPG recommends that:

- The Secretariat commission a database of alumni, who could help to promote awareness of the Colombo Plan; provide the basis for tracer surveys; create a support network; and help communications;
- As new programmes and tracer surveys are commissioned, records of alumni should be added to the database.
- Any information the Colombo Plan collects be traded with the other groups interested in Colombo Plan alumni.
- When the new website is operational it should include an appeal to alumni to provide contact details.

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c) The Constitution

36. The EPG does not expect that any of its proposals would require constitutional change. However, the EPG recommends that:

- Any recommendations arising from this report that are approved by the Council or the Consultative Committee should be assessed for their compatibility with the present constitution and constitutional amendments made if necessary;
- The outcome of the termination of CPSC's Agreement with the Philippines Government should also be considered in the context of the constitution.

d) Funding

37. One of the tasks of the Secretary-General is to seek funds from possible donors. The EPG notes that reasonably secure funding is available to the DAP and the PPSD for the immediate future. However, the EPG agrees that the PPA needs to demonstrate its positive impact on social and economic development in the region in order to secure funding for the next few years. The EPG recommends that:

- The Secretary-General seek further funding from existing donors, other member and non-member countries and international and regional organizations and the private sector;
- The Secretariat provide information and statistics to member countries to show the benefits they derive from their contributions to the Colombo Plan.

38. The Colombo Plan was encouraged to embrace South-South co-operation in its revitalization a decade ago but no resources have been provided specifically to give substance to the concept. The prospects for real South-South co-operation are now better than ever through long-term training and the project-by-project approach to meeting regional needs, therefore essential to find sources of funding to meet the Colombo Plan's share of South-South co-operation.

39. The EPG notes the long discussion in both the Consultative Committee and the Council of a constitutional amendment relating to non-payment of annual subscription fees. The EPG notes the risks that may arise for the Secretariat's finances if a precedent is set that encourages member countries not to pay their full fees.

40. The members of EPG express their thanks to the President of the Council for his hospitality and for the time and attention he gave them. They also wish to record their appreciation of the hospitality and helpful arrangements made for the meeting by Secretary-General Kittipan and the staff of the Secretariat.

REPORT OF THE 2004 EMINENT PERSONS GROUP ON THE COLOMBO PLAN

Comments by Japan

The Government of Japan (GOJ) avails itself of the opportunity of the 39th CCM to announce basic standpoint toward the status of EPG Report and the Colombo Plan's future direction.

Overall comment

GOJ understands that the Colombo Plan (CP) has been confronted in a turning point and therefore convened the EPG meeting after ten years' interval to discuss the middle-and-long-term direction of its activity. If this is a correct understanding, EPG must have submitted the report to the CCM under the expectation that the CCM, as the supreme body of the management of the CP, discusses the future direction of the CP by taking account of the report as an important reference.

In this sense, GOJ deplors that the 39th CCM substituted the agenda item for the endorsement of EPG Report, and could not discuss the substantial issues pointed out in the report. This is the reason why GOJ distributes this paper.

In the following GOJ expresses its opinion on some issues mentioned in EPG Report.

South-South Co-operation and two pronged approach

GOJ does not deny the significance of ad hoc project, but the projects should be implemented under the consideration of the budget constraint. For instance, the CP should cooperate with NEP or APO for its projects on environment, and with FAO or SEAFDEC for its projects in the field of agriculture, forestry and fisheries by making the best use of their human and financial resources.

The Drug Advisory Programme

GOJ seriously accepts the recommendation by EPG for the resumption of Japan's financial contribution. Although it is quite difficult to resume the voluntary contribution to the Programme under the severe budgetary situation, GOJ is prepared to consider further financial contributions on ad hoc basis, except for the shape of regular contribution. GOJ seeks the DAP secretariat for any information on projects to which Japan may contribute.

The Programme for Public Administration

GOJ highly appreciate the recommendation by the EPG that the CP should continue the PA, taking account of the necessity of the Programme. However, GOJ regrets that it became impossible to continue the voluntary contribution to the Programme. GOJ wishes that some other member countries understand the importance of the Programme and take over the contribution.

5. Guidelines for Programmes

GOJ supports the concept of utilizing the limited resources by implementing each program more effectively. On the other hand, GOJ is anxious about the idea of drafting the guidelines solely by the CP in terms of effectiveness and cost-performance. Most of the elements expected for the guidelines may have been established by other international organizations or bilateral donors which have accumulated knowledge and experiences through their long-term activities. GOJ would thereby suggest that staff of the CP Secretariat take a chance to contact with the representative office of donors such as the UNDP, the World Bank and JICA in Colombo to study their methodology.

6. New Programmes

GOJ welcomes the initiatives taken by such member countries as Iran and Thailand to launch new projects with their own resources. This is actually the basic concept of South-South Co-operation. GOJ expects this type of initiatives will be widespread.

GOJ also agrees to the potentiality and the importance of Information and Communication Technology for effective development assistance. In this connection, GOJ regrets that it cannot see any apparent proceed for the project of

"Virtual Colombo Plan" led by the Government of Australia and the World Bank. GOJ requests the Secretariat to distribute the outline and recent evolution of this project to member countries. GOJ is ready to cooperate with the CP within its capacity after gathering relevant information.

With regard to suggestions for the new programmes, GOJ suggests that the following programmes may utilize the comparative superiority and suitable niche of the CP.

- assistance to potential emerging donors among the member countries
- regional workshops on illegal human trafficking, democratic governance, human security and assistance to the post-war peace building
- assistance to promote the creation of free trade markets in South Asia

In addition, GOJ recommends the CP to continue to find projects on South-South Co-operation. For the reference, GOJ would like to mention that it has implemented some projects such as ASEAN-South Asia cooperation (e.g. partnership programmes with Thailand and Philippines) and Asia-Africa cooperation.

7. General issues

GOJ shares the idea with EPG Report that low profile of the CP may cause its financial difficulty. It is thereby necessary for the CP to promote public relations to catch up the other international organizations, taking account of the balance of its costs and actual effects.

For example, GOJ arranged a press interview session for the Secretary-General on the occasion of his visit to Japan. It is estimated that millions of Japanese citizens read the article.

and recognized the existence and activities of the CP. This is obviously one of the good practices of low-cost and effective public relations.

With regard to the consistency of new activities recommended by EPG report and the CP institution, GOJ proposes to hire a professional legal advisor, who is particularly familiar with public international law, to do necessary tasks. GOJ can accept the tentative increase of mandatory contribution to allocate the relevant cost.

REPORT OF THE 2004 EMINENT PERSONS GROUP ON THE COLOMBO PLAN

Comments by Thailand

On behalf of the Thai delegation I would like to place on record our thanks to the President of the Colombo Plan Council, H.E. Mr. Iskandar Sarudin for presenting the 2004 Eminent Persons Group Report. We would also like to congratulate all members of the EPG for their excellent work. The EPG has produced a high quality Report that sets the future directions for the Colombo Plan.

My delegation welcomes the Report and endorses the recommendations contained therein and we would like to highlight some specific items in the 2004 EPG Report :

1. First is about the cessation of Japan's contribution to the Drug Advisory Programme. The Thai delegation fully supports the Secretary General's letter to the Japanese authorities requesting them to reinstate their support. We hope that Japan would give an affirmative response to the request.
2. Second is about the New Programmes. The EPG noted the possibility of true South-South cooperation and also noted that three countries, Iran, Thailand, and Malaysia, are offering long-term training or scholarships to Colombo Plan member countries. My delegation fully endorses the recommendation that the Secretary General negotiate with member countries to establish a long-term programme to the Colombo Plan based on South-South cooperation.
3. Next is the Virtual Colombo Plan. My delegation shares the sense of dismay expressed by the 2004 EPG that the Colombo Plan Secretariat was not involved in the Virtual Colombo Plan that was launched by Australia and the World Bank in 2001. My delegation concurs with the EPG that the programme appears to be a good one but its name poses problems and will complicate any efforts the Colombo Plan may make to venture into this field.

We support the recommendation of the 2004 EPG that the Secretary General approach Australian authorities at a high level and discuss the Colombo Plan's future involvement in this project which bears its name.

4. Another item which my delegation wants to touch upon is the issue of the Colombo Plan Staff College or CPSC.

The EPG said it was unable to make any substantive recommendation. It could only recommend a management audit just to facilitate a move to another location. It is with the same purpose that my delegation would like to give some thought.

Perhaps, it is time for the CPSC to expand by offering its excellent services to more developing countries other than Colombo Plan member countries. Currently, the CPSC can only invite member countries of the Colombo Plan to become members of the CPSC.

So maybe it is time for the CPSC to operate as a separate independent institution open to all developing countries and the name should be changed to just the Staff College.

Therefore, my delegation would like to propose that the Staff College could operate as a new independent entity of its own outside the Colombo Plan framework.

My delegation can foresee a brilliant future for the Staff College under the new arrangement which will make it easier to find a new location, instead of ceasing to exist in November 2004.

My delegation would also like to request the Consultative Committee to direct the Colombo Plan Council to follow up and take appropriate measures to de-link the Staff College, and keep all member countries informed of the progress of this process.

The last issue is about funding. My delegation believes that it is important that the Secretary General and the Secretariat carry out the tasks recommended by the EPG in paragraph 37 of the Report.

Thank you.

**PROGRESS WITHIN THE REGION AND FUTURE DEVELOPMENT
PRIORITY**

**Statement by Ms. Keiko Okaido
Deputy Executive Secretary, United Nations Economic and
Social Commission for Asia and the Pacific**

Mr. Chairperson, Excellencies, Distinguished Representatives, Ladies and Gentlemen

It is an honour and a privilege for me to be here in Tehran and represent UN-ESCAP at the 39th Colombo Plan Consultative Committee Meeting.

As you are aware, UN-ESCAP is the regional arm of the United Nations for Asia and the Pacific, with 62 members and associate members. I am pleased to note that all the member countries of the Colombo Plan are also members of UN-ESCAP.

Moreover, the major objective of both UN-ESCAP and the Colombo Plan are to promote economic and social development of the member countries in the Asia-Pacific region. Therefore, greater cooperation between the two institutions can reinforce the positive impact of the efforts and activities of both organizations.

Mr. Chairperson, the Asia-Pacific region is the most populous region in the world. It is also the most dynamic region. However, despite the region's robust economic growth in recent years, poverty reduction remains a major challenge for many countries. Around 800 million people out of a total of 3.8 billion are still living on less than a dollar a day income in the region. The overarching goal of achieving the MDGs including the goal of halving the incidence of poverty by 2015 in our member countries will require sustained efforts by our two organizations and all other stake holders.

Mr. Chairperson, at its 60th Session, UN-ESCAP members adopted the Shanghai Declaration, which consists of a wide range of future-oriented strategies to strengthen and sustain the progress of this vast region. It re-affirms the importance of focusing UN-ESCAP work on its three thematic areas, poverty reduction, and managing globalization and addressing emerging social issues.

The Declaration re-emphasizes UN-ESCAP's unique role as the most representative body in the Asia-Pacific region and its mandate as the main general economic and social development centre within the United Nations system for the whole region.

Members and associate members of UN-ESCAP have committed themselves to multilateralism and to addressing global as well as regional issues through dialogue, consultation and cooperation. This process could be further enhanced through strengthening cooperation between our organizations.

Mr. Chairperson, on the operational side, UN-ESCAP has emphasized and will continue

phasize the promotion of its technical cooperation programme. In this context, the three main functions of UN-ESCAP technical cooperation are :

Policy advocacy and dialogue on global and regional commitments on emerging issues that require urgent attention by its members.

Regional knowledge networking to enable members and associate members to share and discuss information and experience on good and innovative practices.

Training, advisory services and other technical assistance aimed at strengthening the capacity of members and associate members to formulate and implement effective policies and programmes.

Technical cooperation is already taking place in a number of areas between our two organizations. We note that UN-ESCAP and the Colombo Plan co-organized several workshops over the years. This includes the "International Workshop on Raising Disability Awareness of Public Administration Personnel to Promote Disabled Person's Inclusion in Development Process" in March 2003 and "UN-ESCAP/Colombo Plan Training Workshop on Application of Latest Decision Making Support Systems and Techniques in Water Resource Planning and Management" in October 2003.

Mr. Chairperson, I am pleased to inform you that UN-ESCAP and the Colombo Plan are collaborating in the organization of seminars and training programmes with a focus particularly on WTO-related issues. A jointly organized regional dialogue on the "Role of Regionalism and Multilateralism in Shaping the International Trading System" was held in Tehran from 15 to 19 May 2004. This will be followed by a training programme on "Institutional Process and Initiatives for Developing Country Positions in WTO Negotiations" to be held in Seoul from 21 June to 3 July 2004.

UN-ESCAP and the Colombo Plan are in the process of expanding their cooperation in the trade area by including the business sector. As major actors in the trade and investment arena, the business sector is directly affected by WTO Agreements and therefore needs to be prepared for trade reforms that WTO will bring about. In this regard, the collaboration between UN-ESCAP and the Colombo Plan is progressing constructively. A regional seminar on the business implications emerging from the phasing out of the Multifibre Agreement and full integration of the textile and clothing sector under WTO rules is being organized jointly. The seminar will be hosted by Peking University and will be held towards the end of this year.

Mr. Chairperson, UN-ESCAP and the Colombo Plan Secretariat shall explore the possibilities of further enhancing cooperation in the area of use of E-Commerce for trade promotion and facilitation of products manufactured by SMEs, foreign direct investment and financing for SMEs and SME development and networking among the Colombo Plan countries. UN-ESCAP could collaborate with the Drug Advisory Programme (DAP) of the Colombo Plan in strengthening multicultural responses to health promotion, including government-civil society collaboration on fostering positive youth health behaviour and healthy lifestyles.

Furthermore, UN-ESCAP and the Colombo Plan could also cooperate in the area of developing a harmonized framework of indicators for measuring the readiness, uses and impact of Information and Communication Technology (ICT) in their common member countries.

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Let me conclude with the hope that fruitful cooperation between our two organizations further strengthen in the future and benefit our common membership, and that this Consultative Committee Meeting, will make an important contribution in that regard. Thank you very much for your attention.

COUNTRY PRESENTATIONS ON BILATERAL TECHNICAL COOPERATION PROGRAMMES

INDONESIA

INTRODUCTION

The purpose of organizing TCDC training programme is not only to share knowledge and experience with other developing countries but also to implement the relevant provisions on Indonesia constitution and the main efforts of establishing a world order based on freedom, peace and social justice, and to strengthen solidarity, unity, and economic as well as technical cooperation among developing countries.

TCDC programmes would greatly contribute to the acceleration and enhancement of development in the South and the collective self-reliance of developing countries. The programmes are focused on exchange of development experiences, technical assistance and training, as well as dissemination and exchange of information. Indonesia expects the continuation of full support from the donor countries and cooperation with other institutions/ international organizations that share common interests and objectives to enhance the development in the developing countries.

The 39th CCM Colombo Plan today, takes place at a challenging time when the world is slowly recovering from recession and there are serious geo-political tensions that may counteract that recovery. However, this is also an opportunity to create a framework for future cooperation that will enhance South-South cooperation particularly among members of Colombo Plan.

Indonesian Technical Cooperation Programme (ITCP) has become the important instrument of Indonesian foreign policy. Programme activities have been done since Bandung Conference in 1955 in sporadic nature, and then on regular basis since 1977.

Indonesia has been contributing to the effort of strengthening and expanding South-South technical cooperation with the support from various donor institutions particularly JICA and UNDP. Furthermore, Indonesia and Brunei have also taken the initiative to establish the NAM Centre for South-South Technical Cooperation, located in Jakarta, Indonesia. The Centre, which was inaugurated on 25 February 1998, has been launching various programmes and activities to support the development efforts of the developing countries.

The Government strategy to promote and implement TCDC activities involves, first and foremost, knowing and understanding its own technical capacities and needs for development and those other developing countries. As a second step, it involves matching them against each other, sharing of transferring skills, experiences and technologies to other countries which need and request them, and in return acquiring the same from other developing countries.

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Basically, there are three types of TCDC activities implemented by the Government of Indonesia, namely:

1. The Government of Indonesia initiated and designed the training programme based on the Indonesian capacities and experience;
2. Design the training programmes based on request of other developing countries and
3. Cooperation with other donor countries or international agencies designed the training programmes.

The implementation of the three types of TCDC activities consequently brought different financial arrangement in implementing the training programmes. The Government of Indonesia will finance TCDC programme through:

1. National Budget

The national budget is mostly used to bear cost of training, board and lodging, transport, local transportation, health insurance and pocket money for foreign participants. All these funds do not include of in kind for TCDC activities such as (laboratory equipment, teaching equipment) which are financed by routine budget of each technical department / executing agencies.

2. National – UNDP - IPF

In addition to the funds allocated from its national budget, Indonesia has been utilizing its UNDP-IPF for supporting their implementation of TCDC programmes. This fund has been utilized to cover the international cost for foreign participants attending training in Indonesia. The IPF Fund can be also utilized for bearing the international cost of Indonesia participants attending programme in other countries.

3. Other resources

The Government of Indonesia in cooperation with other developing countries or parties, such as Colombo Plan Secretariat, JICA and ESCAP organized training programme in form of Third Country Training Programme (TCTP), Third Country Exchange Programme (TCEP) and Supplement Training Programme on cost sharing basis. In this scheme the Government of Indonesia only provide local cost such as board and lodging, local transportation and health insurance.

II. PROGRAMME ACCOMPLISHMENT

1. Despite financial constraints, Indonesian Government has regularly organized TCDC activities through:

- Organizing technical training programme in Indonesia for participants coming from developing countries;

- Organizing study visits by officials from other developing countries to learn from Indonesia's experience in various development programmes;
- Organizing study visit by Indonesian officials to other developing countries;
- Dispatching of Indonesian experts and advisors to other developing countries for the preparations of projects / programmes;
- Implementing project activities in other developing countries; and
- Sending Indonesian trainees to other developing countries.

In the last three years, the Indonesian Government has been successfully organized 36 training programmes, including programmes funded by JICA and Colombo Plan Secretariat, with a total participants 571 participants from Asia-Pacific, Middle East and Africa region.

In addition, post graduate programme also implemented by the Government of Indonesia since 1993. Annually, about 50 fellows from other developing countries attending this programmes in various universities in Indonesia.

In the field of agriculture sector, Indonesia also organized apprenticeship programme for farmers and extension workers from other developing countries. This programme considered effective for transferring technologies among farmers in the developing countries, since the programme implemented based on learning by doing methodologies. During the programme implementation, the trainees (apprentice-farmers) stay with the Indonesian farmers in order to be able to learn to perform all activities carried out by the Indonesia farmers as well as exchange ideas and information on agricultural development.

On the other hand for the implementation of human resources development Indonesian Government also benefited from training programmes and postgraduate programme organized by other developing countries. While at the same time, Indonesia is also sending its experts and receiving experts assignment from other member countries:

Actively Participated in various Colombo Plan Training Programmes (28 trainees in 2003 and 6 trainees in 2004)

TCDC OBSTACLES

Despite advances and increasing patterns of technical cooperation, number of constraint still cloud the expansion of TCDC. For instance, the level of cooperation has not been commensurate with the existing capabilities and capacities in the South or with the various commitments made over the years for the promotion of TCDC. These include, among others, the lack of coherent national TCDC policies and institutional support structures as well as the lack of documentation on national TCDC activities, including financial information.

What is now urgent, is to reinvigorate our commitments to tackle such constraints and build upon the best practices and proven models as well as to strengthen the role of pivotal

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countries and their leadership in TCDC, including the role of the private sector in helping to expand TCDC. There is also a realistic need, in this area of globalization, to emphasize regional cooperation and integration.

IV. THE FUTURE OF TCDC COLOMBO PLAN

1. There is a need to establish a mechanism for cooperation and coordination among TCDC units of developing countries, particularly in regional and sub-regional level, to further enhance technical cooperation based on the respective national development priorities. Such mechanism would be beneficial as pooling resources and synchronizing the TCDC programmes and projects. It would also avoid overlapping programmes and reduce the burden of cost incurred. This mechanism would serve as a more feasible approach in acquiring third party funding from the donor countries and international institutions.
2. To organize workshops with the implementing agencies to improve the quality of teaching on various issues, to improve ways of integrating traditional training with effective study tours, and internship.
3. To organize a series of programmes on similar subjects or issues among countries implementing Third Country Training Programme (TCTP). In this scheme, participants will be able to understand various perspectives and approaches of such issues in different countries.
4. To organize a round table, seminar or workshop on certain subjects or issues involving the former participants and the implementing agencies.
5. The need to focus TCDC activities in the field of information and communication technology.
6. To organize annual meeting among focal points in order to evaluate the implementation of Third Country Training Programme (TCTP) and exchange information on future programmes.

RECOMMENDATIONS

Information of the programme should be distributed to the invited countries as early as possible, or at least 3 months prior to the implementation of the programme.

Detailed information concerning facilities for each programme as well as the amount of pocket money or allowance provided to the participants should be clearly stated in the general information.

The invited countries should select the right candidates according to the qualifications and requirements of the programme activities.

The implementing agencies should improve their capabilities in organizing the programme (management, instructor and facilitator).

There is a need to establish a monitoring system to evaluate the benefits and effectiveness of TCDC.

COUNTRY PRESENTATIONS ON BILATERAL TECHNICAL COOPERATION PROGRAMMES

KOREA

The Korean Government recognizes the importance of the technical cooperation Colombo Plan has implemented, and wishes to express our appreciation to the Colombo Plan Secretariat and its members for such endeavours.

As the world today is changing and growing faster than ever before, 'Globalization' and 'Knowledge-based Economy' became the key words in our daily lives. In particular, bilateral and multilateral technical cooperation were added to our global development agenda. In this regard, the Korean Government anticipates that the Colombo Plan will make an active contribution to this matter.

Korea's Assistance to Colombo Plan's Activities

Korea has so far supported the Colombo Plan activities by providing donations (worth US\$ 100 thousand), inviting trainees, and dispatching experts.

In particular, Korea decided to extend 100 thousand US dollars for PPSD (Program for Private Sector Development) in 2003 and is implementing two joint training programmes under the MOU with the Colombo Plan Secretariat.

The Korean Government places a high priority on bridging "digital divide", in terms of technical cooperation toward developing countries. We are currently searching for the way to link our bilateral cooperation in this area with the Colombo Plan's projects, such as 'Colombo Plan e-Service Network'. Therefore, we are looking forward to seeing a close cooperation.

As an advanced developing country, Korea will exert its utmost effort to share its experiences of economic development planning, financial crisis and restructuring programs.

Country Presentations on Bilateral Technical Cooperation Programmes 2000/2001; 2001/2002 and 2002/2003

General Information

Objectives of Korea's technical cooperation are as follows:

- to assist for sustainable economic development
- to meet basic human needs
- to pursue universal values such as democratization and market economy

Main areas of Korea's technical cooperation are economic development, promotion of trade and investment, agriculture, forestry, fisheries, health care and education where Korea has a superior edge and where there is a high demand from developing countries.

Support of HRD

Based on its own development experience, Korea came to fully understand the critical importance of HRD. Therefore, Korea is placing a top priority on HRD area when assisting developing countries. With much experience and know-how in HRD, Korea can contribute greatly to the international community by sharing its unique development experience.

The majority of Korea's technical cooperation is concentrated in the Asia-Pacific region where most member countries of the Colombo Plan are located.

In 2000, 1926 trainees from 112 countries took 106 training courses in Korea, among which member countries of the Colombo Plan occupy about 65%. In addition, 70 KOVs and 70 experts were dispatched to member countries.

In 2001, our training programmes invited 2089 trainees from 115 countries. Among them, trainees from member countries were 1283 persons. Korea also dispatched 46 experts (25 persons to member countries) and 181 KOV's to 22 countries (99 persons to member countries).

In 2002, 2408 trainees from 124 countries were invited to our training programmes. Cooperation with member countries of the Colombo Plan accounts for more than 50%; 1453 trainees from member countries. 47 experts were sent, among which 17 experts were sent to member countries. 105 out of 207 KOVs were dispatched to member countries.

In 2003, Korea invited 2295 trainees from 111 countries. Among them, trainees from member countries were 1501 persons. Korea also dispatched 35 experts (14 persons to member countries) and 624 KOVs to 27 countries (112 persons to member countries).

To meet ever-growing and constantly-changing needs, Korea makes every effort to further improve its HRD programme. Currently, Korea is paying greater attention to the promotion of cooperation in Information Technology and knowledge-based industries in addition to the traditional areas of technical cooperation.

COUNTRY PRESENTATIONS ON BILATERAL TECHNICAL COOPERATION PROGRAMMES

MALAYSIA

The Malaysian Technical Cooperation Programme (MTCP) which has been implemented since 1980, was formulated based on the belief that the development of a country depends on the quality of its human resources. Hence, the MTCP emphasizes the development of human resources through the provision of training in various areas which are essential for a country's development such as development planning, poverty alleviation, agriculture development, investment promotion, central banking, as well as public administration.

The Economic Planning Unit, which is the focal point for all technical cooperation, is responsible for the administration and coordination of all MTCP activities. Since its inception, the MTCP has expanded in terms of its scope and coverage with emphasis on the exchange of development experience. What has begun as a modest programme of technical cooperation with our ASEAN neighbours has since expanded to include all the major regions of the world. When it first started the MTCP's technical cooperation was confined to the nine ASEAN member countries. Since then, the MTCP has cooperated with other developing countries by providing technical and academic skills training, contributing towards bridging their development gaps. Currently, it has been expanded to include more than 130 member countries representing nine regions in the world. Through the various training programmes, Malaysia shares its own experience in different areas of development.

To ensure that the training programmes are relevant and meet the needs of participating member countries, new programmes, especially in economic management and human resource development have been designed to cater to their special needs, particularly, economies in transition as well as countries which are in the throes of reconstruction. These countries include Cambodia, Laos, Myanmar and Vietnam (CLMV), Bosnia and Herzegovina (BH), East Timor and Afghanistan.

Among the measures taken to ensure that MTCP is planned and delivered in accordance with the priorities of the participating countries are, regular consultations, specially packaged courses, needs assessment missions and close collaboration with the participating parties in the implementation of the training programmes.

The MTCP is implemented through several cooperation programmes: training in both short and long-term courses; study visits and practical attachments; advisory services through the dispatch of experts; and project-type assistance which includes the provision of equipment and assistance in-kind on a highly selective and case-by-case basis.

The MTCP short-term courses are less than three months duration. On average, these courses run for four weeks. This short-term training is in diverse areas where Malaysia has acquired expertise, whereby 66 scheduled courses are currently available annually in 22 training institutions and government agencies. These courses range from public administration and management, productivity improvement, civil aviation, ICT, central banking, agriculture management, and so forth.

Long-term courses started in 1992 where long-term training are offered to participants for post-graduate degrees at the Masters and Ph.D. levels at five local public universities. These scholarships have been awarded to participants in areas such as economics, computer science, social science, accounting, business administration and so forth.

The MTCP also organized study visits and attachment programmes for many requesting countries. The study visits are usually for a duration of one to two weeks while attachments are for a slightly longer period. Participants under these programmes gained experience in a wide range of areas such as development planning, poverty eradication, investment promotion, privatization, public administration and project planning.

New activities are constantly added to the areas of cooperation which serve to enhance and expand the scope of the programme. In recent years, the MTCP has actively participated in the provision of advisory services through the dispatch of experts to several requesting countries. Among the objectives of this programme is to promote income-generating activities in order to eradicate poverty.

Malaysia also extends on a selective basis, project-type assistance to countries facing hardships of transition or have need of humanitarian aid. Such assistance has been provided to Bosnia-Herzegovina, Cambodia, Vietnam, Malawi, Mozambique, South Africa and the Kyrgyz Republic.

The MTCP also actively collaborates with international organizations such as the United Nations Development Programme (UNDP), Japan International Cooperation Agency (JICA), Colombo Plan, Commonwealth Fund for Technical Cooperation (CFTC) through Third Country Training Programmes (TCTP). These TCTP are organized through partnerships with several local training institutions such as the National Institute of Public Administration (INTAN), Institute of Diplomacy and Foreign Relations (IDFR) and the Centre for Instructor Advanced Skills Training (CIASST). The areas of training include technical and skills training in computer networking technology as well as diplomacy and promotion of a healthy environment.

As at the end of 2003, the MTCP has a membership of over 8,000 alumni world-wide who were able to network as well as promote goodwill and mutual understanding. The largest number of participants came from ASEAN as a group.

COUNTRY PRESENTATIONS ON BILATERAL TECHNICAL COOPERATION PROGRAMMES

MYANMAR

I am pleased to attend this 39th Consultative Committee Meeting of the Colombo Plan as the leader of Myanmar Delegation.

First of all, I would like to get excuse from Mr. Chairman and all the heads of delegations here for our inability to submit our country presentation on bilateral technical co-operation programmes from 2000 to 2003 since we had not received in due time.

In this regard, I intend to make a short presentation regarding Myanmar's participation in the process of Colombo Plan.

As all of you may aware Myanmar is one of the oldest members of Colombo Plan. It joined the Organization in 1952 one year after its establishment in 1951.

Since becoming the member of Colombo Plan, Myanmar has been actively participating in the process of Colombo Plan. It hosted 18th Consultative Committee Meeting in 1967 and 34th CCM in 1992 respectively in Yangon, capital of Myanmar.

Myanmar has made its contribution consecutively to the fund of the Colombo Plan up to 2003.

Myanmar sent the trainees under the Technical Cooperation Scheme of the Colombo Plan as follows :

-	from 1988 to 1995-96	-	478 trainees
-	In 1996-97	-	99 trainees
-	In 1997-98	-	121 trainees
-	In 1998-99	-	126 trainees
-	In 1999-2000	-	119 trainees
-	In 2000-2001	-	140 trainees
-	In 2001-2002	-	179 trainees
-	In 2002-2003	-	150 trainees

Total trainees are 1,412

It is obvious that the Colombo Plan supports in the development of socio-economic process as well as the human resource development in Myanmar in accordance with its main objectives. Myanmar has achieved benefits with the assistance of Colombo Plan's technical cooperation programme. Many of the beneficiaries have subsequently contributed to Myanmar's development efforts.

The Colombo Plan with an exponent of the concept of south-south cooperation has encouraged countries including Myanmar which is the recipient of technical assistance.

At this meeting, I would like to express my sincere appreciation to all donor countries for their assistance warmly extended to us.

I believe the Colombo Plan and its donors would be benefiting more to our member countries by providing the relevant training programmes and other financial assistance to enhance regional cooperation in Asia and Pacific in the future.

COUNTRY PRESENTATIONS ON BILATERAL TECHNICAL COOPERATION PROGRAMMES

PAKISTAN

The details of the training courses offered and utilized by Pakistan during last five years are given below:

Calendar year	Number of the courses received	Number of nominations sent to Colombo Plan for their consideration	No. of participants selected/attended the course
2000	11	31	10
2001	17	41	18
2002	14	30	9
2003	11	60	10
2004	6	27	4

Proposals

The facilities presently provided by the Colombo Plan Secretariat under their technical assistance programme may be increased to 20-30 facilities annually for short courses and 5-10 facilities for long courses i.e. post graduate programme in the fields of information technology and economic management.

Pakistan Technical Assistance Programme (PTAP):

South-south Cooperation is being promoted through Pakistan Technical Assistance Programme (PTAP). The Government of Pakistan are offering educational facilities in the disciplines of MBBS, BDS, B. Pharmacy & B.Sc. (Engineering) Assistance Programme to Bangladesh, Bhutan, Cambodia, Indonesia, Iran, Malaysia, Maldives, Myanmar, Nepal, Sri Lanka, Thailand and Vietnam.

Students admitted against above seats pay the fee to the institutions concerned at subsidized rates mostly at par with local etc. are also borne by the students themselves.

In addition to the above training facilities in central banking, commercial banking, advanced railway course and postal services are annually offered to the nominees of Colombo Plan Developing Member Countries. These training facilities are fully funded by the Government of Pakistan.

Technical Assistance Programme offered by various Countries

On reciprocal basis, the Governments of Thailand, Malaysia, Indonesia, Singapore and Philippines offer short term courses to Pakistan candidates in various fields/disciplines, under their Technical Assistance Programme.

COUNTRY PRESENTATIONS ON BILATERAL TECHNICAL COOPERATION PROGRAMMES

SINGAPORE

At this junction, Singapore would like to thank the Islamic Republic of Iran for hosting this important 39th Colombo Plan Consultative Committee Meeting.

Singapore would like to reiterate our support of the Colombo Plan in promoting and supporting economic and social development, and human resource capacity building among member countries.

Towards this end, we will continue to partner with the various aspects and the Secretary-General and staff of the Colombo Plan Secretariat to conduct relevant training and courses for the benefit of member countries.

These training and courses could cover various aspects, such as trade and economic matters, human resource development, Foreign Direct Investment (which was very well covered in the earlier presentation by the Islamic Republic of Iran) and other areas.

COUNTRY PRESENTATIONS ON BILATERAL TECHNICAL COOPERATION PROGRAMMES

THAILAND

Mr. Chairman,

Introduction

It is my pleasure to have an opportunity to share the Royal Thai Government's activities on the bilateral technical cooperation programmes for the years 2000/2001, 2001/2002 and 2002/2003.

Activities of the Thai International Cooperation Programme

The Royal Thai Government has a firm policy to provide technical cooperation to other developing countries under the "Thai International Cooperation Programme" (TICP). In 2000/2001, the Government allocated a budget of 2.83 million US \$ (113 million Baht), and increased to 2.95 and 4.78 million US \$ (118 and 191 million Baht) in 2001/2002 and 2002/2003, respectively. Although the budgets were not high in amount, nevertheless, on top of our own resources, there are generous contributions from other donor organizations to the TICP that help keep the programme active and viable.

The TICP consists of five major sub-programmes as follows:

- 1) Bilateral programme - The 2001-2003 bilateral programme were mostly carried out for the neighbouring countries in the Greater Mekong Sub-region (CLMV) and other countries, i.e. Timor Leste, China, Bhutan, Maldives, Afghanistan, Sri Lanka and Nepal. The activities include fellowships, experts and equipment.
- 2) Annual International Training Courses - In 2001, the Royal Thai Government offered 15 tailor-made training courses in selected fields that are essential to developing countries such as public health, environment, public administration, and agriculture. A total of 277 participants have been trained in this programme. The values of training courses organized in 2002 worth approximately 335,000 US \$ (13.4 million Baht) and increased to 500,000 US \$ (19.7 million Baht) in 2003.
- 3) Technical Cooperation among Developing Countries - This is the cost-sharing programme and the participants came from developing countries, such as Sri Lanka, Africa, East Timor and Mongolia. Thailand hosted 77 participants during 2001 to 2003.
- 4) Third Country Training Programme - The programme is arranged by Thai institutes under the sponsorship of international organizations, such as WHO and ILO. Ranged by members of participants sponsored each year, South Asian countries have the largest portion followed by countries from CLMV, East Asia, and Southeast Asia.
- 5) Trilateral and Regional Cooperation Programme - Under these programmes, Thailand co-operates with other development partners, such as JICA, UNFPA and UNDP to sponsor training courses for participants from various countries. The largest portion of participants

came from CLMV countries. The number of CLMV participants has risen constantly from 265 people in 2001 to 321 people in 2002 which is valued at 235,000 US \$ (9.4 million Bhat) and 373 people in 2003 which is valued at 325,000 US \$ (13 million Baht).

Friends from Thailand (FFT)

In addition to the above-mentioned co-operation programmes, I am most pleased to inform you that, with the firm belief of a significant role of networks among our younger generation, Thailand has launched a new bilateral programme called "Friends from Thailand" or FFT Programme. It aims to foster better understanding and relationship at people-to-people level by dispatching Thai young people to live and work together with local communities in other countries. The activities under such programme focuses on development-related issues, mainly agriculture, public health, community development, and education.

Mr. Chairman,

Thailand puts regional development high on our agenda. In our view, a balanced development in all fields among countries in this region is a necessary condition for maintaining sustainable economic growth and stability, for both Thailand and our neighbouring countries. Last Year, Thailand initiated the Ayeyawady-Chao Phraya-Mekong Economic Cooperation strategy of ACMECS to foster closer cooperation with Cambodia, Lao PDR, and Myanmar. ACMECS will complement existing frameworks such as the GMS and the ASEAN.

Concepts of Partnership

The holding of the 39th CCM is timely and marks a step forward towards the strengthening of our "Partnership for development", a key principle which the Thai Government has emphasized in its cooperation with development partners. This policy echoes the principle of partnership as enunciated at a series of major international conferences towards attaining the Millennium Development Goals for poverty alleviation and sustainable development.

Thailand places people at the forefront of its development efforts. In the past years, several technical cooperation programmes have been developed through bilateral, trilateral, and multilateral cooperation. In the case of trade, Thailand is a host to international and regional institutions on capacity-building such as the Thailand-UNCTAD Institute for Trade and Development or ITD. This Institute stands ready to offer technical assistance through training programmes, seminars and workshops on all related aspects of trade and investment facilitation.

Although geographically we are not that far apart, we do not do justice to our potentials because, perhaps, we do not know enough of one another. Indeed, we can also enhance cooperation in areas of cultural exchange, joint training programmes, and exchange of academics to lay a strong foundation of strengthening trust and understanding among our peoples. We can exchange experiences in our traditional knowledge and expertise as well as home-grown ingenuity which can be further developed to raise the value added of our products and strengthen our international competitiveness. In this way, our people will be better informed of each other's potential upon which a solid foundation of regional cooperation through people-to-people contact can be built.

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Mr. Chairman,

I would like to draw your attention to some important issues before us. On the co-operation front, Thailand places emphasis on pragmatic and result-oriented programmes. On the funding front, Thailand is a firm believer of the principles of "Self-help" and "Partnership". We must have a sense of ownership, self-help, and partnerships among our Colombo Plan member countries before seeking financial and technical assistance from donor countries and international organisations.

Mr. Chairman,

In accordance with the Government's foreign policy on "Forward Engagement", the Thai Ministry of Foreign Affairs, as the national focal point of Thailand for co-operation with the Colombo Plan Secretariat (CPS), has adjusted its role to be even more proactive. As a result, the partnership co-operation between the Royal Thai Government and the CPS, has been introduced for the fellowship programme.

In commemoration of the 50th Anniversary of Thailand's membership of the Colombo Plan and in pursuance of the recommendation made by the 38th Colombo Plan Consultative Committee Meeting in Colombo in 2001, to revive the Colombo Plan's long-term fellowship programme. I and the Secretary-General have signed the Memorandum of Understanding between the Government of the Kingdom of Thailand and the Colombo Plan Secretariat concerning the Thailand-Colombo Plan Long-term Fellowship Programme on 17 May 2004, in Bangkok.

For the initial stage of the co-operation, the programme will focus on Master's degree programme.

In addition, fellowships for short-term training are also provided under such programme. This year, Thailand offered a training course on International Narcotic Law Enforcement. Moreover, Thailand is preparing to offer five short-term training courses to cover wider fields next year. In addition, the Royal Thai Government is in the process of funding 750,000 US \$ (30 million Baht) for short-term training courses in environmental protection during 2005-2007.

These training courses will be organized by various well-known institutions in Thailand. All courses will be conducted in English and specially designed to respond to the needs of the member countries.

Conclusion

As our countries share a common goal of achieving mutual benefits and prosperity for the well-being of the people in the region, Thailand remains committed to this cooperative framework and intends to play a constructive role in cooperation with our partners.

I believe the region has excellent prospects. We need to transform potentials into reality and push Colombo Plan cooperation forward with speed. By relying on the principle of self-help, and working together as partners, we should work hand-in-hand in enhancing these potentials and opportunities to achieve sustainable development for the mutual benefits of our countries.

LIST OF PARTICIPANTS

Member Country	Participants
AFGHANISTAN	<p>Mr. Abdullah Hakimi 2nd Secretary Embassy of the Islamic State of Afghanistan Abusabad Corner of 4th St. Pakistan Rt. Dr. Beheshti Ave. Tehran Islamic Republic of Iran Tel : 98-21- 8735040 / 873715 / 0912 1487701 Fax : 98-21- 8735600</p>
BANGLADESH	<p>H.E. Mr. Abdullah Al-Hasan Ambassador of Bangladesh Embassy of the Peoples' Republic of Bangladesh Bldg. No. 14, 5th Street Gandhi Ave. Beheshti Ave. Tehran Islamic Republic of Iran Tel. : 98-21- 8772430 Fax : 98-21- 8778295 E-mail: banglaemb@parsonline.net</p> <p>Mr. Khandakar Abdus Sattar Counsellor Embassy of the Peoples' Republic of Bangladesh Bldg. No. 14, 5th Street Gandhi Ave. Beheshti Ave. Tehran Islamic Republic of Iran Tel. 98-21- 8772979 – 80 Fax: 98-21- 8778295 E-mail: banglaemb@parsonline.net</p> <p>Mr. Md. Mofazzal Hossain Commercial Counsellor Embassy of the Peoples Republic of Bangladesh Bldg. No. 14, 5th Street Gandhi Ave. Beheshti Ave. Tehran Islamic Republic of Iran Tel. : 98-21- 8772981 / 8772979 Fax : 98-21- 8778295 E-mail : banglaemb@parsonline.net</p>
BHUTAN	<p>H.E. Mr. Tshering Wangdi Ambassador of Bhutan in Kuwait Ministry of Foreign Affairs P.O. Box 103 Gyaljong Tshokhang Convention Centre Thimphu, Bhutan Tel : 975-2- 516640 Fax : 975-2- 516550</p>

Proceedings and Conclusions of the Thirty Ninth Consultative Committee Meeting

Mr. Thinley Penjor
Director
Multilateral Department
Ministry of Foreign Affairs
P.O.Box 103
Gyalyong Tshokhang
Convention Centre
Thimphu, Bhutan
Tel : 975-2- 323297
Fax : 975-2- 331707
E-mail : trinjor@mfa.gov.bt

FIJI

Mr. Anare Jale
Chief Executive Officer
Public Service Commission
P O Box 2211
Berkley Crescent
Suva
Republic of the Fiji Islands
Tel : 679- 3305101
Fax : 679- 3300502
E-mail : ajale@psc.gov.fj

INDIA

Mr. Vishnu N. Hade
Deputy Chief of Mission
Embassy of India
No. 46, Mir-Emad St.
Corner of 9th St
Dr. Beheshti Ave., Tehran
Islamic Republic of Iran
Tel : 98-21- 8747702
98-21- 8755103-5
Fax: 98-21- 875 5973
E-mail: indemteh@dpimail.net
vishnuhade@hotmail.com

INDONESIA

Mr. Rizal Basri
Head
Bureau for Technical Cooperation
State Secretariat of the Republic of Indonesia
Jl. Veteran No. 18, Jakarta
Indonesia
Tel : 62-21- 72793786
Fax : 62-21- 3860611

Mr. Firdaus
Deputy Director for Non-UN Cooperation on Economic,
Financial and Development Affairs
Ministry of Foreign Affairs
Jl. Taman Pejambon
No. 6, Jakarta
Indonesia
Tel: 62-21- 3848688
Fax: 62-21- 3507950
E-mail : firdaus_dahlan@hotmail.com

Mr. Nugroho Setyadie
Counsellor
Embassy of the Republic of Indonesia in Sri Lanka
400/50, Sarana Road
Off Baudhaloka Mawattha
Colombo 7
Tel : 94-11- 2675151 / 94-11- 2674337
Fax: 94-11- 2678668
E-mail : c4_choco@yahoo.com

Mr. Sonny Sasongko
Third Secretary
Embassy of the Peoples Republic of Indonesia
No. 210, Ghaem Magham Farahani St.
Tehran
Islamic Republic of Iran
Tel.: 98-21- 8716865
Fax: 98-21- 8716822

IRAN

Dr. Seyed Ahmad Mortazavi
Director General - Foreign Investment
Organization for Investment, Economic and Technical
Assistance of Iran (OIETAI)
Ministry of Economic Affairs and Finance
Davar Ave
Hellal Ahmar Building
Tehran
Islamic Republic of Iran

Dr. Seyed Jamal Hosseini
Senior Advisor to President of OIETAI and Acting Director
General Loans, International Organizations and Institutions
Ministry of Economic Affairs and Finance
Davar Ave.
Hellal Ahmar Building
Tehran, Islamic Republic of Iran
Tel.: 98-21- 3119429
Fax: 98-21- 3910024
E-mail j.hosseini@investiran.ir

H.E. Dr. Farhad Dejjpasand
Deputy Minister for Planning and Economic Surveys
Ministry of Commerce
No. 240, North Kargar
Tehran, Islamic Republic of Iran

Dr. Salar Amoli
General Director Cooperation of Technology Development
Ministry of Science, Research and Technology
No. 71, 3rd Floor, Forsat Ave.
Enghelab Ave.
Ferdosi Sq.
Tehran
Islamic Republic of Iran
Tel.: 98-21- 8898336
Fax: 98-21- 8838336

Proceedings and Conclusions of the Thirty Ninth Consultative Committee Meeting

H.E. Mr. Behnam Behrouz
Ambassador of the Islamic Republic of Iran to Sri Lanka
Embassy of Iran
17, Bullers Lane, Colombo 7
Sri Lanka
Tel.: 94-11- 2501137 / 580636
Fax: 94-11- 2502691
E-mail: iranemb@cga.lk

Dr. Mahmoud Reza Hashemi
Director General
Office of E-Commerce
Ministry of Commerce
No. 240, North Kargar
Tehran, Islamic Republic of Iran
Tel.: 98-21- 6924623
Fax: 98-21- 6926326

Dr. Abbas Sadri
Director General
Bureau of International Scientific Cooperation
Ministry of Education
Islamic Republic of Iran

Mr. Sabouri
Director General
Multilateral Economic Cooperation Dept.
Ministry of Foreign Affairs
Imam Khomeini Square
Tehran, Islamic Republic of Iran

Mr. Mohammed Ali Hashemi
Director General
International Office
Drug Control Headquarters
Islamic Republic of Iran

Mr. Saeid Khani Oushani
Division Chief for International Organizations and Institutions
Ministry of Economic Affairs and Finance
Davar Ave.
Hellal Ahmar Building
Tehran, Islamic Republic of Iran
Tel.: 98-21- 3113459
E-mail: s.oushani@investiran.ir

Mr. Babak Aghaei
Head
Foreign Investment Service Center
Organization for Investment, Economic and Technical
Assistance of Iran (OIETAI)
Ministry of Economic Affairs and Finance
Davar Ave.
Hellal Ahmar Building
Tehran, Islamic Republic of Iran
Tel.: 98-21- 3112917
E-mail: b.aghaei@investiran.ir

Mr. Mohammed Bagheri
Deputy Director
Multilateral Economic Cooperation
Ministry of Foreign Affairs
Imam Khomeini Square
Tehran, Islamic Republic of Iran
Tel.: 98-21- 6734036

Ms. Maryam Habibi
Senior Expert
Centre and North Europe Dept.
Foreign Economic Relations Office
Ministry of Economic Affairs and Finance
Davar Ave
Hellal Ahmar Building
Tehran, Islamic Republic of Iran
Tel.: 98-21- 39903474
Fax: 98-21- 39910024

Ms. Gohartadj Sukuty
Senior Expert
Europe, America and Africa Department
Foreign Economic Relations Office
Ministry of Economic Affairs and Finance
Davar Ave.
Hellal Ahmar Building
Tehran, Islamic Republic of Iran
Tel.: 98-21- 39903451

Ms. Semira Rahimi
Expert
Office for Loans, International Organizations and Institutions
Ministry of Economic Affairs and Finance
Davar Ave.
Hellal Ahmar Building
Tehran, Islamic Republic of Iran
Tel.: 98-21- 3953651
Fax: 98-21- 3910024 / 98-21- 2044769

Mr. Sharagim Shams Araghi
Expert
Ministry of Economic Affairs and Finance
Davar Ave.
Hellal Ahmar Building
Tehran, Islamic Republic of Iran
Tel.: 98-21- 3953851
E-mail:
sh.shams@investiniran.ir

Mr. Mehrdad Saheri
Expert
Multilateral Economic Cooperation Department
Ministry of Foreign Affairs
Imam Khomeini Square
Tehran, Islamic Republic of Iran
Tel.: 98-21- 6734036

Proceedings and Conclusions of the Thirty Ninth Consultative Committee Meeting

Ms. Hakim Shoostari
Expert
Office of E-Commerce
Ministry of Commerce
Next to Gods Cinema
Vall-e-Asr Avenue
Tehran, Islamic Republic of Iran
Tel.: 98-21- 6924623
Fax: 98-21- 6926326

Dr. Ali Fallahi
Expert
Organization of Investment
Ministry of Economic Affairs and Finance
Organization of Investment
7th Floor, Davar Street
Inam Khomeini Square
Tehran, Islamic Republic of Iran
Tel.: 98-21- 3953651
E-mail: A.Fallahi@Investiran.ir

JAPAN

H.E. Mr. Takekazu Kawamura
Ambassador of Japan
Embassy of Japan
No. 12, Corner of 5th St.
Bucharest Ave.
Tehran
Islamic Republic of Iran
Tel.: 98-21- 8713396
Fax: 98-21- 8862515

Mr. Mitsuhiro Kohno
Principal Deputy Director
Multilateral Cooperation Division
Economic Cooperation Bureau
Ministry of Foreign Affairs
2-2-1 Kasumigaseki
Chiyoda-Ku
Tokyo 100 8919
Japan
Tel.: 81-3- 35803311
Fax: 81-3- 55018364
E-mail: mitsuhiro.kohno@mofa.go.jp

Mr. Tomomasa Onomi
Second Secretary
Embassy of Japan
No. 12, Corner of 5th St.
Bucharest Ave.
Tehran, Islamic Republic of Iran
Tel.: 98-21- 8713396
Fax: 98-21- 8862515

Mr. Shoichi Ishioka
Second Secretary
Embassy of Japan
No. 12, Corner of 5th St.
Bucharest Ave
Tehran, Islamic Republic of Iran
Tel.: 98-21- 8713398
Fax: 98-21- 8862515

Mr. Mitsuo Kawaguchi
Counsellor
Embassy of Japan in Sri Lanka
20, Gregory's Road
Colombo 7
Sri Lanka
Tel.: 94-11- 2693831
Fax: 94-11- 2698629
E-mail: mitsuo.kawaguchi@mofa.go.jp

Mr. Norifumi Seki
Researcher
Multilateral Cooperation Division
Economic Cooperation Bureau
Ministry of Foreign Affairs
2-2-1 Kasumigaseki
Chiyoda-Ku
Tokyo 100 8919
Japan
Tel. : 81-3- 55018365
Fax : 81-3- 55018364
E-mail: norifumi.seki@mofa.go.jp

KOREA

H.E. Mr. Lim Jae-hong
Ambassador of the Republic of Korea in Sri Lanka
Embassy of the Republic of Korea
98, Dharmapala Mawatha
Colombo 3, Sri Lanka
Tel. : 94-11- 2699036-8
Fax : 94-11- 2696699/2672358

Mr. Kim Jin-hae
Second Secretary
Embassy of the Republic of Korea in Sri Lanka
98, Dharmapala Mawatha
Colombo 3, Sri Lanka
Tel. : 94-11- 2699036-8
Fax : 94-11- 2696699/2672358
E-mail: jhkim95@mofat.go.kr

Ms. Hyl-Kyun Kim
Deputy Director
Ministry of Foreign Affairs and Trade
Chongrogu
Doryumdong 95-1
Seoul
Republic of Korea
Tel.: 82-2- 721007722

Proceedings and Conclusions of the Thirty Ninth Consultative Committee Meeting

LAOS

H.E. Mr. Khampasong Douangsithi
Ambassador of the Democratic People's Republic of Laos in India
Embassy of the Democratic People's Republic of Laos in India
A 104/7, Marmanan State
Maharani Bagh
New Delhi 110065
India
Tel : 91-11- 26933320 / 51624682
Fax : 91-11- 26323046

MALAYSIA

H.E. Mr. Mazlan Muhammad
Ambassador of Malaysia
Embassy of Malaysia
No. 6, Shahid Akhgari
Fereshteh Ave.
Elahieh
Tehran
Islamic Republic of Iran
Tel : 98-21- 2011061/2010016
Fax: 98-21- 2010477

Mr. Suberi Hussin
Counsellor
Embassy of Malaysia
No. 6, Shahid Akhgari
Fereshteh Ave.
Elahieh
Tehran
Islamic Republic of Iran
Tel : 98-21- 2011061/2010016

Mr. Nik Adnan Nik Abdullah
Principal Assistant Director
Economic Planning Unit
Prime Minister's Department
Block B5, Level 2
62502 Putrajaya
Malaysia
Tel: 60-3- 88882878
Fax: 60-3- 88883676
E-mail : adnan@epu.prm.my

Mr. Moktar Idham Musa
Assistant Secretary (Multilateral Economics)
Ministry of Foreign Affairs
Wisma Putra, Precinct 2
62602 Putrajaya
Malaysia
Tel : 60-3- 88874305
Fax: 60-3- 88892788
E-mail : idham75@kln.gov.my

MALDIVES

Mr. Mohamed Shareef
Director-General
Ministry of Foreign Affairs
PA Complex – 5th Floor
Hilalee Magu
Maafannu
Male 20307
Republic of Maldives
Tel.: 960- 323401-7
Fax: 960- 323841
E-mail : admin@gov.net.mv

MYANMAR

H.E. U Kyi Thein
Ambassador of the Union of Myanmar in India
Embassy of the Union of Myanmar
3/50F, Nyaya Marg
Chanakyapuri
New Delhi 110 021
India
Tel.: 91-11- 26889007-8
Fax: 91-11- 26877942

U Soe Myint
Second Secretary
Embassy of the Union of Myanmar in India
3/50F, Nyaya Marg
Chanakyapuri
New Delhi 110 021
India
Tel.: 91-11-26889007-8
Fax: 91-11 26877942
E-mail : soethuta@yahoo.co.in

NEPAL

Mr. Bhoj Raj Ghimire
Member Secretary
National Planning Commission
P.O. Box 1284
Singha Durbar
Kathmandu
Nepal
Tel.: 977-1- 4225879
Fax: 977-1- 4226500
e-mail : brghimire@npcnepal.gov.np

Mr. Kedar Bahadur Adhikari
Under-Secretary
Ministry of Finance
Singha Durbar
Kathmandu
Nepal
Tel.: 977-1- 4211323
Fax: 977-1- 4259891
E-mail : adhikarib@yahoo.com

Proceedings and Conclusions of the Thirty Ninth Consultative Committee Meeting

PAKISTAN

Mr. Abbas Akhtar
Deputy Secretary
Ministry of Narcotics Control
Shan Plaza
Blue Area
Islamabad
Pakistan
Tel.: 92-51- 9201500
Fax: 92-51- 9203119

Mrs. Shaheen Viqar
Assistant Chief
Economic Affairs Division
Ministry of Finance and Economic Affairs
Room No. 43B, 'C' Block
Pak. Sect
Islamabad
Pakistan
Tel.: 92-51- 9222422
Fax: 92-51- 9205971
E-mail: shaheenviqar@yahoo.com

PHILIPPINES

H.E. Mr. Rodrigo S.A. Aragon
Ambassador of the Philippines
Embassy of the Philippines
13 Mahyar St.
Africa Ave.
Tehran, Islamic Republic of Iran
Tel.: 98-21- 2047802 / 2047803
Fax: 98-21- 2400445
E-mail: tehrange@yahoo.com

SINGAPORE

Mr. Koh Tin Fook
Director
Human Resource Directorate
Ministry of Foreign Affairs
Singapore
Tel.: 65-3797900
Fax: 65-3797908
E-mail: koh_tin_fook@mfa.gov.sg

SRI LANKA

H.E. Mr. Omar Zuralk Kamil
Ambassador of the Democratic Socialist Republic of Sri Lanka
Embassy of the Democratic Socialist Republic of Sri Lanka
No. 28, Golazine St.
Africa Ave.
Tehran, Islamic Republic of Iran
Tel.: 98-21- 2052688
Fax: 98-21- 2052149
E-mail: slemb@afra.net

Mr. S. Dawulagala
Second Secretary
Embassy of the Socialist Republic of Sri Lanka
No. 28, Golazine St.
Africa Ave.
Tehran, Islamic Republic of Iran

THAILAND

H.E. Mr. Suvit Saicheua
Ambassador of Thailand
Royal Thai Embassy
No. 4, Amin-Dowleh Park (Baharestan Ave.)
Tehran
Islamic Republic of Iran
Tel.: 98-21- 7531433
Fax: 98-21- 7532022

Mr. Piamsak Milintachinda
Director-General
Department of Technical and Economic Cooperation (DTEC)
Ministry of Foreign Affairs
962, Krung Kasem Road
Bangkok 10100
Thailand
Tel.: 662- 2822233
Fax : 662- 2810470
E-mail : piamsakm@saranrom.com / piamsakm@mfa.go.th

Ms. Varinda Thongchai
Chief of Development Cooperation III Sub-Division
External Cooperation Division 1
Department of Technical and Economic Cooperation (DTEC)
Ministry of Foreign Affairs
962, Krung Kasem Road
Bangkok 10100
Thailand
Tel.: 662- 2810482
Fax : 662- 2811002
E-mail : varindat@saranrom.or.th

Ms. Hataichanok Siriwadhanakul
Chief of International Organisations Sub-Division
External Cooperation Division II
Department of Technical and Economic Cooperation (DTEC)
Ministry of Foreign Affairs
962, Krung Kasem Road
Bangkok 10100
Thailand
Tel.: 662- 22800980 Ext. 258
Fax : 662- 22811023
E-mail : shataichanok@hotmail.com

Mr. Banna Vaungvivat
First Secretary
Royal Thai Embassy
No. 4, Amin-Dowleh Park (Baharestan Ave.)
Tehran
Islamic Republic of Iran
Tel.: 98-21- 7531433
Fax: 98-21- 7532022

Proceedings and Conclusions of the Thirty Ninth Consultative Committee Meeting

Ms. Boonyadej Wantanee
Director
Savings and Investment Policy Division
Fiscal Policy Office
Ministry of Finance
Bangkok 10400
Thailand
Tel : 662- 2781713
Fax: 662- 2739166
E-mail : wantanee@vayu.mof.go.th

VIETNAM

H.E. Mr. Do Ngoc Son
Assistant Minister and Director-General of Asia II Department
Ministry of Foreign Affairs
No. 1, Ton That Dam St
Hanoi
Vietnam
Tel : 84-4- 1992334
Fax: 84-4- 1992332
E-mail: sc2.mfa@mofa.gov.vn

Mr. Hong Duy Kien
Embassy of the Socialist Republic of Vietnam
No: 6, Ordibeheshi Ave.
Baghestan 6
Pessian
Vali-e-Asr Ave.
Tehran, Islamic Republic of Iran
Tel : 98-21- 2414758
Fax: 98-21- 2416045

OBSERVERS

INTERNATIONAL ORGANISATIONS

ADB

Mr. Arjun Thapan
Advisor
Mekong Department
Asian Development Bank
P O Box 789
0980 Manila
Philippines
Tel.: 63-2- 6326850
Fax: 63-2- 6362232
E-mail: athapan@adb.org

ECO

Mr. Zafer Topkaya
Programme Officer
Economic Cooperation Organisation Secretariat
No. 1, Golbooy Alley
Kamranieh
Tehran
Islamic Republic of Iran
Tel.: 98-21- 2290744
Fax: 98-21- 2831732

Mr. Bakhi Baidar
Research Officer
Directorate of Trade and Investment
ECO Secretariat
No. 1, Golbooy Alley
Kamranieh
Tehran, Islamic Republic of Iran
Tel.: 98-21- 2292066
Fax: 98-21- 2831732

UNDP

Mr. Ali Farzin
United Nations Development Programme
No. 39, Shahrzad Blvd.
Darooos
Shahdi Kolahdooz
Tehran, Islamic Republic of Iran
Tel.: 98-21- 2860691-4
E-mail: registry.ir@undp.org

Mr. Ahmad Salari
United Nations Development Programme
No. 39, Shahrzad Blvd.
Darooos
Shahdi Kolahdooz
Tehran
Islamic Republic of Iran
Tel.: 98-21- 2860691-4

Proceedings and Conclusions of the Thirty Ninth Consultative Committee Meeting

UN ESCAP

Ms. Keiko Okaido
Deputy Executive Secretary
United Nations Economic and Social Commission
for Asia and the Pacific
United Nations Building
Rajdamriern Nok Ave.
Bangkok 10200
Thailand
Tel: 66-2- 2881911
Fax: 66-2- 2881051
E-mail: okaido.unescap@un.org

UNESCO

Dr. A. Salih
Director
Iranian National Commission for the United
Nations Educational, Scientific and Cultural Organisation
Bahman Building
Khakhe Sadabad
Tehran
Islamic Republic of Iran
Tel : 98-21- 2252536
Fax : 98-21- 2222852
E-mail: unesco@irunesco.org

Dr. M. Tavakol
Secretary-General
Iranian National Commission for the United
Nations Educational, Scientific and Cultural Organisation
Bahman Building
Khakhe Sadabad
Tehran, Islamic Republic of Iran
Tel : 98-21- 2252536
Fax : 98-21- 2222852
E-mail: unesco@irunesco.org

WORLD BANK

Mr. Osman Ahmed
Lead Country Officer
World Bank
1818, H Street
NW Washington DC 20433
U.S.A.
Tel : 1-202- 4737063
Fax : 1-202- 4771482

Mr. Omer Karasapan
Knowledge Coordinator
World Bank
1818, H St.
20433 Washington D.C.
U.S.A.
Tel : 1-202- 4738177
Fax : 1-202- 4770810
E-mail : okarasapan@worldbank.org

ADVISERS

Colombo Plan Council

H.E. Mr. Iskandar Sarudin
President Colombo Plan Council
The Colombo Plan Secretariat
13th Floor, BOC Merchant Tower
28, St. Michael's Road
Colombo 3, Sri Lanka
Tel.: 94-11- 2564448
94-11- 2381831
Fax: 94-11- 2564531
E-mail : mwcolombo@eureka.lk

Colombo Plan Secretariat

Mr. Kittipan Kanjanapitakul
Secretary-General
The Colombo Plan Secretariat
13th Floor, BOC Merchant Tower
28, St. Michael's Road
Colombo 3, Sri Lanka
Tel.: 94-11- 2564448
94-11- 2381831
Fax: 94-11- 2564531
E-mail: info@colombo-plan.org

Dr. M. Molanejad
Director
Programme for Private Sector Development
The Colombo Plan Secretariat
13th Floor, BOC Merchant Tower
28, St. Michael's Road
Colombo 3, Sri Lanka
Tel.: 94-11- 2381831
Fax: 94-11- 2564531
E-mail: info@colombo-plan.org

Ms. Yasmin Raheem
Executive Assistant to Secretary-General
The Colombo Plan Secretariat
13th Floor, BOC Merchant Tower
28, St. Michael's Road
Colombo 3, Sri Lanka
Tel.: 94-11- 2381831
Fax: 94-11- 2564531
E-mail: info@colombo-plan.org

Mrs. Chandrika Wirekoon
Secretary to Secretary-General
The Colombo Plan Secretariat
13th Floor, BOC Merchant Tower
28, St. Michael's Road
Colombo 3, Sri Lanka
Tel.: 94-11- 2381831
Fax: 94-11- 2564531
E-mail: info@colombo-plan.org

Ms. Manthrie Leavage
Secretary
The Colombo Plan Secretariat
13th Floor, BOC Merchant Tower
28, St. Michael's Road
Colombo 3, Sri Lanka
Tel.: 94-11- 2381831
Fax: 94-11- 2584531
E-mail: info@colombo-plan.org

**COLOMBO PLAN STAFF
COLLEGE**

H.E. Mr. Damien Dominic Gamiandu
Ambassador of Papua New Guinea
Chairman, CPSC Governing Board
Colombo Plan Staff College for Technician Education
Building Block C, DepEd Complex
Meralco Ave.
Pasig City 1600
Metro Manila, Philippines
Tel.: 63-2- 6338413
Fax: 63-2- 6338425
E-mail: cpssc@cpsctech.org

Dr. Man-Gon Park
Director-General
Colombo Plan Staff College for Technician Education
Building Block C, DepEd Complex
Meralco Ave.
Pasig City 1600
Metro Manila, Philippines
Tel. : 63-2- 6310991 to 95
Fax : 63-2- 6338425
63-2- 6310996

H.E. Mr. Iftikhar Hussain Kazmi
(Immediate Past Chairman CPSC Governing Board)
Ambassador Extraordinary and Plenipotentiary
Embassy of Islamic Republic of Pakistan in Manila
Building Block C, DepEd Complex
Meralco Ave.
Pasig City 1600
Manila, Philippines
Tel.: 63-2- 8172772
Fax: 63-2- 8400229
E-Mail: maillay@hotmail.com

H.E. Mr. Ariya B. Rekawa
Ambassador of Sri Lanka
CPSC Governing Board
Building Block C
DepEd Complex
Meralco Ave.
Pasig City
Manila, Philippines
Tel.: 63-2- 8875222
Fax: 63-2- 8439813
E-Mail: srilanka@broline.com

Foreign Investment

Capacity-Building

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Capacity-Building Programme

For

Colombo Plan Member Countries

Colombo Plan

Member Countries

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1. Introduction

Various aspects of foreign investment have received a lot of attention in contemporary economic literature. Such great attention reflects the great change occurred in the political and economic structures of the world during the 1990s. The collapse of the former Soviet Union and communist block not only undermined the various mental as well as physical barriers posed during the cold war era against free movement of foreign capitals but also created new destinations and markets for more foreign investments. These developments together with experiences gained from two international debt crisis and utilization of official foreign aids which demonstrated many advantages of foreign investments over other forms of foreign financing methods increased the demand and competition for foreign investments heavily in the last decade. All around the world many measures have been adopted by developed and developing countries to attract more volume and content-specific foreign investments. Such efforts have created different results and made the global geographical distribution of foreign capital movements quite uneven. This is the case for Colombo Plan member countries, too, where the huge foreign capital inflows gap between developed and in-transition countries from one side and developing nations on the other side has been intensified during the last decade. Regarding many positive impacts of foreign investments as well as their increasing importance in financing projects in developing countries, it seems inevitable for member countries to share the successful experiences of leading member states in planning and executing appropriate strategies for attracting and protecting foreign investments in their jurisdictions. For such very purpose this paper starts with a brief overview on the many positive effects of foreign investments and the environment where these effects can flourish which demonstrate the necessity of attraction of such investments as well as the need to create such environment. A set of policy implications will be emerged from the discussions that will be made in this section. Then the need and nature of an appropriate strategy, techniques, and organization for promotion of foreign investments will be examined. Then it goes to a short examination of present and prospective trends of foreign capital movements in developing as well as the Colombo Plan region. Finally some concluding remarks and recommendations will be offered.

2. Economic Impacts of Foreign Investments

Foreign investments have many positive and probable negative impacts on growth development of countries some of which have been discussed herein below.

2.1. Foreign Investments and Economic Growth:

Similar to local investments and complementing them, foreign investments increase the national output and income to the extent determined by the well-known "accelerator coefficient" but beyond the initial macroeconomic stimulus from the actual investment, foreign investments influence growth by raising total factor productivity and, more generally, the efficiency of resource use in the recipient economy. This works through three channels: the linkages between economy, foreign investments and foreign trade flows, the spillovers and other externalities vis-à-vis the host country business sector, and the direct impact on structural factors in the host economy.

Many empirical studies conclude that foreign investments contribute to both factor productivity and income growth in host countries, beyond what domestic investment normally would trigger. It is more difficult, however, to assess the magnitude of this impact, not least because large FDI inflows to developing countries often concur with unusually high growth rates triggered by unrelated factors. Whether, as sometimes asserted, the positive effects of foreign investments are mitigated by a partial

"crowding out" of domestic investment is far from clear. Some researchers have found evidence of crowding out, while others conclude that FDI may actually serve to increase domestic investment. Regardless, even where crowding out does take place, the net effect generally remains beneficial, not least as the replacement tends to result in the release of scarce domestic funds for other investment purposes.

2.2. Foreign Investments and Employment:

Unemployment is a continuous concern of more or less all governments all over the world which in the long-term horizon can just be tackled by more investments. In developing countries such problem is of a more concern as many structural bottle-necks and policies impede the formation and accumulation of national saving and capital and hence create a gap between required and real investments mobilized from local sources. Such gap can be covered by foreign sources including foreign investments. While the extent of creation of new jobs in any investment depends on the nature of the investment and the technologies utilized in the production of goods/provision of services, all investments create new employment opportunities and add to the working population. On the other side while specific high-tech and capital-intensive investments can create crowding out effects and negative impacts on employment, a balanced attraction of foreign capitals and promotion of such investments in infrastructures and big projects definitely increase the employed labor force.

2.3. Foreign Investments and Trade:

Having largest chained production and distribution networks and most well-known trade marks and names besides continuous worldwide marketing and relationship with customers have caused the multinational companies (MNCs) and their foreign affiliates to be dominant in the global trade. Therefore effective penetration to foreign markets and increase in the exports by enterprises in developing countries can be materialized mainly by benefiting from such facilities and advantages provided under foreign investments. However, the main trade-related benefit of foreign investments for countries lies in its long-term contribution to integrating the developing host economy more closely into the world economy in a process likely to include higher imports as well as exports. In other words, trade and investment are increasingly recognized as mutually reinforcing for cross-border activities.

Host countries' ability to use foreign investment as a means to increase exports in the short and medium term depends on the context. The clearest examples of foreign investments boosting exports are found where inward investment helps host countries that had been financially constrained make use either of their resource endowment (e. g. foreign investment in mineral extraction) or their geographical location (e. g. investment in some transition economies).

Targeted measures to harness the benefits of foreign investments for integrating host economies more closely into international trade flows, notably by establishing export-processing zones (EPZs), have attracted increasing attention. In many cases they have contributed to a raising of imports as well as exports of developing countries. However, it is not clear whether the benefits to the domestic economy justify drawbacks such as the cost to the public purse of EPZs or the risks of creating an uneven playing maintaining field between domestic and foreign enterprises and of triggering international bidding wars.

2.4. Foreign Investments and Technology Transfer:

Economic literature identifies technology transfers as perhaps the most important channel through which foreign corporate presence may produce positive externalities in the host developing economy. MNCs are the developed world's most important source of corporate research and development (R&D) activity, and they generally possess a higher level of technology than is available in developing countries, so they have the potential to generate considerable technological spillovers. However, whether and to what extent MNCs facilitate such spillovers varies according to context and sectors.

Technology transfer and diffusion work via four channels: vertical linkages with suppliers or interrelated in the host countries; horizontal linkages purchasers with competing or complementary companies in the same industry; migration of skilled labor; and the of R&D. The evidence of positive spillovers internationalization is and most consistent in the case of vertical linkages, strongest in particular, the "backward" linkages with local suppliers in developing countries. MNCs generally are found to technical assistance, training and other

information pro-vided to raise the quality of the suppliers' products. Many MNCs assist local suppliers in purchasing raw materials and intermediate goods and in modernizing or upgrading production facilities. It should be noted that for technology transfer to generate the technologies need to be relevant to the host- externalities, business sector beyond the company that receives country them first. The technological level of the host country's business sector is of great importance. Evidence suggests that for foreign investments to have a more positive impact than domestic investment on productivity, the "technology gap" between domestic enterprises and foreign investors must be limited. Where important differences prevail, relatively or where the absolute technological level in the host country is low, local enterprises are unlikely to be able to absorb foreign technologies transferred via MNCs.

2.5. Foreign Investments and Human Capital Development:

The major impact of foreign investments on human capital in developing countries appears to be indirect, occurring not principally through the efforts of MNCs, but rather from government policies seeking to attract foreign investments via enhanced human capital. Once individuals are employed by MNE subsidiaries, their human capital may be enhanced further through training and on-the-job learning. Those subsidiaries may also have a positive influence on human capital enhancement in other enterprises with which they develop links, including suppliers. Such can have further effects as that labor moves to other enhancement firms and as some employees become entrepreneurs. Thus, the issue of human capital development is intimately related with other, broader development issues.

Investment in general education and other generic human capital is of the utmost importance in creating an enabling environment for foreign investments. Achieving a certain minimum level of educational attainment is paramount to a country's ability both to attract foreign investments and to maximize the human spillovers from foreign enterprise presence. The capital level differs between industries and according minimum to other characteristics of the host country's enabling education in itself is unlikely to make a environment, country attractive to foreign direct investors. However, where a "knowledge gap" is allowed to persist between significant entry and the rest of the host economy, no significant foreign spillovers are likely.

2.6. Foreign Investments and Competition:

Foreign investments and the presence of MNCs may exert a significant influence on competition in host country markets. However, since there is no commonly accepted way of measuring the degree of competition in a given market, few firm conclusions may be drawn from empirical evidence. The presence of foreign enterprises may greatly assist economic development by spurring domestic competition and thereby leading eventually to higher productivity, lower prices and more efficient resource allocation. Conversely, the entry of MNCs also tends to raise the levels of concentration in host- country markets, which can hurt competition. This risk is exacerbated by any of several factors: if the host country constitutes a separate geographic market, the barriers to entry are high, the host country is small, the

entrant has an important international market position, or the host- country competition law framework is weak or weakly enforced.

2.7. Foreign Investments and Enterprise Development:

Foreign investment has the potential significantly to spur enterprise development in host countries. The direct impact on the targeted enterprise includes the achievement of synergies within the acquiring MNC, efforts to raise efficiency and reduce costs in the targeted enterprise, and the of new activities. In addition, efficiency gains may occur in development enterprises through demonstration effects and other spillovers unrelated akin to those that lead to technology and human capital spillovers. Available evidence points to a significant improvement in economic in enterprises acquired by MNCs, albeit to degrees that vary efficiency by country and sector. The strongest evidence of improvement is found in industries with economies of scale. Here, the submersion of an enterprise into a larger corporate entity generally gives individual rise to important efficiency gains

Foreign orchestrated takeovers lead to changes in management and corporate governance. MNCs generally impose their own company policies, internal reporting and principles of information disclosure on acquired systems enterprises (although cases of learning from subsidiaries have also been seen), and a number of foreign managers normally come with the takeover. Insofar as foreign practices are superior to the ones prevailing corporate in the host economy, this may boost corporate efficiency, studies have found. However, to the extent that empirical competences are an asset for managers in country-specific MNCs need to strive toward an optimal mix subsidiaries, of local and foreign management.

3. Policy Implications: Minimizing Costs and Maximizing Benefits of Foreign Investments

Policies matter for reaping the full benefits of foreign investments. Foreign investors are influenced by three broad groups of factors: the expected profitability of individual projects; the ease with which subsidiaries' operations in a given country can be integrated in the investor's global strategies; and the overall quality of the host country's enabling environment. Some important parameters that may limit expected profitability (e. g. local market size and geographical location) are largely outside the influence of policy makers. Moreover, in many cases the profitability of individual investment projects in developing countries may be at least as high as elsewhere. Conversely, developed economies retain clear advantages in the second and third factors mentioned above, which should induce less advanced economies to undertake action to catch up. Important factors such as the host country's policy infrastructure, its integration into the world trade systems and the availability of relevant national competences are all priority areas.

Sound host country policies toward attracting foreign investment and benefiting from foreign corporate presence are largely equivalent to policies for mobilizing domestic resources for investment. Productive domestic resources in most cases provide the foundation for self-sustaining development. An enabling domestic business environment is vital not only to mobilize domestic resources but to attract and effectively use international investment.

The measures available to host country authorities fall into three categories: improvements of the general macroeconomic and institutional frameworks, creation of a regulatory environment that is conducive to inward foreign investment; and upgrading of infrastructure, technology and human competences to the level where the full potential benefits of foreign corporate presence can be realized.

3.1. Improving Performance of the economy:

As understood, these statements put another stress on this fact that every aspect of host countries' economic and governance practices affects the investment climate. The overall goal for policy makers must, therefore, be to strive for the greatest possible macroeconomic stability and institutional predictability. More concretely (and while macroeconomic, and financial enabling environments have not been the focus of the main report), the following recommendations are widely supported:

- Pursue sound macroeconomic policies geared to high economic growth and employment, price sustained stability and sustainable external accounts.
- Promote medium term fiscal discipline, efficient and socially just tax systems, and prudent public- sector debt management.
- Strengthen domestic financial systems, in order to make domestic financial resources available to and complement foreign investment. A supplement area is the development of capital markets and priority financial instruments to promote savings and long-

term credit efficiently. This will help provide funding constraints in general and allow alleviate local enterprise development to benefit those business opportunities arising from foreign corporate activities. This process will entail a progressive implementation of multilaterally agreed financial standards.

3.2. Developing Legal Frameworks:

The broader enabling environment for foreign investment is generally identical with best practices for creating a dynamic and competitive domestic business environment. The principles of transparency (both as regards host country action and business sector practices) and non-discrimination regulatory are instrumental in attracting foreign non-discrimination and in benefiting from their presence in the domestic economy. Foreign investment is unlikely unless investors have a reasonable understanding of the environment in which they will be operating. Moreover, a lack of transparency may lead to illicit and other unethical practices, which generally weaken the host country's business environment. In this context, host country authorities should undertake the following measures.

- Strengthen their efforts to consolidate the rule of law and good governance, including by stepping up efforts against corruption and enhancing policy and regulatory frameworks (e. g. as regards competition, a larger share of the informal economy into the open, they will also have important secondary effects on countries' ability to attract investment.
- Work toward increased openness to foreign trade, so the domestic enterprise sector can participate fully in the global economy. This approach should be undertaken jointly with efforts to increase business-sector competition. A combined approach would allow a greater domestic and international openness to business to go hand-in-hand with safeguards against the negative effects of a rise in concentration. Moreover, the successful elimination of global and regional trade barriers makes participating countries more attractive for foreign investment, owing to the concomitant expansion of the "relevant" market.
- Enshrine the principle of non-discrimination in national legislation and implement procedures to enforce it through all levels of government and public administration. Given the importance of competition for resource allocation and sustained economic growth, it is essential that foreign entrants should be able compete without government prejudice, and that incumbent enterprises are not unduly disadvantaged vis-à-vis foreign-owned ones.

With respect to the policies concerning rules and regulations governing the entry and operations of foreign investors, the standards of treatment accorded to them and the functioning of the markets in which they are active, as it is clear that such policies are most directly related to foreign investments, a more detailed analysis is required and presented herein below.

It is quite clear that countries are scaling up their efforts to attract foreign investment. This can be seen from the ongoing liberalization of foreign investments policies involving the opening up of sectors and industries. Countries at all levels of development are also continuing to

enter into bilateral investment treaties (BITs) and double taxation treaties (DTTs). At the close of 2002, a total of 2,181 BITs and 2,256 DTTs had been concluded. While the general trend is in the direction of foreign investment liberalization, simply opening up an economy is often no longer enough to attract sustained flows of such investments and to ensure that foreign investments bring the expected developmental benefits. MNCs' investment decisions are primarily driven by economic fundamentals, such as market size, the costs and efficiency of production, the quality of infrastructure and access to skills. In response to growing competition for attraction of foreign investments, and to overcome information failures, more and more countries are actively promoting their locations to potential investors. In addition, countries are increasingly adopting a more targeted approach to foreign investment promotion. Such an approach, while not without risk, has been found to increase the chances of attracting the type of investment that can advance a country's development objectives.

At the absence of an enabling policy environment, MNCs tend to focus on the existing comparative advantages of host countries, especially low labor costs and logistical considerations, when locating their export oriented activities in developing countries. Capitalizing fully on static benefits and transforming them into dynamic and sustainable advantages therefore requires proactive government intervention. The development of domestic skills and enterprise capabilities is particularly important for attracting quality foreign investment and ensuring that the necessary absorptive capacity is present to benefit fully from knowledge transfers.

In terms of the core foreign investment policies, host countries have implemented, or are implementing, various "host country operational measures" (HCOMs) that aim at influencing the operation of foreign affiliates inside their jurisdictions. HCOMs can cover all aspects of investment (ownership and control, hiring of personnel, procurement of inputs, etc.) and usually take the form of either restrictions or performance requirements. They are often adopted to influence the location and character of foreign investment and, in particular, to increase its benefits. HCOMs can be divided into three categories (see following table): "red-light" HCOMs, which are explicitly prohibited by the WTO Agreement on Trade-Related Investment Measures (TRIMs) because of their distorting effect on international trade; "yellow-light" HCOMs, which are explicitly prohibited, conditioned or discouraged by interregional, regional or bilateral (but not by multilateral) agreements; and "green-light" HCOMs, which are not subject to control through any international investment agreements (IIAs).

Three Categories of Host Country Operational Measures (HCOMs)

Category	HCOM
Red- light HCOMs	<ul style="list-style-type: none"> • Local content requirements • Trade- balancing requirements • Foreign exchange restrictions related to foreign exchange inflows attributable to an enterprise • Export controls
Yellow- light HCOMs	<ul style="list-style-type: none"> • Requirements to establish a joint venture with domestic participation • Requirements for a minimum level of domestic equity participation • Requirements to locate headquarters for a specific region • Employment performance requirements • Export performance requirements • Restrictions on sales of goods or services in the territory where they are produced or provided • Requirements to supply goods produced or services provided to a specific region exclusively from a given territory • Requirements to act as the sole supplier of goods produced or services provided • Requirements to transfer technology, production processes or other proprietary knowledge • Research and development requirements • Measures contrary to the principle of fair and equitable treatment
Green- light HCOMs	<ul style="list-style-type: none"> • All other HCOMs

Source: UNCTAD, *Host Country Operational Measures*, 2001

At the multilateral level, the TRIMs Agreement prohibits not only TRIMs that are mandatory in nature but also those that are linked to the receipt of an advantage. It applies only to investment measures related to trade in goods and not trade in services. While such measures frequently arise in the context of foreign investment policies, the Agreement applies equally to measures imposed on domestic enterprises. For example, a local content requirement imposed in a nondiscriminatory manner on domestic and foreign enterprises is inconsistent with the TRIMs Agreement because it involves discriminatory treatment of imported products in favor of domestic products.

The usefulness of various performance requirements remains an area in need of more research. While some studies question the effectiveness of performance requirements, others argue that current IIAs go too far in curtailing the ability of host governments to improve the quality of foreign investments in line with their development objectives. As regards future negotiations of IIAs, there may be a need for further assessments of the impact of existing agreements at the bilateral, regional and multilateral levels on the use and impact of performance requirements.

To avoid deterring foreign investments, performance requirements have normally been tied to some kind of advantage, often in the form of incentives. Most developed countries offer locational incentive packages to both domestic and international investors. Developing countries also offer tax breaks and locational packages to attract foreign investors. However, their packages are much smaller, and these countries typically rely relatively more on fiscal measures, whereas financial incentives are more common in developed countries. In developing countries, incentives have been used especially to attract export oriented foreign investments, often in the context of export processing zones (EPZs). In light of restrictions under the WTO Agreement on Subsidies and Countervailing Measures (the SCM Agreement), developing country WTO members (other than those mentioned in Annex VII of the SCM Agreement and with the exception of those that obtain an extension of the transition period) have been forced to eliminate export subsidies (related to goods) as required under the SCM Agreement by 1 January 2003. Even those that have obtained an extension of the transition period cannot increase the level of their export subsidies, are subject to the prohibition with respect to particular products if they achieve export competitiveness in such products, and will need to consider what to do once the transition period expires.

At the same time, it is worth reflecting on the legal regime for development-related subsidies. For instance, subsidies to foreign affiliates and/ or domestic firms that engage in linkage development activities in developing countries, involving the provision of technology, technical assistance and training to local suppliers and their personnel, may be an important policy tool. A case could be made for, under specified conditions, making certain types of such development-oriented subsidies to foreign affiliates non-actionable under WTO rules.

In terms of the four principal issues mentioned in paragraph above, incentives and performance requirements have been used in combination with other policy measures to optimize the impact of foreign investment. In countries in which such measures have played a role in efforts to promote inward FDI, they have typically complemented a range of other measures such as those aimed at enhancing the level of skills, technology and infrastructure. If the business environment is not made more conducive to investment, upgrading and linkages, the risk increases that investors will leave once an incentive expires.

3.3. Enhancing Infrastructures, Human Resources, Local Competitiveness

To reap the maximum benefits from corporate presence in a national economy, domestic competences, technologies and infrastructure need to be sufficiently well developed to allow nationals to take full advantage of the spillovers that foreign-owned enterprises generate. Host-country authorities should therefore – with due regard to the balance between costs and expected benefits, and the state of development of the domestic economy – under-take measures to the following effect:

- Put in place, and raise the quality of, relevant physical and technological infrastructure. The presence of such infrastructure is instrumental in attracting MNCs, in allowing national enterprises to integrate the technological spin-offs from foreign-owned

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enterprises in their production processes, and in facilitating their diffusion through the host economy. Allowing foreign investment in infrastructure sectors and leveraging such investment by means of ODA may assist in these efforts.

- Given the importance of basic, widespread education for development, raise the basic level of education of national work forces. The provision of specialized skills beyond basic education should build on existing competences in the host economy, rather than target the short-term or specific needs of individual foreign-owned enterprises. A healthy population is also needed, which requires work-force basic public health infrastructure (e.g. clean water).
- Implement internationally agreed. Efforts to reduce child labor, eliminate workplace discrimination and remove impediments to collective bargaining are important in their own right. They also serve as tools to upgrade the skills and raise the motivation of the labor force and facilitate linkages with MNCs on higher standards. Additionally, a operating sound environmental and social framework comparatively becomes increasingly important for countries to attract international investments operating seeking on high standards.
- Consider carefully the effects of imposing performance requirements on foreign investors. Rather than justifying performance requirements as a counterweight to generous foreign investment incentives, necessary may wish to reassess the incentive schemes countries themselves. Moreover, it should be recognized that such requirements may work against efforts to attract higher quality foreign investment.

International co-operation, whether under the auspices of international organizations or bilaterally, may assist and reinforce the foreign investment-related efforts of host countries, home countries and multinational enterprises. The added value of cooperation in the context of home countries, or countries more broadly, lies in the fact that the developed fields for policy action suggested above cannot easily be pursued by countries acting alone. Embarking on the vast array of policy measures proposed above for host countries is beyond the capabilities of many poorer nations. This creates a scope for other countries and organizations to help via measures aimed at technical assistance and capacity building.

Capacity building is a priority area for international co-operation. International organizations and relevant national agencies should carefully assess the need for activities in the field of international investment – particularly foreign direct investment. Increased capacity-building measures would focus on assisting developing countries to develop stronger competences in the following fields:

- general supply-side challenges;
- formulation and implementation of broad-based policies toward foreign investment; and
- the specific architecture for negotiating and implementing international treaties and agreements related to foreign investment.

The success of such an approach will depend on the mechanisms for coordinating the use of resources for capacity building and technical assistance. The challenges are so great that no single institution can respond adequately to the needs of developing countries. This implies a need for greater cooperation among investment agencies, to engage in a broader range of investment capacity-building activities.

4. In Practice: Adoption a Strategy to Promote Foreign Investments

4.1. Why a Promotion Strategy:

During the last two decades, numerous researches have been done on the specification of foreign investment inflows determinants. While there is wide spectrum of theories suggesting different variables and parameters resulting in an increase of foreign investments a country, recent applied studies by internationally well-known institutions reach some sort of consensus on the general factors stimulating and determining the volume of foreign investments in different countries, one of the most important of them as stated in previous chapters (beside market size and investment general environment) is announced to be investment promotion activities performed by the host countries. Simplifying implications of the last chapter and from a more executive point of view, three interrelated factors influence a country's ability to win foreign investment which are: its overall investment policy framework, public governance and market competitiveness environment and; its investment promotion and institutional capacity building strategies together with its institutional capacity for implementing these strategies.

The relative importance of each factor varies by country and in time in relation to the country's developmental strategy and institutional structures for supporting the efficient working of markets. The policy environment is of more importance in countries with sizeable local markets and substantial natural resources. For countries with smaller markets and fewer natural resources, an active and focused investment promotion strategy is much more important, as is having an effective investment Promotion Agency (IPA) to implement the strategy. In many countries Investment Promotion Agencies have gained a high profile in implementing national development policies with respect to attracting foreign investment.

4.2. Investment Promotion Strategies and Techniques:

An investment promotion strategy involves the organized use of a range of promotional activities to enhance the capacity of a country to absorb foreign investment and thereby to increase the level of investment in a country. Most strategies use four different but interrelated sets of activities with varied emphasis depending on changing conditions. They are: activities to service existing, prospective and new investors (investor servicing); procedures aimed at identifying and removing administrative obstacles and managerial impediments to foreign investment; campaigns to enhance the image of a country (image building); and actions to generate an increased flow of investor's projects (investment generation).

The importance attached to each of these activities varies by country and over time, but at any given time most strategies include elements of all four activities. Investor servicing involves pre-approval services, approval services and post-approval services to existing, prospective and new investors. These services can be provided in a proactive manner or passively. They can be comprehensive, providing a complete investor 'hand-holding', or more selective, for

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example'— focusing on ensuring that permits and clearances are provided with minimum delay and bureaucracy.

Identifying and removing administrative obstacles and managerial impediments require analytical techniques and subsequent management and legislative responses. One technique is to use foreign investment 'road- mapping' to identify how long it actually takes for an investor to start doing the business of making the investment after arrival in the country. The other step comprises identifying the administrative obstacles and managerial impediments and dealing with them. There are two basic ways to deal with administrative obstacles and managerial impediments to foreign investment; legislation to remove or moderate, and human resource management to change behavior. Image- building activities comprise effective communication about the location and include producing and distributing fact sheets, videos, brochures and newsletters, holding briefings and engaging in media relations, public relations and advertising. Image- building techniques must be accompanied by removing administrative obstacles and managerial impediments, investment-generation and investor- servicing activities, as on their own they are invariably wasteful. Some of these techniques, particularly advertising, media and public relations campaigns are best implemented by professionals.

Investment generation involves broad- or narrow- cast targeting, the use of mail and telephone campaigns, investment seminars and missions as well as direct marketing to individual investors. These techniques can, and should, be applied to audiences within the host country as well as to audiences overseas. They are applied differently for joint- venture projects and for direct investments, and the investment promotion strategy needs to reflect these differences. For the most part direct marketing to targeted investors is the most effective technique, while general missions are the least effective. The overall socio- economic development strategy of the country should not be overlooked during the investment generation process.

An investment promotion strategy should combine these techniques in innovative ways that suit the economic and industrial development requirements and the resources of an individual country. Where a country's investment image is poor relative to the reality, image- building activities are called for, but not before removing administrative obstacles and managerial impediments to foreign investment. Where the flow of potential investors falls short of investment requirements, a greater emphasis on investment generation activities may be the answer. Where realized investments fall short of the potential, it may be necessary to place more emphasis on investor servicing. Most strategies prioritize investor servicing, because satisfied investors increase their investments and are the best promoters of the country. A UNIDO survey of investors in Sub-Saharan Africa performed in 2001 indicated that the single most important source of awareness of investment opportunities was dialogue with existing investors.

A targeted investment promotion strategy is invariably more cost effective than a general one. Targeting involves selecting countries, sectors, sub- sectors and companies, and requires careful strategic planning to be effective. Government ministries and agencies, as well as local investors and business associates, need to be involved in the target- setting process. The mechanisms for doing this need to suit the requirements and practices of individual countries. Strategy implementation requires significant financial resources. A Recent study

shows that IPAs in developed economies (i.e. OECD member countries) have 2.1 million USD budget and 16 personnel on average while a typical IPA in the developing world have an average 1.6 million USD budget and 29 personnel.

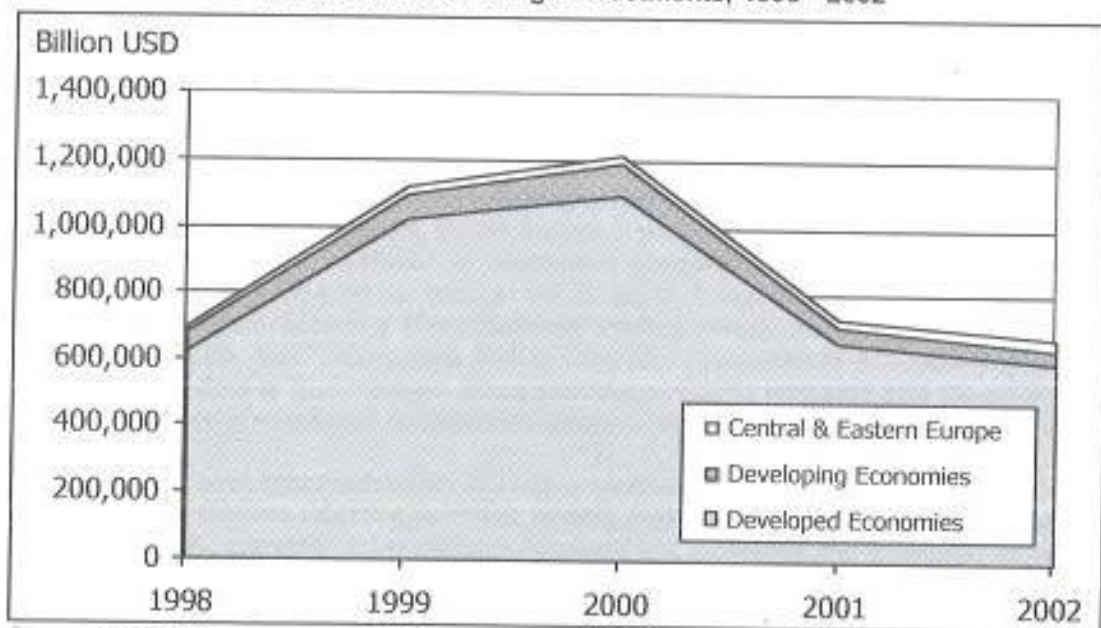
Project identification is regarded by many promotion agencies as essential to their activities. Especially for joint ventures involving small or medium enterprises, a project outline is important. On the other hand, foreign investors, especially large Multinational Enterprises (MNCs), are in a better position than most agencies to define suitable projects when they are given information on the business environment in a country. As a rule, project identification work is best when limited to profiling the enterprises and entrepreneurs, and their investment project proposals. Full-scale feasibility studies, except in specific isolated circumstances, should be generally avoided.

Many agencies emphasize the need for good data, information, statistics and knowledge systems, and their integrated management, to help them do their work properly. Data are needed on international investment trends. Information is required on business conditions at home and abroad. Statistics are necessary on sectors, industries and target companies. Knowledge on the dynamics of industrial organization is vital to crafting investment promotion strategies. Investors visiting the agency should be tracked, and the agency itself and its activities need to be monitored for performance evaluation. Good data, information, statistics and knowledge systems in these fields can be built up and components can be purchased where appropriate. Promotion agencies can receive assistance from multilateral entities in this area. Promotion agencies need to continuously build up their data, information, statistics, knowledge and market intelligence systems. Very important is information on the investments that could potentially be won. Good industry and market intelligence is also necessary to identify potential investors and promotion agencies need to devote time and effort to its development.

5. Foreign Investments in Developing Countries

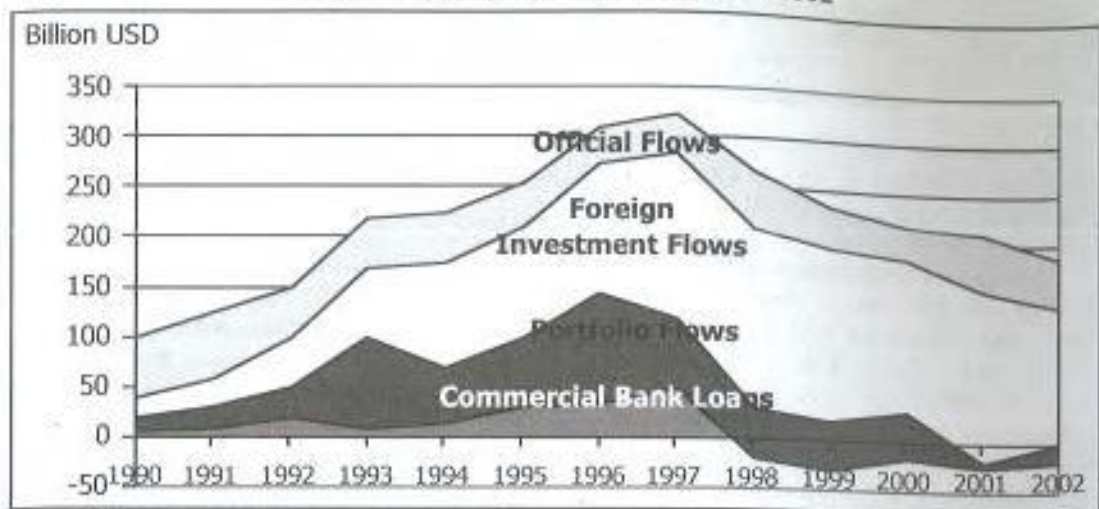
In Recent years business communities all around the world have witnessed a steep decline in the global foreign investments. While the uncertainties caused by September the 11th Event have been recognized as the main short-term reason for such a decline, slow economic growth in most parts of the world and dim prospects for recovery, a dramatic drop in mergers and acquisitions (M&As), lower corporate profitability in some industries, reduced reliance on intra-company loans, winding down of privatisation in some countries, and a loss of confidence in the wake up of corporate scandals and the demise of some large corporations are the factors referenced as the causes for continuation of the trend. Affected by such factors, global foreign investments dropped to the half of the record gained at the beginning of the millennium though it is remained as the main and most important resource flow to the developing countries and still plays unique crucial role in transferring technical and managerial know-how as well as provision of access to international markets, efficiently. As always, the recent fluctuation has been uneven geographically, sectorally, financially and with respect to the mode of entry. The big share of decline belongs to the developed world and specially the United States with a 90% drop, while in developing regions Africa experienced a 41% decrease, Latin America and Caribbean with a 30%, followed by the Asia with a quite small 11% decline and flows to Central and Eastern Europe even rose by 15%. This shows that despite general trends some regions and countries still experience high level growth and foreign investments, the Central & Eastern Europe and many oil producing countries in the Middle East (West Asia and North Africa) regions can be mentioned as the most important ones.

Global Trends of Foreign Investments, 1998 - 2002



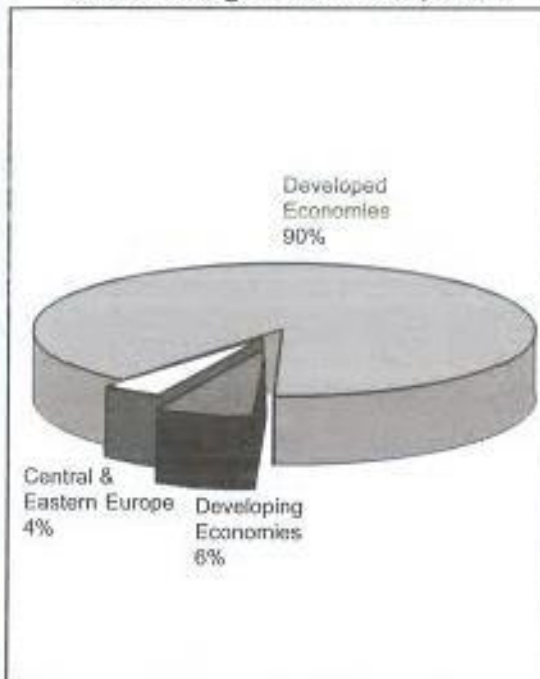
Source: UNCTAD, World Investment Report 2003

Flows to Developing Countries, 1990 - 2002



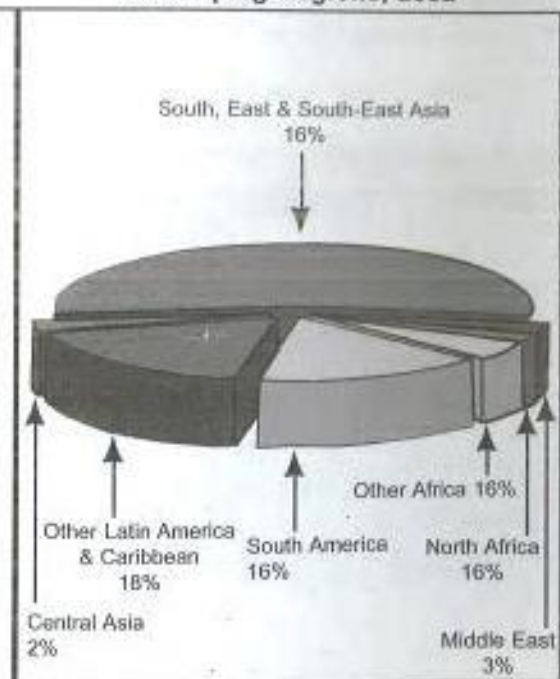
Source: UNCTAD, World Investment Report 2003

Geographical Distribution of Global Foreign Investments, 2002



Source: UNCTAD, World Investment Report 2003

Geographical Distribution of Foreign Investments Among Developing Regions, 2002



Source: UNCTAD, World Investment Report 2003

6. Foreign Investments in Colombo Plan Member Countries (CPMCs)

The following table illustrates the inflows of foreign investments in the Colombo Plan member countries (CPMCs) as well as the weight and importance of those flows in relevance to other regions and parts of the world.

The figures show that while foreign investments in the CPMC are increased with a higher growth rate than that of other countries during the second half of 1990s, these investments have also decreased with a much faster pace taken by other countries within the past two years. Such huge fluctuation is much more originated from the FDI inflows in the developed countries within CPMCs, specially the United States, as the trends in the foreign capital movements of the developing CPMCs are more smooth and compatible with the global trends and other developing countries' foreign capital inflows fluctuations. In fact, developing CPMCs have received much interests from foreign direct investments during the last decade which is made them the most important recipients of the foreign capital inflows within the developing world. Simultaneously, by the rise of new emerging economies, attractive for foreign investors in the Asian region, their importance within the regional map of the foreign investment destinations has been lowered. Despite, it should be noted that even within the developing CPMCs the distribution of foreign investment inflows is quite uneven and the newly industrialized CPMCs, more well known as East Asia Tigers, are the main recipient of the FDI among developing CPMCs and the rest of the developing members have kept a constant portion of the whole foreign capitals flow to the region.

**Foreign Direct Investment Inflows in Colombo Plan Member Countries (CPMCs)
1991- 2002**

Country	1991 -						
	96	1997	1998	1999	2000	2001	2002
Afghanistan	NA	-1	NA	6	NA	1	NA
Australia	6238	7657	6015	2924	13071	4006	13978
Bangladesh	8	139	190	180	280	79	45
Bhutan	1	-1	NA	NA	NA	NA	NA
Cambodia	120	168	243	230	149	148	54
Fiji	71	29	196	-20	-25	90	77
India	1085	3619	2633	2168	2319	3403	3449
Indonesia	2985	4678	-356	-2745	-4550	-3279	-1523
Iran	47	53	24	35	32	50	37
Japan	890	3225	3192	12742	8323	6243	9326
Korea	1234	2844	5412	9333	9283	3528	1972
Laos	53	86	45	52	34	24	25
Malaysia	5436	6323	2714	3895	3788	554	3203

Country	1991 - 96	1997	1998	1999	2000	2001	2002
Maldives	8	11	12	12	13	12	12
Mongolia	9	25	19	30	54	43	78
Myanmar	256	879	684	304	208	192	129
Nepal	8	23	12	4	NA	21	10
New Zealand	2361	2624	951	1586	3505	2009	367
Pakistan	501	713	507	530	305	385	823
Papua New Guinea	295	88	110	296	96	63	50
Philippines	1226	1261	1718	1725	1345	982	1111
Singapore	6656	13533	7594	13245	12464	10949	7855
Sri Lanka	125	433	150	201	175	82	242
Thailand	1964	3882	7491	6091	3350	3813	1068
USA	46834	103398	174434	283376	314007	143978	30030
Vietnam	1217	2587	1700	1484	1289	1300	1200
Total CPMCs	79828	158276	215690	337684	369515	178676	73418
Developing CPMCs	23505	41372	31098	37056	30609	22440	19717
Asian Countries (ACs)	59411	109092	99983	108529	142091	106778	94969
Developing Countries (DCs)	91502	193224	49837	72786	99052	47382	43095
Developing CPMCs/DCs (%)	26	21	62	51	31	47	46
Developing CPMCs/ACs (%)	40	38	31	34	22	21	21
World	254326	481911	686028	1079083	1392957	823825	651188
Developing CPMCs/World (%)	9	9	5	3	2	3	3
Developing CPMCs-Tigers (%)	5030	10112	8243	7237	6274	6875	7342
(Developing CPMCs-Tigers)/ACs (%)	9	9	8	7	4	6	8
DCs / World (%)	36	40	7	7	7	6	7

Source: World Investment Report 2003, UNCTAD

(NA: Not Available)

Nationwide, while the United States have been the main loser of the interests of many foreign investors during the past few years, Japan and Austria have been able to keep the ongoing flow of foreign investments in place. Within the developing CPMCs, most of the countries have been greatly shocked by the aftermaths of the September 11 Event, among others Republic of Korea, Indonesia, Singapore and Thailand have affected more, and for others, such as Malaysia, Philippines and Iran, the past few years events have not been very determinant to their inflow of FDI. But there are a number of nations their efforts for combating worldwide recession as well as promotion of their countries for attracting more foreign investors have been successful, among other India, Sri Lanka and Pakistan can be mentioned. Such different performances have created a more uneven geographical distribution of foreign investments in the region.

7. Worldwide and Regional Prospects for Foreign Investments

According to the last survey done by UNCTAD in sought of the 158 national investment promotion agencies (IPAs) expectations with respect to the global, regional and national foreign investment inflows, optimism prevails for short-and medium-term prospects, indicating a revival of future investment flows. Bearing in mind the severity of the recent downturn in FDI, the extent of optimism surrounding prospects for increased FDI in the short (2004- 2005) and medium term (2006- 2007) is striking. In the short term, no IPA expects prospects to worsen, but in the medium term, 7 per cent of the Central and Eastern European respondents do. Latin American and Caribbean IPAs are relatively less optimistic, with 67 per cent of the respondents expecting an improvement in foreign investments in the short run, and 86 per cent in the medium term. Developed countries are slightly more optimistic about the medium term than the short term. Overall, respondents from developing economies are as optimistic as those from developed ones regarding foreign investment prospects in the medium term.

Despite expectations of improved foreign investments prospects in the short and medium term, competition among countries for such investments does not show signs of subsiding. If anything, it is becoming more intense, including through the greater use of incentives and liberalization. This was evident in 2003, especially by IPAs in Africa, Asia and the Pacific and Central and Eastern Europe. However, for most Latin American and Caribbean IPAs this trend is less evident; they used to a lesser degree than other regions further liberalization and incentives to attract foreign investments. Developed countries also have low rates of response concerning the use of policy instruments such as incentives and further liberalization. Investment targeting, on the other hand, has become one of the most important tools for attracting foreign investment throughout the world, especially by IPAs in Asia and the Pacific, Central and Eastern Europe and Latin America and the Caribbean. The use of targeting overall is expected to increase during the period 2004- 2005. The Asia-Pacific region dominates the developing but also the developed world as an expected location for regional headquarters of MNCs during 2004-2005, with 61% of the respondents expecting headquarters functions being located there. Thus the well-established reputation of a handful of countries in Asia and the Pacific for offering environments friendly to headquarters- related services continues to pay off.

8. Conclusion and Recommendations

1. Foreign investments can play a significant role in the development process of host economies. In addition to capital inflows, foreign investments can be a vehicle for obtaining more economic growth; employment opportunities; knowledge and technology; managerial skills; and other important inputs; integrating into international marketing, distribution and production networks; and improving the international competitiveness of firms and the economic performance of countries. At the same time, neither inflows of foreign investments nor the benefits from such inflows are automatic.

2. Governments need to consider what role they want inward foreign investments to play in the development process of their economies, and then design their foreign investments policies accordingly. Thus, the broad policy objectives are to attract especially investment that is in line with the identified development objectives; to maximize the potential benefits derived from foreign investments; and to minimize negative effects (e. g. balance of payments problems, crowding out, transfer pricing, abuse of market power, labor issues and environmental effects). Government intervention may be motivated by two primary types of market failures: information or coordination failures in the investment process; and the divergence of private interests of investors (foreign and/ or domestic) from the economic and social interests of host economies.

3. Pursuing sound macroeconomic policies, Promoting medium term fiscal discipline and strengthen domestic financial systems are the main policies should be followed for enhancing economy's environment. Working toward increased openness to foreign trade, strengthen their efforts to consolidate the rule of law and good governance and imposing principle of non-discrimination in national legislation and implement procedures to enforce it are of the most important measures should be taken to improve the legal framework of foreign investment. A special attention should be paid to the framework laid down by the WTO Agreement on Trade-Related Investment Measures (TRIMs) presented as on host countries operation measures (HCOMs). And finally raising the quantity and quality of, relevant physical and technological infrastructure, raising the basic level of education of national work forces, implementing in accordance with international agreements, considering the effects of imposing performance requirements on foreign investors are of utmost important policies should be taken to improve infrastructures and human capital for attraction of more foreign investments.

4. In general, developing countries and economies in transition differ from developed countries with regard to the role and impact of foreign investments in their economies. First, the former are typically net importers of foreign investments, whereas developed countries in most cases present a more balanced pattern of inward and outward flows of foreign investments. Thus, in the context of foreign investments and International Investment Agreements (IIAs), the primary focus for most developing countries and economies in transition is on issues related to their ability to attract inward foreign investments and benefit from it. International agreements in general involve binding commitments, which may lead to the convergence of national policies and can limit the policy autonomy of the parties to an agreement. It is therefore important for developing countries to deepen their understanding of what policies and policy tools are most important from a development perspective; how international rules in the area

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of investment would affect them; and what commitments can be sought from home countries to support their development objectives.

5. While implementing most of the a.m. policies, as the general economic policies lies under the responsibility of various ministries government agencies, (including ministry of economy/finance, ministry of industry, etc.) for executing many of the policies stipulated before a special strategy, i.e. promotion strategy, as well as a mission specific government agency, i.e. an investment promotion agency, are required. Such an strategy involves the organized use of promotional activities to enhance the capacity of the country to absorb foreign investment and hence increase the level of investment. These activities can be categorized under 4 types of: activities to service existing, prospective and new investors (investor servicing); procedures aimed at identifying and removing administrative obstacles and managerial impediments to foreign investment; campaigns to enhance the image of a country (image building); and actions to generate an increased flow of investor's projects (investment generation). A targeting strategy which identifies countries, sectors, sub- sectors and companies that should be targeted by investment promotion agency is proved to be much more effective.

6. While in recent years all countries around the world have encountered a steep decline in the global foreign investments such decline has not been even geographically, sectorally, financially and with respect to the mode of entry. The big share of decline belongs to the developed economies and specially the United States. In developing regions Africa experienced the major decrease, followed by Latin America and Caribbean and then Asia with a quite small decline. At the same time flows to Central and Eastern Europe rose. With respect to the sectors, manufacturing and services received most decline while primary sector has received even more interests from foreign investors. Regarding the type of investments the big drop has been witnessed in mergers and acquisitions rather than greenfield investments.

7. International cooperation can help and reinforce the foreign, investment promotion, specially in host countries, greatly. The value- added of such cooperation lies in this fact that the developed fields for policy action proposed above cannot easily be pursued by many countries while acting alone, the limited number of successful countries in attracting foreign investments speaks quite clear this regard. Engaging to the vast array of policy measures suggested above for developing host countries is beyond the abilities of many of them. This creates a scope for other countries and organizations to help via measures aimed at technical assistance and capacity building. In this respect, international organizations and relevant national agencies can focus on the capacity-building-increasing activities such as: general supply-side challenges; formulation and implementation of broad-based policies toward foreign investment; and the specific architecture for negotiating and implementing international treaties and agreements related to foreign investment.

8. Different levels of economic development in the Colombo Plan Member Countries (CPMCs) as well as different performances with respect to the foreign investment reception in the past and present, have created 4 categories of countries with strong/weak potentials as well as over/under the potentials performance. Among these categories those countries with good performances, whether gained in the past (such as the United States, Republic of Korea, Malaysia, etc.) or have been reached at present (e.g. India, Sri Lanka, etc.) can play a very

constructive role in building capacities of those performing under their potentials via transferring their knowledge and experience developing business environment and promotional activities for foreign investments. Such cooperation can have a great developmental effects regarding the huge gap between foreign investment inflows in these two categories.