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**MAJOR POLICY ISSUES OF THE UNECE
AND THEIR IMPACT ON THE UNECE PROGRAMME OF WORK**

Note by the Executive Secretary *

The present global and regional environment of the UNECE, future trends and the main challenges, were summarized in a document on “Major policy directions of the UNECE’s work” (E/ECE/1400, 23 January 2003). Nevertheless, recent developments have further shaped future trends and main challenges at the global and regional levels, in many directions, as discussed below.

A. UNECE CHALLENGES AT THE GLOBAL AND REGIONAL LEVELS

At the global level

1. **Managed globalization.** The major challenge in the economic and social fields is to manage globalization in such a way that it allows all countries to achieve sustained growth, social development and environmental sustainability. The United Nations has consistently addressed these challenges and UN global conferences have formulated a consistent set of policy directions and commitments which if implemented would induce considerable progress in achieving the Millennium Development Goals (MDGs) in economic and social development, in the preservation of the environment, etc.

* Late submission due to delays in finalization.

2. **Development as a challenge.** The development challenges identified over the past years at the global level of the UN remain not only highly relevant but are even more acute with the accelerated pace of globalization. Consequently, all the commitments taken by member States during the major relevant UN global events remain also highly valid. Against this background, it is important that the mandates given to all UN entities to support the implementation of these commitments are effectively carried out.
3. **To prevent digital divide.** In order to prevent new divisions and inequalities, which could result from rapid technological progress (like the digital divide, etc.) the less advanced economies need to take measures that would lead to the development of the information society. ICT applications could be considered as an important instrument for development. The complexity of development issues for emerging market economies and economies in transition requires complex responses from international organizations.
4. **Demographic change and population ageing.** Population developments characterized by the stagnation and decline in the working age population, acceleration of ageing, a risk in old-age dependency, etc. are mostly relevant for developed countries and generate threats to the sustainability of social protection, fiscal sustainability and economic growth. Growing migration is considered to be only a part of a solution and new approaches to ageing are advocated.
5. **Mainstreaming gender into development strategies.** General equality is now widely recognized as a key component of development strategies ensuring effective use of human capital and stimulating economic growth. Efficiency arguments are important in the context of globalization and a pressure to improve competitiveness, in the context of an ageing society, etc. Gender aspects are at the very centre of these processes. Fiscal policies and pension and social protection schemes, employment and education policies, etc. have to reflect a significant change of women's position.
6. **No "soft and hard threats" to security.** In the report "A More Secure World: Our Shared Responsibility", prepared by the High-Level Panel appointed by the Secretary-General on Threats, Challenges and Change, social, economic and environmental degradation was identified as a threat to security analogically as terrorism, organized crime, etc. Meeting the challenge of today's threats means focusing on prevention. The report identified development policies as the most efficient policies for conflict prevention, terrorism or organized crime. In this context, the panel recommended that ECOSOC shift its focus, to transform to a development cooperation forum and to take on a more normative and analytical role. Through such reforms, it could provide an arena in which States measure their commitments to achieving key development objectives in an open and transparent manner.
7. **Economic and social dimension of security.** The Panel recommended to set up a Committee on the Social and Economic Aspects of Security Threats as a part of ECOSOC, "to commission research and develop better understanding about the economic and social threats to peace" and about the economic and social aspects of the threats, such as terrorism and organized crime.
8. **Strengthening the regional dimension.** Strengthening the regional dimension in the implementation of global commitments is requested by the United Nations global conferences and Summits, as shown in the document prepared for item 8, "Achieving the internationally agreed goals as well as implementing the outcomes of the major United Nations Conferences and

Summits (E/ECE/1424). Strengthening the interface role between the global and the regional level is also requested by providing inputs to global processes, shaping global decisions and developing global binding and non-binding legal instruments.

9. **More coherence needed.** The Secretary-General's report (A/59/31, Globalization and interdependence) points out that coherence is needed on national, regional and multilateral levels and that there is a need to enhance coordination and dialogue between multinational institutions. Analogically, the 2004 ECOSOC session adopted a resolution which, inter alia, encouraged a greater cooperation between its functional commissions and the regional commissions. In this context and in the context of the above paragraph, the UNECE is requested to strengthen its interface with the global level and cooperate more closely with the Commission for Social Development, Commission on Sustainable Development, Commission on the Status of Women, etc.

At the regional level

10. **Heterogeneity in transition and development.** The transition process in CEE and in the CIS has advanced considerably but the progress achieved is very heterogeneous. In this context, the following categories of member States can be recognized: (1) newly emerging market economies; (2) countries with economies in an advanced stage of transition; and (3) countries with economies in an early stage of transition. Heterogeneity is further strengthened by a differentiation in economic and social developments. Many of the countries in groups (2) and (3) have not achieved the pre-transition level of GDP per capita; some of them face extremely high unemployment rates and high poverty rates, many of them are still conflict-prone countries, etc. As stated in document E/ECE/1400, the different stages of progress in transition and in economic development require different policies, different approaches in implementation, different actions and different assistance from international organizations. The priorities for international cooperation of the three groups differ from each other and – at the same time – they differ considerably from the priorities of the most advanced UNECE member States.

11. **Differences in priorities.** The objectives of the most advanced EU and non-EU members in the UNECE region in the economic field include an increase in competitiveness, transformation into a knowledge-based economy, sustainable development and coping with an ageing society. The new EU-8, in addition to that, are confronted with a catching-up process, long-term low employment rates, high twin deficits, etc. Most of the CIS countries are challenged with integration to a global economy (WTO accession) and to the regional economy (strengthening of regional and sub-regional integration), development of transport infrastructure, restructuring of their industries and strengthening of the SME sector.

12. **Strengthening economic integration.** The UNECE region is affected by the unprecedented 2004 EU-enlargement and the prospects for EU accessions in 2007-8, and the opening of negotiations with Turkey. The EU accession is an engine for reforms in the western Balkans under the Globalization and Association Process. The new Neighbourhood Policy of the EU will have an inevitable impact on the other UNECE member States located at the border of the enlarged EU. At the same time, new efforts are necessary to be taken in order to prevent new divisions between the EU enlarged and non-EU member States, particularly from the CIS. The current bilateral agreements concluded in the 1990s (PAAs) provide a legal basis for bilateral cooperation with the EU. However, the need for plurilateral cooperation in the SEE and

the CIS is increasingly recognized and efforts to strengthen sub-regional integration are being taken in the SEE and in the CIS.

13. **Approximation of legislation and regulatory convergence.** The harmonization of regulatory measures stimulates markets and international trade. Legislative and regulatory convergence is assumed in different cooperation agreements between the EU and non-EU countries in the UNECE region. The importance of regulatory convergence is increasingly recognized by non-EU member States in the context of their future participation in globalized markets. Thus, the driving force behind regulatory convergence is not only the EU enlargement and existing bilateral agreements with the EU, but also the ambition to compete in the global markets.

B. UNECE RESPONSES TO NEW CHALLENGES

14. **Assistance to economies in transition countries:** At its fifty-ninth Session, the General Assembly adopted a resolution on “Integration of the economies in transition into the world economy”, particularly through institution building; regulatory framework and respect for property rights; infrastructure development; promoting competition; market access for exports; attracting foreign direct investment; fostering entrepreneurship; and enhancing the use of information and communication technologies. In this respect, the regional commissions are requested to “*continue to conduct analytical activities and provide policy advice and targeted technical assistance to the Governments of the countries with economies in transition aimed at strengthening the social, legal and political framework for completing market-oriented reforms, supporting national development priorities with a view to sustaining the positive trends and reversing any declines in the economic and social development of those countries*”. The GA resolution also stresses that such international assistance should focus on countries with economies in transition facing particular difficulties in social-economic development, implementing market-oriented reforms and meeting internationally agreed development goals, including those contained in the UN Millennium Declaration. As reported in the document related to agenda item 8 (Achieving internationally agreed development goals) and agenda item 11 (Technical cooperation activities of the UNECE), the UNECE continues to be involved in supporting transition economies in the areas covered by the resolution. Such support will increasingly focus on the less advanced countries, in particular in Central Asia, the Caucasus and southeast Europe. The second document prepared for agenda item 11 outlines the UNECE/UNESCAP Strategy for Central Asia and the future orientations of the SPECA. The Economic Survey of Europe – in this context – should focus more on the second and third group of countries with economies in transition, providing qualified analysis of economic reforms, economic and social developments and independent policy recommendations and policy options that should allow decision-makers to make their choice. Furthermore, a new instrument to better formulate long-term structural reforms and disseminate this information to policy-makers is the latest initiative of the PTEPF (Post-transition Economic Policy Forum).

15. **Integration into the European economy.** UNECE has an important role to play in helping integrate the non-EU post-transition countries, or countries with economies in transition, into the European economy with the aim of sharing the benefits of a wider economic area. A “wider Europe” dimension is integrated into the UNECE programme of work. This is recognized by the EU Action Plan for non-acceding countries under the European Neighbourhood Policy, which makes reference to the UNECE programme of work in transport, energy, environment, trade, etc.

16. **Transport development and integration.** Transport is vital to economic development and trade. It has the potential to reduce the disparities in the UNECE region, but also gives rise to environmental and health degradation. The UNECE plays an important role in identifying inter-regional transport linkages (the Euro-Asian Transport Links) in providing realistic investment plans in transport infrastructure (TEM and TER Master Plans) and in promoting healthier and more environmentally friendly transport in the region (through regulations for road traffic and vehicle constructions, the European Plan on Transport, Environment and Health).

17. **Trade, development and integration.** The Monterrey Consensus on financing for development identified the fundamental role of international trade in promoting development. Trade is key to regional integration and integration to the global economy. While formal trade barriers, such as tariffs, have become gradually lower over the last decades, non-tariff barriers remain an obstacle to greater regional and global trade. In particular, for land-locked countries, the costs of doing trade are still extremely high and damage their competitiveness in world markets. To improve this situation, the Trade Development Programme in UNECE works on a consistent basis to promote trade facilitation and technical harmonization.

18. **Energy, development and integration.** While growth in UNECE member States is energy less intensive than in the 1970s oil crises, many UNECE member States remain dependent on imports of oil and gas from producing and exporting countries. Continued uncertainty about the Middle East has led to rising interest in energy security including the need for alternative sources of energy supplies from the Russian Federation and the Caspian Sea region. The UNECE has, as a result, and as indicated in document E/ECE/1426, launched the Energy Security Forum in which governments, energy producers and the international financial community seek to reduce the instability of global energy markets and its negative impact on the world economy.

19. **Environment and sustainability of development.** Many of the UNECE region's environmental issues remain unsolved, mainly owing to the difficult economic situation in the transition countries. Reconciling basic environmental concerns with severe economic constraints is very difficult for many countries in transition. It is therefore essential to closely monitor such disparities and their evolution and to design measures to prevent sub-regions from drifting apart. Any further divergence might have undesirable repercussions for the environment and security. Important initiatives for the environment and sustainable development have been taken or are under way (the Environmental Strategy for Countries of EECCA, Strategic Partnership on Water for Sustainable Development, the South-East Europe and the Mediterranean Initiative on the integrated water resource management for transboundary waters, the Environmental Performance Review programme). The UNECE in this context provides strategies, guidelines and policy recommendations on how to solve these issues. The cross-sectoral programme on transport, environment and health (THE PEP) promotes healthier and more environmentally friendly transport in the region. Further focus on energy efficiency and energy renewables can contribute to sustainable development and respond – to some extent – to energy security concerns. The UNECE contributes to achieving sustainable forest management through its timber programme of work.

20. **Restructuring, ICT and development:** While pressures for industrial restructuring and the development of a knowledge-based economy are present across the UNECE region, the emerging market economies and economies in transition are facing a considerably different situation. Their efforts coincide with a difficult transition process characterized by transitional

recession, increasing unemployment and slow progress in the adoption of ICT. To avoid widening the digital divide, they have to consider various policies and measures. The UNECE provides an integrated approach to the different aspects of information society policies, implementing e-applications in its programmes of work. In particular, the UNECE has focused on e-assessment, development of e-business standards and a forum for exchange of experience in e-applications.

21. **Housing and development:** The move towards a market economy and democracy has failed to deliver uniform benefits to all affected countries and to all social groups. Among other things, governments have failed to achieve improvement in housing, have not included social housing into their reform packages, failed in housing modernization and lag behind in good land administration. The UNECE in this context provides strategies, guidelines and policy recommendations on how to solve these issues.

22. **Interregional economic cooperation in SEE, CA and the Caucasus:** Many of the economically weaker countries of the UNECE region have seen their share in world trade and markets shrink in recent years in all but energy products. These countries, and particularly the landlocked countries, need to rely on one another in order to facilitate trade flows, build competitiveness and achieve sustained growth. In this context, the UNECE aims at a better understanding of the future prospects of regional trade groupings and agreements in the CIS and the SEE. Their efforts towards closer sub-regional integration are often constrained by insufficient and inadequate transport infrastructure and the existence of bottlenecks and missing links as well as the lack of funds to remove them. The UNECE addresses the particular needs of Central and Eastern Europe, SEE and the Caucasus in transport infrastructure by identifying transport links, developing transport plans and capacity building.

23. **Approximation of legislation and regulatory convergence.** Through its inter-governmental mechanisms and its advisory service, the UNECE offers its experience and expertise to its member States, and particularly to non-EU countries, to assist them in adopting the necessary regulatory measures and international standards through which economic cooperation can further develop. The role of the UNECE in regulatory convergence increases as a prerequisite of strengthening economic integration in a wider Europe context. The UNECE legal instruments and recommendations in transport, environment, trade, etc., can serve as a basis for approximation of legislation and regulatory convergence.

24. **Regional dimension for achieving MDGs.** The UNECE offers assistance in achieving the MDGs to individual member States through different programmes of work, in environment, trade, timber, transport, statistics, etc. In addition to this, it assists in shaping regional policies for achieving the MDGs and provides a forum for exchange of practices. The UNECE has undertaken activities with the aim of ensuring that the regional dimension of the MDGs is taken into account in global reporting and to raise awareness of the MDGs in the UNECE region. (For details, see document under agenda item 8, "Achieving the internationally agreed goals [...] E/ECE/1424.)

25. **Mainstreaming ageing policies.** As advocated by the Ministerial Conference on Ageing (MICA) 2002, it is recommended that ageing policies be incorporated into all appropriate policies. The UNECE responds to this in the areas of its expertise: economic analysis and population policies, gender policy fields, housing policy, etc.

26. **Mainstreaming gender into development strategies.** The UNECE promotes mainstreaming gender into the development policies of its membership in line with its mandate for the follow-up to the Beijing Conference. The UNECE provides a region-wide platform for exchanging experiences and good practices among all groupings of countries, and provides assistance in the area of gender statistics and in encouraging women's entrepreneurship.

27. **Economic and environmental dimension of security.** Recognizing the role of the OSCE as a regional security organization and economic and environmental dimension in conflict prevention and early warning, and the leading role of the UNECE in its areas of competence, the UNECE and the OSCE concluded a Memorandum of Understanding (MOU) in which the UNECE committed to providing a review of the OSCE Strategy Document for the Economic and Environmental Dimension, adopted in December 2003, in three clusters. (For details see "UNECE's cooperation with the OSCE", Conference Room Paper prepared for the Annual Session, agenda item 5.)

28. **UNECE reform.** After the adoption of an in-depth reform of the UNECE in 1997, the UNECE initiated its Second Round Reform in 2002, in the context of the second round of the Secretary-General's reform, adjusting its programme of work, governance structure and secretariat to new challenges. In February 2004, at the fifty-ninth Annual Session of UNECE, the decision was taken "to commission a comprehensive report on the state of the UNECE, with the aim of developing recommendations to determine what changes to the role, mandate and functions of UNECE are necessary in light of the changes in the European institutional architecture ...". The report is supposed to be submitted to member States in the second quarter of 2005 and, after allowing for discussion and debates, decisions will be taken. (For details see agenda item 6(a) of the sixtieth Annual Session.)
