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**DRAFT REPORT OF THE COMMISSION ON ENTERPRISE, BUSINESS
FACILITATION AND DEVELOPMENT ON ITS SECOND SESSION
(1-5 December 1997)**

Rapporteur: Mr. Sek Wannamethee (Thailand)

AGENDA ITEM 4

Speakers:

Sri Lanka (for Asian Group and China)
South Africa (for African Group)
Peru (for GRULAC)
Luxembourg (for European Union)
Guatemala
Poland
Japan
Switzerland

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments to statements of individual delegations - to be submitted in English or French - should be communicated by **Friday, 12 January 1997 at the latest**, to:

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Chapter I

SERVICES INFRASTRUCTURE FOR DEVELOPMENT AND TRADE EFFICIENCY ASSESSMENT

(Agenda item 4)

1. For its consideration of this item, the Commission had before it the following documentation:

"Services infrastructure for development and trade efficiency"
(TD/B/COM.3/10)

"Proposal for a Trade Efficiency Assessment Methodology (TEAM)"
(TD/B/COM.3/10/Add.1)

"Report of the Expert Meeting on the Use of Information Technologies to Make Transit Arrangements More Effective" (TD/B/COM.3/5-TD/B/COM.3/EM.1/3)

"Report of the Expert Meeting on Telecommunications, Business Facilitation and Trade Efficiency" (TD/B/COM.3/7-TD/B/COM.3/EM.3/3).

2. The spokesman for the Asian Group and China (Sri Lanka) said that government initiatives to assist in the setting-up of businesses revolved around finance, the aim being not only to increase the availability of finance but also to reduce its cost. Traditional financial institutions tended to favour large enterprises at the expense of SMEs, and in that connection he stressed the importance of micro finance, particularly for his region where 70 per cent of the world's poorest lived. He recalled the innovative and pioneering micro finance initiative launched by the Grameen Bank in Bangladesh and now widely replicated throughout the region. The Asian group and China supported UNCTAD's initiative designed to help make micro finance a sustainable activity.

3. UNCTAD's initiative to promote private sector participation in micro credit was a very practical one, though it was important that the programme should not rely solely on one source of funding. The support of the Bank and Government of Luxembourg was appreciated, but it should be complemented by private sector support.

4. The two Expert Meetings on the Use of Information Technologies to Make Transit Arrangements More Effective and on Telecommunications, Business Facilitation and Trade Efficiency had been successful and had resulted in practical recommendations which should be endorsed by the Commission. He

expressed his appreciation for the fact that more than 250 experts from the telecommunications meeting had participated in ITU's Telecom Inter@ctive meeting, and this type of inter-institutional cooperation should be seen as a model for future endeavours.

5. The Asian Group and China attached particular importance to the development dimension of the work under way on electronic commerce, and that work should receive greater visibility. He noted that the discussions undertaken on electronic commerce in the context of the High-level Segment of the forty-fourth session of the Trade and Development Board had been of high quality and had benefited significantly from the work of the Expert Meeting on telecommunications. UNCTAD had taken a pioneering stance in electronic commerce, though the strategy followed by UNCTAD in the area of trade efficiency should now be updated taking into account the most recent developments in this area, including the legal dimension. Finally, the trade efficiency assessment methodology represented an excellent basis for measuring the implementation of the Columbus recommendations, setting up Trade Points and taking advantage of new opportunities. He therefore expected that adequate extrabudgetary funding would be made available for these activities.

6. The spokesman for the African Group (South Africa) said that the secretariat report (TD/B/COM.3/10) rightly pointed out that the services infrastructure for micro enterprises in developing countries, and in particular LDCs, was weak and required considerable support and development. UNCTAD was helping to provide support for and development of the appropriate services in areas where it had a comparative advantage through practical initiatives such as the organization of an international micro finance market. Although this type of work had not yet been field-tested in Africa, his Group was keenly interested in the financing issue and in the need to explore all possible avenues to strengthen countries' own capacities.

7. With regard to the lack of recognition or coordination between the formal banking sector and the delivery agents of finance, further research should be done on the various aspects of this issue, including the impact that conflicting policy advice or demands from the international community could have in this regard. The results of UNCTAD's work in this field should be made widely available as soon as possible.

8. With regard to MFIs, it was hoped that all MFIs in developing countries and especially in LDCs would have the possibility of accessing new funds through UNCTAD's work, and that they would all be provided with the information and questionnaires referred to in the secretariat's report. His Group supported the suggestions mentioned in paragraphs 32 and 33 of the report.

9. Concerning the expert meetings, the transit issue and the issues of access to information, technology and connectivity remained of greatest importance to Africa. Africa did not want to be sidelined as far as electronic commerce was concerned.

10. Trade efficiency was another key concern for African countries, but UNCTAD's capacity to implement practical programmes was limited due to funding constraints. UNCTAD's intergovernmental machinery must be used to advance understanding of the policy adjustments necessary to support trade efficiency in a country.

11. He welcomed the trade efficiency assessment methodology, which would allow countries to receive an overall picture of their efforts and enable UNCTAD to provide not only specific technical cooperation projects or intergovernmental policy fora but also a clear link between international policy dialogue and overall national implementation. The methodology was a demand-driven tool that needed support as soon as possible.

12. Finally, he suggested that an African regional Trade Point forum be held on the basis of the subregional ones, and pointed out that some ASYCUDA projects were not sustainable because of the lack of training and human resources.

13. The spokesman for the Latin American and Caribbean Group (Peru) emphasized the fact that micro enterprises and SMEs were an instrument to fight poverty, and the informal sector should have access to the same opportunities as larger enterprises in order to become a competitive source of goods and services. Micro enterprises and SMEs needed to have their own credit mechanisms, as their initial capital came from family savings and was not sufficient to ensure continued growth. The role of UNCTAD should be to investigate the possibilities of establishing links between private sector investors and micro financing institutions and providing access to micro credit and micro insurance.

14. With regard to trade efficiency, the most important areas of activity had been identified, namely customs, transport, banking and insurance, telecommunications and business information. The tremendous advance of information technology and its impact on services in these areas had created a need for international cooperation, especially in the field of regional integration and its legal aspects (intellectual property rights, international regulations, and payment security). He therefore expressed support for the recommendations made by the Expert Meeting on Telecommunications, Business Facilitation and Trade Efficiency, especially paragraph 7 of document TD/B/COM.3/7.

15. He took note of the proposed trade efficiency assessment methodology and recognized the need to assess the quality of a country's services infrastructure. He also recognized the advantage of having SMEs participate in the evaluation, and he noted the voluntary character of the exercise. The need to publish trade efficiency indices did not seem evident, but a mechanism should be created to link the evaluation exercise with technical assistance proposals designed to improve national trade efficiency.

16. His Group supported the technical assistance provided by UNCTAD through EMPRETEC, ASYCUDA and the Trade Point programme. In particular, it supported the proposal to create an international federation of Trade Points to promote cooperation and coordination among Trade Points and enhance the participation of developing countries in world trade of goods and services.

17. Finally, expert meetings should be convened on three topics, namely specific financing modalities for micro enterprises and SMEs; electronic commerce and its impact on the process of regional integration; and the legal implications of electronic commerce, including intellectual property, authentication, effects on contractual law, regulation and security of payments.

18. The representative of Luxembourg, speaking on behalf of the European Union, expressed continued support for the trade efficiency programme as it had developed since UNISTE at Columbus (Ohio) in October 1994. At the same time, the Commission's session represented the right time to think about the new role of UNCTAD in mobilizing international institutions in the field of trade efficiency, and it would be important in that connection not to try to do too many things at once.

19. With regard to micro finance, in November the Council of Ministers of the European Union had adopted a resolution on that issue. Micro finance was a fairly new instrument in the battle against poverty and the development of the private sector in developing countries, offering micro services to the poorest groups of the population which had been isolated from traditional service providers. The Grammeen Bank considered the poor as responsible partners, and micro credit institutions were the proof that sustainable employment and real development could be based on individual energy, responsibility and autonomy. These institutions succeeded where traditional public programmes failed, and she supported UNCTAD's initiative aimed at creating an essential direct link between private investors and micro finance institutions in developing countries.

20. Concerning trade efficiency, UNCTAD had had a number of successes with ASYCUDA, ACIS and TRAINMAR. However, the Trade Point programme was more ambitious than those technical programmes, as it helped countries to integrate into the world economy. In that connection she suggested that Trade Points

should quickly become financially autonomous to ensure that they continued catering to private sector needs. The services offered by the Trade Point could be sold and thus allow the Trade Point to finance itself. The Trade Point programme should undergo an external evaluation within a reasonable time frame to see what should be improved. Finally, the creation of a legally autonomous Trade Point federation would promote financial independence and clarify the status of the individual Trade Points. Viability should be one of the most important conditions for membership of the federation.

21. The representative of Guatemala stressed the importance of the poverty problem, which affected one third of the world's population, above all women in developing countries. For them, micro credit represented the hope of being able to alleviate their poverty by expanding their micro businesses, and she therefore expressed support for the UNCTAD initiative aimed at promoting the organization of an international micro finance market.

22. In her region, NGOs had successfully transformed themselves into micro finance institutions and micro banks which had succeeded in becoming financially autonomous through donations and could therefore expand their services for micro enterprises. Improved access of micro finance institutions to the international market would lead to sustainability and interaction between private sectors in developing and developed countries.

23. The representative of Poland described the dynamic growth of SMEs and their key role in her country's national economy. The development of small and medium-sized enterprises was to a large degree dependent on the availability of development capital, usually based on self-financing, and on access to external sources. In Poland, the ability of businessmen to finance themselves was still limited, especially in the industrial sector, and the credit terms offered by banks were one of the main barriers to the development of SMEs.

24. The problems of government policy towards SMEs for the years 1998-2000 were currently being discussed in the context of the ongoing globalization of the world economy and the liberalization of Poland's trade, especially with the European Union countries. The goals of the new policy were likely to include increasing the competitiveness of the SME sector, achieving a real increase in investments in SMEs, and expanding SME exports. The SME sector was one of the pillars of the Polish economy, and its role would increase in the future.

25. The representative of Japan said that micro credit was an important and effective instrument for the alleviation of poverty in developing countries. He agreed with the UNCTAD secretariat that the lack of information flows between

micro banks and potential investors constituted an obstacle for the development of micro credit. In its activities in the micro credit field, UNCTAD should work in close cooperation with international organizations such as IFAD and UNDP.

26. Information technology was developing rapidly, but lack of infrastructure and human capacity hampered its development in many developing countries. He recognized the relevance of UNCTAD work in establishing Trade Points, but noted that lately Trade Points had come to be regarded as instruments for electronic commerce rather than as a tool for information exchange. UNCTAD work should concentrate more on the role of information, including in the context of electronic commerce for development, and on capacity-building, especially in developing countries.

27. The representative of Switzerland expressed her country's interest in UNCTAD's analysis and proposals concerning micro finance. Her country had in fact financed a World Bank study on sustainable banking for the poor. Of 900 MFIs, only 12 had succeeded in becoming relatively viable, while the others were weak and needed technical assistance, which was generally provided in the context of donors' coordination fora. Micro savings deposits amounted to US\$ 19 billion, which greatly exceeded the existing loan portfolio of US\$ 7 billion, and donors gave priority to improving client access to existing resources. UNCTAD's role in this area, where market forces were traditionally strong, should be repositioned.