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Agenda item 3

**THE IMPLICATIONS OF THE POST-URUGUAY ROUND ECONOMIC ENVIRONMENT
FOR ENTERPRISE DEVELOPMENT, INCLUDING POLICY ISSUES RELEVANT
TO INTER-FIRM COOPERATION, CLUSTERING AND NETWORKING**

Draft agreed conclusions

1. Globalization and the post-Uruguay Round have brought with them a new competitive environment and hence new requirements for sustained competitiveness on the part of firms. In this context, the Commission noted that international partnering, networking and clustering within localities are some of the best ways to build and sustain the kind of competitiveness that small and medium-sized enterprises (SMEs) need to survive and grow in a globalizing economy.

2. The Commission, taking note of the recommendations in the reports of the expert meetings on inter-firm partnerships and on clustering and networking (contained in documents TD/B/COM.3/12 and TD/B/COM.3/14 respectively), agreed on the following specific recommendations with regard to agenda item 3.

A. Addressed to Governments

3. Governments, particularly in developing countries and economies in transition, are invited to continue their efforts to create an enabling macroeconomic environment and provide basic infrastructure and services, including education, to promote private sector and SME development, including, inter alia, inter-firm partnerships.

4. For this purpose, Governments are invited to promote basic conditions such as a legal framework that includes a system of property rights, contract law, commercial law and bankruptcy laws, and a sound competition climate. Governments are also invited to develop local capital markets and mobilize domestic savings to facilitate the access of SMEs to finance.

5. Successful measures to stimulate enterprise clustering and networking require a constructive partnership between the public and private sectors and must provide demand-driven responses oriented to local conditions. Governments are accordingly invited to establish appropriate means which empower and encourage meso-level institutions to effectively support enterprise development, including, in particular, inter-firm cooperation.

B. Addressed to the international community

6. While developing countries have the primary responsibility for developing and promoting their enterprise sector, appropriate policies and support measures by the international community are of critical importance. These may include the provision of targeted technical assistance, access to information networks, and strengthening support for research and development systems through the enhancement of linkages with enterprises, universities and research institutions, as well as other appropriate channels.

7. A broad-based effort on the part of the international community is needed to assist SMEs in developing countries to meet internationally recognized standards. The international community should build awareness of the existence of such standards, provide information on how these standards can be met and provide related assistance.

8. A major challenge facing SMEs is access to finance. The international community should support and promote research on the feasibility of enhancing, designing and creating special financial mechanisms to meet SMEs' needs.

9. The international community is invited to facilitate inter-firm cooperation by contributing to the provision of access to capital, technology and managerial know-how, particularly in the least developed countries.

10. In support of national and regional initiatives to promote inter-firm cooperation, corresponding efforts should be made at the level of multilateral and/or bilateral cooperation. These efforts could include: support for programmes fostering the creation of inter-firm cooperation opportunities (e.g. through pilot projects, fairs, study tours, or website linkages); the training of staff from interested firms; facilitating technology transfer; the provision of experts; and financial assistance to support structures as well as information services. International cooperation schemes in developing countries and economies in transition should address the requirements of modern production methods (e.g. quality control, just-in-time production). Partnering agencies could also assist would-be partners in better articulating their objectives, focusing on trust-building processes and developing activities designed for this purpose.

C. Addressed to UNCTAD

UNCTAD is requested to complete expeditiously work mandated by previous sessions of the Commission and to undertake the following tasks:

11. UNCTAD, in cooperation and coordination with other international organizations, is requested to help developing countries integrate into networks of research institutions (in developing and developed countries) on networking, partnering and clustering issues in order to enable these countries to benefit from their research results.

12. UNCTAD should examine the feasibility, within the context of the EMPRETEC programme, of ways and means of increasing the access of SMEs to finance, including international venture capital.

13. UNCTAD should undertake case studies to identify best practices in promoting inter-firm cooperation with a view to developing criteria and checklists of conditions, capacities and attitudes which make companies "partnership-ready"; this includes addressing the needs of the least developed countries at the pre-collaboration level by identifying ways of enabling enterprises to build contractual trust through their legal systems, goodwill trust by creating a common vision among the partners and technical trust by strengthening their technological and managerial capabilities to carry out agreed tasks.

14. UNCTAD should provide advice to governments on creating an appropriate policy environment for inter-firm cooperation as well as advice on policy options within specific sectors.

15. UNCTAD should compile information or an inventory with a view to establishing, if necessary, an electronic network of North-South and South-South partnering programmes, relevant associations and organizations engaged in promoting inter-firm cooperation, including useful information on intermediary matchmaking agencies, using UNCTAD's website and linking it on-line to the EMPRETEC and the WAIPA (World Association of Investment Promotion Agencies) networks.

16. UNCTAD should prepare a study on innovative, non-fiscal incentives which can be used to stimulate clustering, promote investment, develop positive linkages within the domestic economy and bring about a greater transfer of skills and technology.

17. UNCTAD should also continue and expand its existing technical assistance programmes for developing countries, which are relevant for enterprise development such as EMPRETEC, TRAINFORTRADE and others. The least developed countries should have priority in the assistance provided by UNCTAD. The specific needs of certain developing countries with structurally weak and vulnerable economies should be addressed. UNCTAD should continue to provide technical assistance to economies in transition.