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**REPORT OF THE COMMISSION ON ENTERPRISE, BUSINESS
FACILITATION AND DEVELOPMENT ON ITS ELEVENTH
SESSION**

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Chapter I

AGREED RECOMMENDATIONS ADOPTED BY THE COMMISSION AT ITS ELEVENTH SESSION

Improving the competitiveness of SMEs through enhancing productive capacity

1. In recognition of the importance of SMEs for economic development, growth, employment, poverty reduction and productive capacity-building, UNCTAD should continue to provide its analytical work and technical assistance to developing countries, in particular least developed countries (LDCs), and to countries with economies in transition, on enterprise development that encompasses global and regional value chains, outward investment, supply-side improvement, research and development, and business linkages. It should assist countries in identifying policies and facilitative measures that would enhance SME competitiveness, including disseminating best practices and examining how regional integration offers opportunities and challenges for SMEs' internationalization.
2. UNCTAD should also continue to expand its technical assistance through business linkages programmes and EMPRETEC, including the launch of the EMPRETEC Africa Forum, and should continue to seek the necessary extrabudgetary resources for such activities.

Efficient transport and trade facilitation to improve participation by developing countries in international trade

3. Given the critical role played by transport and trade facilitation in enhancing the efficiency of supply chains, while analysing and reporting on issues and developments relating to international transport and trade facilitation and their implications for developing countries with a focus on the special situation of landlocked and transit developing countries, UNCTAD should pay particular attention to identifying and analysing the linkages between access to and supply of transport services, a facilitative trade environment and development prospects within globalized trade and production networks.
4. UNCTAD should enhance cooperation with member States in their effort to devise and implement national and international policies aimed at promoting transport and trade facilitation, including transport and transit corridors, in coordination with other relevant organizations. Assistance should continue to be provided to developing countries, in particular LDCs, and to countries with economies in transition to support their participation in transport and trade facilitation negotiations, particularly in the context of the Doha Development Round.

ICT and e-business for development

5. With a view to maximizing the benefits derived from the information economy, it is important to assess the economic impact of ICT, to develop national and international ICT strategies (through, for example, ICT master plans) and to adopt an appropriate legal framework for e-commerce. UNCTAD, taking into account the work of other relevant organizations, through its research and policy-oriented analytical work, as well as technical cooperation, should assist

developing countries, in particular LDCs, and countries with economies in transition in identifying approaches, strategies and policies on ICT.

6. Recalling the agreement in ECOSOC resolution 2006/46 that the system-wide follow-up of WSIS shall have a strong development orientation, UNCTAD should continue its role in the implementation of the World Summit on the Information Society, as well as in the follow-up to the WSIS in its capacity as secretariat to the CSTD, as laid down in the WSIS outcome documents and the relevant ECOSOC resolutions.

Other business

7. Recognizing the importance of building knowledge and skills in support of policymaking in developing countries and countries with economies in transition, UNCTAD should continue its work on the strengthening of local training, research and policymaking capacities with regard to trade, investment, enterprise development, technology, finance and development issues through the training programmes of the Virtual Institute, TrainForTrade and Paragraph 166 programmes, including through the innovative use of ICTs and distance learning, as well as networks and partnerships with other agencies, international organizations and bilateral development partners for training and research; and encourage the links between researchers and policymakers and the exchange of experiences and best practices in the development of sustainable capacities for trade and development.

Chapter II

OPENING STATEMENTS

8. The representative of the **UNCTAD secretariat** noted that the eleventh session of the Commission should result in "development-oriented outcomes including policy options" that could be considered by member States, in accordance with the recommendations of the UNCTAD Mid-term Review. In addition, the Commission should consider the work that could be carried out by the secretariat in preparation for UNCTAD XII.

9. In introducing the substantive items to be discussed by the Commission, the representative of the secretariat noted that global value chains were essential for building the productive capacities of developing countries and enhancing the competitiveness of their small and medium-sized enterprises (SMEs). A competitive, sustainable SME sector needed effective government policies and cooperation among all actors in order to create an enabling environment that would attract foreign direct investment. The latter could help in the diffusion of technology and know-how, and could increase innovation rates among local enterprises. Also, SMEs could develop trade and investment links through regional production networks; and thus UNCTAD's EMPRETEC programme developed the entrepreneurial potential of many developing countries, building regional and South-South cooperation. Furthermore, UNCTAD could actively contribute to the Aid for Trade initiative in its support for SME competitiveness.

10. Transport and trade facilitation also had a direct impact on the competitiveness of developing countries. In the context of the Doha Round negotiations, developing countries requested UNCTAD's expertise for assessing their capacities to implement binding rules for trade facilitation. UNCTAD was helping countries to participate effectively in the WTO negotiating process, and the ASYCUDA system could facilitate compliance with proposed customs modernization measures, but more resources would be needed in order to respond to the growing demand. Furthermore, UNCTAD had been requested to support the 2008 mid-term review of the Almaty Programme of Action for Landlocked and Transit Developing Countries. It should also monitor emerging issues in international trade and transport, including port reform, transport security regulations and their costs, freight logistics services in the General Agreement on Trade in Services, the environmental impact of international transport and the role of ICTs in trade facilitation.

11. The secretariat noted that ICTs had become very important for development strategies and policies, both as a productive sector and as a tool applied to other economic and social activities. ICTs could enhance the productivity and competitiveness of enterprises, including by facilitating innovation, and ICT and innovation policies were increasingly intertwined. The secretariat suggested that the Commission consider the role of ICT policies in fostering growth through ICT-driven innovation. An enabling environment for the latter included adequate research infrastructure, a skilled labour force, appropriate regulatory and taxation policies, and financial and non-financial support measures.

12. The secretariat welcomed the inclusion of the issue of capacity-building in the Commission's agenda and hoped that the Commission would encourage the continuation of analysis on the building of knowledge and skills for trade, the development of training and

teaching programmes, and the exploration of ways to enhance the links between researchers and policymakers. Building those individual and institutional capacities for trade and investment, as well as for research and policymaking, would increase the competitiveness of developing country enterprises.

13. The representative of **Honduras**, speaking on behalf of the **Group of 77 and China**, said that international debates should give due consideration to the development of entrepreneurship and a competitive SME sector in developing countries. The Aid for Trade initiative should include efforts aimed at building productive capacities by embracing investment and technology transfer for enterprise development. The EMPRETEC programme, which had helped developing countries expand the pool of their entrepreneurs and SMEs, should be extended to more developing countries and economies in transition. With regard to enterprise internationalization, the Group of 77 and China noted that outward foreign direct investment from developing countries could help strengthen South–South cooperation. UNCTAD was well placed to carry out further policy and analytical work on enterprise internationalization in the context of building productive capacities for developing countries.

14. On the subject of international transport services and trade facilitation, the international community should support developing countries in defining their trade and transport facilitation needs and priorities. National trade facilitation bodies were central actors in such prioritization, especially when implementing trade and transport facilitation measures and assessing related proposals in trade negotiations. UNCTAD support was needed for analysing, inter alia, countries' trade flows and structure, geographical considerations, access to transport networks, and common modes of transport for carriage in international trade. UNCTAD could partner with relevant international organizations for those analyses, as it did for example in the Global Facilitation Partnership, and support the creation of the appropriate trade facilitation organizations.

15. UNCTAD should continue its work on ICT and e-business for development, maintaining a productive balance between research and policy analysis, consensus-building and technical assistance. SMEs' use of ICT was of particular relevance, because of the economic importance of SMEs and the fact that they were lagging behind in the use of e-business applications compared with larger enterprises. The Group of 77 and China suggested that the Commission consider mandating the development of a set of voluntary guidelines that developing countries could use to define and implement ICT policy reviews. In that context, ICT indicators were core policy elements for the development of the information economy. Also, the unceasing advance of ICTs necessarily related to innovation practices and policies, which in turn could form part of the ICT policy review mechanisms of developing countries.

16. The Group of 77 and China commended UNCTAD's Virtual Institute and TrainForTrade capacity-building programmes, which had fostered long-term and locally owned training, teaching and research programmes, and increased South–South cooperation. They encouraged UNCTAD to continue its analytical work on capacity-building and the use of evidence-based research in policy formulation. However, sufficient funds were needed so that those programmes could continue and achieve their full long-term potential. Given the growing consensus about the inclusion of trade-related technical assistance and capacity-building in the Aid for Trade initiative, those activities could receive further financial support from the initiative when it had been established.

17. The representative of **Angola**, speaking on behalf of the **African Group**, said that promoting the growth of SMEs and enhancing entrepreneurship talents constituted significant development policy for developing countries, particularly in Africa. The African Group welcomed the expansion of the EMPRETEC programme to include three additional African countries, and encouraged the secretariat to continue this expansion. The discussion on global value chains and business linkages was much needed by African countries, where the private sector should be the focus in building productive capacities. In that context, UNCTAD should enhance its cooperation with the African Union and the New Partnership for Africa's Development (NEPAD), which had established a mechanism to develop an enabling environment for business by promoting good governance, policy and institutional reforms. The Aid for Trade initiative, with the participation of UNCTAD, should support African countries in strengthening the private sector's ability to compete in world markets.

18. The African Group encouraged UNCTAD to intensify its efforts in supporting landlocked and transit developing countries in preparing the 2008 mid-term review of the Almaty Programme of Action for Landlocked and Transit Developing Countries, including the two high-level preparatory meetings on infrastructure development and trade and transport facilitation scheduled for 2007, which would address concerns regarding the improvement of transit transport operations through practical solutions.

19. The African Group welcomed UNCTAD's analysis of technology policy issues from the African viewpoint and encouraged the secretariat to continue providing expertise in the area of ICT policies and strategies to help developing countries create a favourable environment for e-commerce and e-business. The African Group appreciated UNCTAD's long-term and locally determined programmes to enhance the knowledge and skills of the private sector, academia and policymakers in Africa. It endorsed the recommendation of the Advisory Group on the Strengthening of Training Capacities and Human Resources Development that the activities carried out by the three UNCTAD training and capacity-building programmes (namely TrainForTrade, the Virtual Institute on Trade and Development and the Training Course on Key Issues on the International Economic Agenda) in Africa be extended, and called for increased donor support to UNCTAD projects designed to meet the specific African needs regarding human resources development.

20. The representative of **Thailand**, speaking on behalf of the **Asian Group**, commended the EMPRETEC centres and encouraged UNCTAD to expand the programme to cover more countries, including Asian countries, by working with international development partners. Also, Asia needed more analytical work and advisory services regarding enterprise internationalization, given the increase in South-South and South-North investment in the region. The exchange of experiences and better coordination among stakeholders would help to increase the ability of developing country SMEs to integrate into global value chains.

21. Efficient trade and transport facilitation was crucial for landlocked developing countries and small island developing States in Asia. UNCTAD could contribute to Asian implementation of new security measures in international transport. It should continue its successful technical assistance activities in Asia, including the trade facilitation projects in Afghanistan, Pakistan and South-East Asia, the ongoing implementation of ASYCUDA and support to the negotiations on trade facilitation at the WTO.

22. The Asian Group urged UNCTAD to promote work on the periodic evaluation of ICT policies for development, including by assisting countries in producing comparable data on the digital economy. It also welcomed UNCTAD's analysis of pro-poor information technology and expected similar work to continue. Finally, the Asian Group recommended that funding be sought to sustain the long-term success of UNCTAD's high-quality capacity-building work through the Virtual Institute, the courses on key issues on the international economic agenda and the TrainForTrade programme.

23. The representative of **Brazil**, speaking on behalf of the **Latin American and Caribbean Group (GRULAC)**, stressed the importance of adding value to economic activities through technological innovation, sector diversification and the development of the supply chain. GRULAC congratulated UNCTAD on its successful EMPRETEC programme, including a Brazil pilot, and encouraged the secretariat to expand it to support the development of productive linkages and clusters in specific sectors with substantial potential. It highlighted the need for policy space so that Governments of developing countries could effectively support their SMEs; for example, specific micro-credit policies would be needed in order to strengthen the linkages between migrants' remittances and investment in SMEs.

24. GRULAC welcomed UNCTAD's research on ICT policies to support the development of the information society. Policymakers faced two key challenges: ensuring that higher levels of connectivity were translated into economic growth and increases in productivity, and reducing inequalities in access to ICTs and the use thereof, and in the benefits that different social groups could derive from such technologies. Therefore, GRULAC encouraged the secretariat to continue its efforts to carry out national ICT policy reviews, and to analyse the impact of ICT policies and programmes on poverty reduction, including their gender dimension.

25. Regarding the development of capacities, delegates were informed that the next Training Course on Key Issues on the International Economic Agenda would take place in Peru. Finally, GRULAC praised UNCTAD for its efforts to support the development of a network, namely the Virtual Institute, that enhanced the relationship between the public, private and academic spheres.

26. The representative of **Benin**, speaking on behalf of the **least developed countries (LDCs)**, noted that globalization required that enterprises adapt their processes and products to the international economic environment. SMEs from developing countries needed help in integrating into global value chains that offered new possibilities for growth, increased competitiveness and the improvement of technological capacities. Improvements in institutional and structural capacities would promote investments, and the transfer of technology would strengthen productive and human capacities, but development partners should make long-term commitments to ensure sustainability.

27. LDCs required investments in transport and communications infrastructure in order to bring about greater participation by developing countries in global trade. In particular, landlocked countries were marginalized by their lack of access to global transport networks. Even if enterprises were competitive in terms of factory productivity, their competitiveness would be wiped out by the costs associated with a deficient transport infrastructure. The promotion of multimodal transport, incorporating the services of local transport service providers, was crucial to enhancing the competitiveness of LDCs (and their SMEs). Landlocked LDCs needed urgent

solutions to facilitate the transit of their merchandise. Lastly, LDCs could not afford to implement new security measures.

28. The representative of **Germany**, speaking on behalf of the **European Union**, noted that UNCTAD's work needed to help overcome trade and supply-side constraints in developing countries. The EU welcomed the detailed analysis of the integration of SMEs into global value chains through linkages with transnational corporations. It also supported greater coordination by international development organizations in technical cooperation, and encouraged the UNCTAD secretariat to develop a coordinating mechanism to interlink the various stakeholders in a network. In that regard, the EU sought a regional focus on Africa.

29. Aid for Trade was considered to be a central instrument for achieving success in addressing structural obstacles encountered by SMEs in developing countries. Increased and more effective Aid for Trade was needed to enable all developing countries, particularly LDCs, to better integrate into the multilateral trading system and to use trade more efficiently for poverty eradication in the context of sustainable development. The speaker referred to a recent decision by the Council of the European Union to increase total Aid for Trade through trade-related technical assistance and capacity-building to €2 billion by 2010. As work progressed on the Enhanced Integrated Framework, the EU welcomed UNCTAD's engagement in the process of implementing the Aid for Trade initiative and would work with its secretariat in defining more clearly the role that UNCTAD would be playing in the future in supporting the LDCs participating in the Integrated Framework.

30. The EU attached great importance to trade facilitation since it promoted transparency, cut red tape and helped to attract investments. In addition, customs automation helped to increase government revenues. UNCTAD was already playing an active role in supporting developing countries in the area of trade facilitation. The Commission was encouraged to continue its work in that area and develop best-practice approaches. In addition, the positive role of the ASYCUDA programme, which was in use in more than 80 countries, should be further developed in order to simplify and accelerate customs procedures in developing countries. The EU also attached great importance to the negotiations on trade facilitation at the WTO, where UNCTAD had an explicit role in supporting those negotiations in close cooperation with other international organizations. Moreover, UNCTAD could play an important role in the implementation of future WTO rules.

31. The model ICT policy review framework proposed in UNCTAD's *Information Economy Report 2006* was an important instrument that could contribute to overcoming the "digital divide". The Expert Meeting on ICT for Growth and Development had contributed constructively to the post-WSIS process by laying the theoretical foundation for ICT growth and development. It would now be important to continue along those lines by defining results and identifying follow-up measures. The EU welcomed UNCTAD's support for the Commission on Science and Technology for Development.

32. The representative of **Belarus**, speaking on behalf of **Group D**, encouraged UNCTAD to continue exploring successful policies to promote enterprise development in developing countries and countries with economies in transition, with the aim of identifying best practices for enhancing SME competitiveness, including through business linkages and integration into global value chains. In addition, he asked UNCTAD to continue providing technical assistance and

capacity-building on transport and trade facilitation, including through ASYCUDA, putting special emphasis on the facilitation of transit trade for landlocked countries.

33. Group D also encouraged continued analysis of the development implications of ICT issues discussed at the WTO, and of the economic aspects of the information society in the context of the implementation of the Plan of Action of the World Summit on the Information Society (WSIS). UNCTAD should also continue to provide a forum for the discussion of ICT for development issues. Finally, UNCTAD should maintain a systemic, development-oriented approach to training on international trade, investment and finance, which would also strengthen local capacities for research and for replicating training, in particular through the UNCTAD Virtual Institute, TrainForTrade and the training courses on key issues on the international economic agenda.

34. The representative of the **Russian Federation** encouraged participants to take into account during the Commission's discussions the São Paulo Consensus, the outcomes of the WSIS and the Aid for Trade initiative, and emphasized the importance of UNCTAD's analytical work and technical assistance on enterprise development, enhancing SME competitiveness, business linkages, transport and trade facilitation, promoting ICT, and e-commerce. He expressed support for the continuation and expansion of EMPRETEC, the Virtual Institute, TrainForTrade and Paragraph 166 programmes.

35. The representative of **Cuba** noted that SME-TNC business linkages were not enough for countries' development. Often, the dividends of TNC investments did not remain in developing countries, and the more TNCs merged and consolidated, the more they controlled developing economies. Developing countries should thus think about true South-South integration, an example of which was the Bolivarian Alternative for the Americas (ALBA), without prejudice to the development cooperation provided by developed countries. Cuba noted that the embargo which it was under was an obstacle to building its trade infrastructure and doing business like other developing countries, including e-business. Finally, the speaker suggested that ICT and distance learning be further exploited by UNCTAD for capacity-building.

36. The representative of **Indonesia** aligned herself with the statements made by the Group of 77 and China, and by the Asian Group. UNCTAD should establish more EMPRETEC centres in Asia, particularly in countries vulnerable to natural disasters. Improving SME competitiveness required the creation of an enabling and conducive business environment, including improvement of the regulatory framework and infrastructures. Important issues to be addressed included the internationalization of enterprises through global value chains and business linkages. Indonesia encouraged UNCTAD to deepen its work on trade facilitation priorities and its research on trade flows and transport networks, as well as ICT solutions for transport and trade facilitation. Finally, since ICTs supported innovation in the business sector, Indonesia supported UNCTAD's work on the development of guidelines for reviewing ICT policies for development.

37. The representative of **Nigeria** stressed the role of SMEs in the economy and the barriers that they faced in internationalizing their activities, including non-tariff barriers, and highlighted the responsibility of Governments as facilitators. He encouraged UNCTAD to continue working to enhance trade facilitation, develop human capacities, and support the expansion of ICT and e-business in developing countries.

38. The representative of **China** noted that SMEs were an important and dynamic force in promoting economic development and employment. The innovative capacity of enterprises should be strengthened, and it was important that UNCTAD put forward policy suggestions in that area. On trade facilitation, China encouraged UNCTAD to continue to follow the work of other international organizations, including negotiations on trade facilitation in the WTO, analysing them from a development perspective. As indicated by UNCTAD's *Information Economy Report* and other publications, recent years had witnessed the widening of the digital gap. Given the great potential of UNCTAD's technical cooperation regarding ICTs and e-business, China urged donor countries to increase their inputs in this area. Technical assistance to developing countries should also be further strengthened.

39. The representative of **Moldova** stressed the importance of SMEs for her country and encouraged UNCTAD and donor countries to support the establishment of an EMPRETEC programme in Moldova to support the development of entrepreneurship capacities. Taking into consideration current constraints in terms of human resources capacities and competitiveness, she encouraged the creation of an Aid for Trade initiative that included low-income and transition countries, and thanked UNCTAD for the implementation of the ASYCUDA customs modernization programme in Moldova.

40. The representative of the **United States** encouraged the Commission to turn UNCTAD research into practical actions and recommendations that raised the level of entrepreneurship in developing countries and helped them integrate into the world economy, to work on improved indicators to measure the impact of its work and to explore synergies with other Commissions. The United States applauded UNCTAD's work on customs modernization and supported the EMPRETEC network. The latter should be used by other Divisions in UNCTAD to share their expertise in investment, trade and other relevant areas.

41. The representative of **Haiti** aligned himself with the statements made by the Group of 77 and China, by the LDC group and by GRULAC. He noted that although the improvement of SME competitiveness was to be achieved through internationalization, foreign direct investment was increasingly concentrated and directed towards services. This investment had been unevenly distributed in the developing world and many LDCs had been marginalized. Aid for Trade, paired with capacity-building programmes such as those in UNCTAD, should help LDCs overcome supply-side constraints, enhance their trade capacities and increase their attractiveness to foreign direct investors.

42. The representative of **Peru** highlighted the importance of developing SMEs' capacities, and looked forward to the implementation of an EMPRETEC programme in Peru. In addition, she acknowledged the three capacity development programmes of UNCTAD, namely the Virtual Institute, the TrainForTrade programme and the Training Course on Key Issues on the International Economic Agenda (Paragraph 166), and drew attention to the need for the Paragraph 166 course to build greater interdivisional cooperation, to receive increased resources to ensure its long-term sustainability, and to enhance the links with academia.

Chapter III

IMPROVING THE COMPETITIVENESS OF SMES THROUGH ENHANCING PRODUCTIVE CAPACITY

(Agenda item 3)

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

“The role of global value chains in building national productive capacities”
(TD/B/COM.3/79);

“Developing business linkages” (TD/B/COM.3/EM.28/2);

“Report of the Expert Group Meeting on Best Practices and Policy Options in the Promotion of SME–TNC Business Linkages” (TD/B/COM.3/EM.28/3);

“Report of the Expert Meeting on Building Productive Capacities in Developing Countries” (TD/B/COM.2/EM.19/3).

Chairperson’s summary

44. "Improving the competitiveness of SMEs through enhancing productive capacity" has been a central theme since UNCTAD XI in São Paulo. At its eleventh session, the Commission focused on how to enhance the competitiveness of SMEs through their participation in global value chains (GVCs) and draw lessons from the experience of Latin American countries. It was noted that in 2006 it had discussed at length the Asian context and that in 2008, on the eve of UNCTAD XII, its session could be devoted to deliberations mainly covering enterprise issues in Africa.

45. UNCTAD's policy advice work and technical assistance have shown that the organization of production at the world level has increased the number of opportunities and serious challenges for SMEs to reach international markets and provided new entrepreneurial possibilities. In particular, the challenge for all firms participating in GVCs is, inter alia, to create competitive advantages and to continuously upgrade skills and technology in order to meet global quality standards and requirements. Once these have been met, participation in GVCs could provide SMEs with opportunities to upgrade to higher-valued-added functions, and to diversify and expand their business.

46. The Latin American experience shows that the regional integration process has advanced with Mercosur, the Community of Andean Nations (CAN) and the Bolivarian Alternative for the Americas (ALBA), and there have been five consecutive years of some economic growth, employment creation and macroeconomic stability. However, data have also shown that the whole continent still has to improve its competitiveness, especially in terms of innovation, institutions and infrastructure. Export diversification continues to be insufficient and confined mainly to natural resources.

47. Experts agreed on the importance, for developing countries, of implementing competitiveness programmes dealing with all production factors, improving the enabling business environment by removing obstacles related to both the physical infrastructure (roads, ports, airports, water and electricity) and the soft infrastructure (policies, procedures and institutions), and promoting skills development and education. Also, the need for, and the importance of, bilateral and international cooperation, including UNCTAD's, were highlighted. It was noted, for example, that the Andean Development Corporation (Corporación Andina de Fomento — CAF) had implemented competitiveness programmes in Colombia, Venezuela, Peru, Bolivia and Ecuador, aimed at diversifying existing exports and increasing their value added. The main pillars of the programmes are market intelligence, quality certification, logistics and product diversification operations. Additionally, CAF is very committed to cluster development, and in particular to promoting learning, innovation and networking dynamics in existing clusters with high growth potential, such as shrimps in Ecuador, auto parts in Colombia and software in Venezuela. On the other hand, the Iberoamerican Secretariat, based in Madrid, has put in place a programme on "SME Productivity and Corporate Social Responsibility". The objectives of this programme are to identify, replicate and expand the scope of corporate social responsibility initiatives which have an impact on the productivity of SMEs and their integration into GVCs.

48. It was noted that four different kinds of GVC upgrading could be identified. Process upgrading is triggered and often supported by the lead firms, most commonly in order to adopt ISO standards or good manufacturing practices. The example of BASF in Brazil was mentioned as a showcase, where the company had selected a number of strategic suppliers and supported their upgrading process in order to meet its safety, health and environmental requirements and to achieve more efficient control of dangerous products. Product upgrading includes the ability to produce new or more competitive products, as in the case of Royal Philips Electronics, which stimulated its supplier network capabilities by embedding the environmental sustainability concept into the entire business system. Functional upgrading increases the value added of firms by changing the focus of the activity performed (for example, from manufacturing to design, or from assembly to manufacturing), while chain upgrading creates opportunities for suppliers that have developed new competences and skills to move to a new value chain (for example, a Ludhiana bicycles producer in India, Hero Cycles Limited, started to produce motorcycles after creating a joint venture with Honda Motors of Japan).

49. Evidence from different continents shows, however, that GVC upgrading in its different forms is neither easy nor automatic. The participation of developing countries' SMEs in GVCs is hampered by their lack of resources to support adequate R&D costs, training of personnel and the fulfilment of the strict requirements of global quality standards. Insufficient working capital was also identified as a barrier to SMEs' participation in GVCs, as well as their lack of self-confidence regarding their ability to meet much more stringent delivery requirements in terms of both product quantity and quality and non-tariff barriers. In sum, it was agreed that developing countries' SMEs often faced, *inter alia*, information and supply capacity gaps that called for innovative policies to be put in place to favour domestic enterprise upgrading. Additionally, it was recommended that the enterprise dimension be included in the Aid for Trade initiative, namely measures to build productive capacities, release entrepreneurial talents and promote the transfer of technology to developing country enterprises. Policy measures to attract FDI

strategically are also important, since many cases, such as that of Intel of Costa Rica, have shown that investor targeting could be critical for attracting GVC leaders.

50. In this respect, it was noted that UNCTAD had recently undertaken a research project together with the OECD, the University of Fribourg and the University of Geneva to explore the main obstacles to, and potential benefits of, SME participation in GVCs and to prepare a set of policy recommendations to be included in a final declaration entitled "Strengthening the Role of SMEs in Global Value Chains". It was expected that this declaration would be endorsed by OECD member Governments in Tokyo in June 2007, while UNCTAD would circulate it at the forthcoming intergovernmental meeting related to item 3 of the Commission's agenda, together with the results of the case studies carried out by the project in developing countries. Preliminary results have shown that the clustering of SMEs in specialized parks has proved to be an effective vehicle for facilitating skills upgrading and the development of long-term relationships with clients.

51. Several delegates further underlined that the cluster development approach, which was based on enhancing specialized skills in a specialized area, had proved to be a powerful tool for integrating local firms into global value chains. In India, for example, different cities had become famous over the years for the production of different products, and it was estimated that about 350 clusters contributed to approximately 60 per cent of Indian manufacturing exports. In those clusters a competitive supply chain had evolved owing to the availability of raw material, technical expertise and marketing channels. The formation of clusters, however, could be also stimulated through policy incentives, subsidized training, public procurement and efficient transportation. For example, the development of the automotive cluster in Thailand was based on the creation of a network of lower-tier suppliers in neighbouring countries, with local suppliers and assemblers being upgraded to the next tier.

52. Experts agreed that it had become increasingly important to explore the dynamic effects of enterprise internationalization and regional integration on South–South cooperation and on the creation of new business opportunities for SMEs in developing countries. In this respect, it was noted that in 2006 UNCTAD had extended its advisory services regarding enterprise internationalization to 10 countries in Asia by participating in various regional meetings held in ASEAN. UNCTAD had also provided advisory services and technical assistance on entrepreneurship and SME development through the EMPRETEC programme, through a network of almost 30 centres located in developing countries and transition economies. In the field of business linkages, UNCTAD had extended its technical assistance to Brazil, Uganda and Viet Nam, and was in the process of doing the same for additional countries in Africa and for Argentina. In particular, it was emphasized that, according to a preliminary survey completed by UNCTAD and the Banco de la Nación Argentina in 2006, Argentine local suppliers were developing rapidly, driven by the boom in domestic demand. The usefulness of the installation of the joint UNCTAD–Banco de la Nación business linkage programme was highlighted, together with the interest already expressed by several existing TNCs (such as Toyota, Quickfood and Fiat) in such a programme.

53. The Chairperson of the Expert Meeting on Building Productive Capacities, held from 4 to 6 September 2006, presented the main findings related to the role of enterprises in developing productive capacities. The full report of the meeting appears in document

TD/B/COM.2/EM.19/3. Ongoing liberalization reforms in developing countries have not always yielded the expected benefits in terms of successful integration into the global economy, economic growth and social development. Overcoming constraints that hamper successful integration would require broad-based national-level capacity-building supported by development partners. The report noted that the ability of developing countries to compete in world markets is undermined by supply-side constraints. Successful business linkages can provide a channel for strengthening the enterprise sector and the growth of SMEs. There is a need to identify institutional support and mechanisms that would promote mutually beneficial and sustainable linkages. The role of insurance in development and in relation to enterprise growth was recognized. Five technical assistance programmes on insurance for Africa were presented by UNCTAD. Development partners were urged to consider providing support to those five areas of insurance capacity-building for Africa.

54. It was suggested that UNCTAD assist developing countries and countries with economies in transition in building productive capacities by:

(a) Increasing its efforts to strengthen and expand the EMPRETEC programme to cover more developing countries, including economies in transition, and ensuring that development partners are invited to provide appropriate support;

(b) Providing a better understanding of the conditions under which the potential benefits of developing countries' outward investment could be maximized to enhance enterprise competitiveness and the risk factors minimized; and

(c) Participating actively in the formulation and implementation of the Aid for Trade initiative, as it relates to enterprise development.

55. The report of the Expert Group Meeting on Best Practices and Policy Options in the Promotion of SME–TNC Business Linkages (TD/B/COM.3/EM.28/3), held from 6 to 8 November 2006, was presented by the Chairperson of that meeting. It noted that in supporting the business linkages programme at national and international levels a number of factors needed to be considered:

(a) There is a need for greater coherence between policy advice and implementation efforts to provide an environment conducive to enterprise development and to promote the growth of SMEs.

(b) The Aid for Trade initiative should seek to integrate the investment component that embraces policies promoting technology transfer, enterprise development and the consolidation of productive chains.

(c) UNCTAD and donor partners have a crucial role to play in supporting technical assistance programmes for business linkages, including efforts to strengthen and expand the EMPRETEC programme to cover more developing countries and economies in transition.

56. Policy suggestions for supporting effective SME–TNC business linkage programmes include the following:

(a) There should be specific proactive measures for FDI attraction and facilitation, and for enterprise development.

(b) There should be value-chain mapping by sector to facilitate business linkages. Synergies with cluster development initiatives can also enhance the effectiveness of linkage promotion programmes.

(c) Linkage programmes should be designed in such a way that they can evolve dynamically to address higher-value-added products and services. They constitute a launching pad for SME internationalization.

(d) Linkage development should address financing requirements for SME upgrading to meet the technical and quality requirements of purchasing companies.

(e) Linkages should not only focus on TNCs and SMEs linkages but also develop a business-to-business relationship between indigenous companies.

(f) A greater outreach of business linkage programmes is needed to avoid imbalanced costs and benefits.

(g) Public-private partnerships should be strengthened.

57. International agencies and donor partners play an important role in building productive capacities, which is an important component of the Aid for Trade initiative. For example, the Consolidated Programme of the International Trade Centre (ITC) supports capacity-building in developing countries and improving SME competitiveness for exports. It includes activities aimed at strengthening supply capabilities and helping SMEs integrate into global value chains. The ITC collaborates closely with UNCTAD in these areas through multi-agency initiatives such as the Integrated Framework, joint projects and programme-level activities, including in respect of EMPRETEC and business linkages programmes. The representative of OECD presented a study on building productive capacities in the agriculture sector in five African countries by examining the role of donor partners and that of private sector. The OECD Development Aid Committee explained how new indicators had been developed to monitor the impact of trade-related technical assistance programmes.

Chapter IV

EFFICIENT TRANSPORT AND TRADE FACILITATION TO IMPROVE PARTICIPATION BY DEVELOPING COUNTRIES IN INTERNATIONAL TRADE

(Agenda item 4)

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

“Efficient transport and trade facilitation to improve participation by developing countries in international trade” (TD/B/COM.3/ 80);

“Report of the Expert Meeting on ICT Solutions to Facilitate Trade at Border Crossings and Ports” (TD/B/COM.3/EM.27/3);

“ICT solutions to facilitate trade at border crossings and in ports” (TD/B/COM.3/EM.27/2).

Chairperson's summary

59. In introducing this item, the secretariat noted that international transport costs surpass customs duties as a barrier to international trade, and that developing countries are more affected by these underlying costs than developed countries. The incidence of transport costs is even higher for the most vulnerable countries, such as landlocked developing countries. Higher transport costs negatively affect a country's ability to trade, and consequently to attract investment. This often leads to a detrimental vicious circle, where high transport costs hinder trade, and the low trade volumes lead to diseconomies of scale, which further increase transport costs. In an effort to reduce transaction costs, therefore, the countries concerned require access to competitive transport services and a facilitating environment.

60. In order to enhance their competitiveness, countries need to identify their trade and transport facilitation needs and priorities, and embark on coherent trade facilitation programmes. In order to make effective trade facilitation programmes possible, conformity with and implementation of internationally uniform laws, rules and standards are crucial. In this context, emerging issues such as security and environment must also be taken into account.

61. In the discussion that followed, it was pointed out that traders also incur inventory costs because of transit and waiting times, as well as costs related to guarantees. With reference to the possibilities of achieving win-win situations for both landlocked countries and transit developing countries, it was noted that transit trade and transport require holistic solutions. Regarding environmental considerations, in particular those relating to climate change and the relevant regulatory responses, the UNCTAD secretariat was encouraged to monitor developments and to report on ongoing activities.

62. The Vice-Chairperson of the Expert Meeting on ICT Solutions to Facilitate Trade at Border Crossings and Ports presented the main findings of the meeting as contained in document

TD/B/COM.3/EM.27/3. The experts considered emerging issues in the areas of trade and transport facilitation and information and communication technologies (ICTs). Major factors that have a bearing on the use of ICTs in trade and transport facilitation, as well as on the design and implementation of customs modernization programmes, include globalized production and trade, logistics and supply chain developments, multimodal and door-to-door transport, expanded industry portals and e-commerce.

63. A panellist presented the issue of good practice in trade facilitation and capacity-building. With the resumption of the negotiations at the WTO, countries could proceed with their needs assessment and undertake the necessary trade facilitation reforms. The adoption of three groups of measures could help countries move towards accepted international standards in this field, namely (a) the basic international norms such as the harmonized system of tariffs, the United Nations data formatting and transmission norms, and the permitted level of fees and charges; (b) transparent management, which implies respecting the rights of users, publication of all relevant documents and guidelines for users, at best in one single enquiry point, and ensuring a fair and timely appeal process; and (c) a gradual passage to greater efficiency, which implies adequate risk management and advanced use of modern telecommunications and automated data management techniques, which will lead to the passage to an automated single window. The last group of measures will require efficient links with all actors, including traders, border agencies, banks and insurance companies, port authorities and transport companies, as well as the maximum number of investment and management changes.

64. A notable acceleration of trade facilitation reforms around the world — for a number of reasons — has been observed in the last 10 years. These include the great profitability of such reforms, inclusion of trade facilitation and capacity-building measures in regional and preferential trade agreements, successful corridor developments in certain regions and the WTO negotiations on trade facilitation. However, it was noted that various groups of countries were currently at various stages of implementation of different trade facilitation measures. Three crucial features for the successful initiation of trade facilitation reform by countries were highlighted: (a) making trade facilitation a central priority of Governments and confirming it through concrete action; (b) ensuring the participation of reform's main private and public stakeholders in the process; and (c) establishing a policy and management planning unit, usually in customs, able to analyse reform options and make concrete proposals.

65. Delegates stressed the importance of UNCTAD's participation in the support to the negotiations on trade facilitation in the context of the Doha Development Round.

66. Panellists identified a number of key obstacles to cross-border road transport, including long waiting times, transport quotas and licences, non-compliance with most-favoured-nation treatment, requirements for trans-shipments, mandatory convoys, the mandatory use of certain commercial services, difficulties in obtaining visas for drivers, transit fees and documentation requirements. Solutions to overcome existing obstacles require the adaptation of trade procedures to international standards and investment in infrastructure. Often, reforms require a change in the mindset of stakeholders.

67. In the context of transit transport, panellists highlighted the need for a transit system, for example Transports Internationaux Routiers (TIR), so as to avoid unnecessary high costs and

delays arising from exposing transit goods to national procedures reserved for processing exported and imported goods at border-crossing points. The TIR system is an international transit system for goods carried entirely or partly by road. It is currently operational in 55 countries, where it facilitates transit movements through the use of standard controls and documents, and cuts transport costs by reducing formalities and delays in transit operations.

68. During the subsequent discussion, it was pointed out that in some regions efforts to set up customs transit arrangements had failed owing to the lack of a robust and efficient guaranteeing system, which is a prerequisite for any customs transit regime. At present, attempts are under way to introduce the concepts of the TIR system in the developing regions.

69. UNCTAD plays a leading role in inter-agency coordination under the auspices of the United Nations High Level Committee on Programmes (HLCP). It is also actively participating in the Global Facilitation Partnership for Transportation and Trade, which in addition to the agencies involved in the HLCP process includes national institutions, NGOs and private sector operators.

Chapter V

ICT AND E-BUSINESS FOR DEVELOPMENT

(Agenda item 5)

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

“ICT and e-business for development: Trends and policy issues” (TD/B/COM.3/81);

“Using ICTs to achieve growth and development” (TD/B/COM.3/EM.29/2);

“Report of the Expert Meeting in Support of the Implementation and Follow-up of WSIS: Using ICTs to Achieve Growth and Development” (TD/B/COM.3/EM.29/3).

Chairperson's summary

71. In introducing this item, the secretariat stressed the importance of ICT for economic development, trade and competitiveness, as well as the opportunities that e-business offers to SMEs in developing countries. UNCTAD's ICT and E-Business Branch presented the "value chain" that it has developed, in which analytical research and advisory services support the efforts of developing countries to take ICT-related informed policy decisions and review policies, so as to foster economic growth and overcome the digital divide. The secretariat referred to UNCTAD's contribution to the implementation of the outcomes of the World Summit on the Information Society (WSIS) and to the work of the UN Global Alliance for ICT and Development (GAID), in relation to the trade and development aspects of ICT and e-business. It underlined the crucial role of innovation for growth and economic development and the role of ICT in driving innovation in recent years, notably in the productive and ICT sectors.

72. The keynote speaker discussed the role of ICT with regard to economic development and innovation. He referred to the potential of ICTs in the areas of education, health, governance and trade through improving public services, making patterns of production more effective and overcoming many obstacles to trade. He stressed ICTs' great potential for growth and development, and the integration of those technologies into people's daily lives. Despite the digital divide between developed and developing nations, some developing countries had achieved major advances in ICT use. On the basis of econometric studies, he showed how ICTs help to increase productivity. He also underlined the important role of mobile telephony and intellectual property rights with regard to economic growth and development. The issue of mobile telephony gave rise to questions from delegates regarding the correlation between the use of ICTs and economic growth.

73. The report of the Expert Meeting in Support of the Implementation and Follow-up of the WSIS: Using ICTs to Achieve Growth and Development was presented by the Chairperson of that meeting. The experts discussed the impact of ICTs on productivity and competitiveness and their potential for accelerating economic growth and development in developing and transition economies. They considered a series of case studies and projects conducted in several developing countries. They noted that an effective ICT strategy should take into account other cross-cutting

policies such as access to finance, human resource development and the creation of a legal environment, as well as other drivers such as innovation system, entrepreneurship and the business environment for ICTs to drive economic growth.

74. In the context of discussions on measuring country performances in terms of ICT uptake, experts agreed that international initiatives on ICT measurement, such as the Partnership on Measuring ICT for Development, provide solutions regarding how developing countries could improve the quality and comparability of their data.

75. When discussing the impact on business sectors such as oil, tourism and trade finance, experts agreed that ICTs made new business models and industry architectures possible. They recommended that ICT investments be based on a sound understanding of their impact on the operations of a particular industry and on value creation and distribution. In this regard, developing countries need to benchmark best practices and to implement solutions rather than technologies.

76. With regard to labour markets and employment, experts recognized the need to improve managerial and entrepreneurship capacities in order to benefit from investments in ICTs. The question of gender was discussed and experts concluded that for both equity and efficiency reasons gender differences in ICT occupations, education, access and use need to be addressed, and that further analytical work on the evolution of those differences and the effects of policy on women and ICTs should be undertaken.

77. During the panel discussion on ICT for development policies, WSIS implementation and follow-up, Egypt's experience regarding ICT policies was presented, and the importance of indicators to measure the impact of ICT policy measures and adjust those policies was underlined. The panel showcased specific ICT measures in the ICT sector, such as the removal of restrictions on computer-related services, the deregulation of the telecommunications sector and the privatization of telecommunications. The Government of Egypt had been able to assess the success of ICT policies by establishing appropriate indicators while preparing policy measures. Thanks to those indicators, adjustments had been made when necessary in order to meet the objectives set out in the national ICT master plan. The speaker called for the use of indicators and policy assessment in other areas such as education and investment policies. She referred to the ICT policy model framework developed by UNCTAD (*Information Economic Report 2006*) and called for a joint UNCTAD/Egypt project to carry out a national ICT policy review which could be showcased to other developing countries. The Egyptian case generated interest and discussion from the floor.

78. After this presentation, the UNCTAD Special Advisor, Science and Technology, and former Executive Director of the WSIS provided an overview of the status of the international debate on ICT for development in the context of WSIS outcome documents. He referred to the main elements of the implementation of those documents at the national, regional and international levels, including the multi-stakeholder approach that had been decided. He explained the role of four bodies involved in the WSIS implementation and follow-up (UNGIS, ECOSOC through the reformed CSTD, GAID and the IGF). He stressed that the approach taken to move the information society forward was to widen the debate to all interested stakeholders through open platforms on post-WSIS activities.

79. The UNCTAD secretariat then presented its work on ICT policy, with particular emphasis on the role of ICT indicators in the policy decision process, as showcased by the panellist from Egypt. It demonstrated that putting in place ICT policies was not sufficient and that policy reviews need to be conducted and be based on ICT indicators. ICT data and indicators were essential for assessing the status of ICT use and impact in developing countries. This information allowed countries to formulate and adjust policies that would maximize the benefits of ICT for their social and economic development, for setting objectives and for assessing the results. The UNCTAD ICT policy model framework was presented, as well as the role of ICT measurement in the context of the evaluation and benchmarking process, as commended in the WSIS outcome documents. The secretariat presented its activities aimed at helping developing countries collect quality official statistics on ICT in enterprises and on the ICT sector in their countries through research and technical assistance. The work of UNCTAD as a partner in the Partnership on Measuring ICT for Development was mentioned and the newly designed website on measuring ICT (measuring-ict.unctad.org) was presented.

80. The Executive Coordinator of GAID presented what in his view were the forthcoming challenges with regard to ICT for development. He noted that the momentum generated by the WSIS had generated broad political consensus on the need to promote ICT for development through a multi-stakeholder approach. Political attention must now turn towards the implementation of concrete ICT policies and programmes. GAID aims to transform the spirit and vision of WSIS into action and to promote the use of ICT for the achievement of the internationally agreed development goals, including the Millennium Development Goals, focusing on education, health, governance and entrepreneurship. The key instruments for achieving that aim are the Flagship Partnership Initiatives and the Communities of Expertise.

81. The speaker indicated the four challenges that need urgent action in order to realize the internationally agreed development goals:

1. Tapping the "bottom of the pyramid". While ICTs are proliferating in unforeseen ways, people living in poverty are still not benefiting from them. The industry has not yet fully perceived the opportunity of tapping this market, and the challenge is how the industry could integrate the poor into the world economy while generating profit for the company and economic growth for the country.
2. Investing in infrastructure. Significant reform and liberalization in developing countries have not been accompanied by growth in investment in infrastructure, especially in low-income countries. The challenge is to explore what can be done to rectify this imbalance.
3. Mainstreaming ICT for Development into development. The core development community has not yet recognized that ICT can transform development effectiveness, and the challenge is how this message can be embraced by traditional development practitioners. Part of the answer lies in the ability to show the quantitative impact of ICTs on the poor, and this is why the development of ICT indicators is so important.
4. Scaling up and replicating ICT for development programmes. Only a large-scale effort, such as integrating national ICT strategies with national development strategies, will help in attaining by 2015 the Millennium Development Goals and the goals set out in the WSIS Geneva Plan of Action.

82. Finally, the speaker noted that connecting the unconnected and making content accessible are a great global challenge, one which requires a concerted multi-stakeholder approach that fully recognizes to the role of the private sector.

83. In response to a request by a delegate, the speaker elaborated on the key institutional features that make GAID a new model of work: Governments, civil society and the business sector participate on the same terms; there is no negotiation; and it is largely funded from extrabudgetary funds. It allows innovative approaches and the necessary flexibility to help the business sector and civil society to be aware of the discussions taking place in the United Nations. The speaker expressed the belief that this institutional model could be, and was being, replicated in other areas of the United Nations. In this regard, he reminded participants that with rights come responsibilities, and urged the international community to take further steps in the implementation of paragraph 17 of the Tunis Agenda for the Information Society, namely "to engage in a proactive dialogue on matters related to corporate social responsibility and good corporate governance of transnational corporations and their contribution to the economic and social development of developing countries in our efforts to bridge the digital divide".

Chapter VI

IMPLEMENTATION OF AGREED CONCLUSIONS AND RECOMMENDATIONS OF THE COMMISSION

(Agenda item 6)

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

“Progress report on the implementation of the agreed recommendations of the Commission at its tenth session” (TD/B/COM.3/78).

Chairperson's summary

85. The secretariat presented its “Progress report on the implementation of the agreed recommendations of the Commission at its tenth session” (TD/B/COM.3/78).

86. The Investment and Enterprise Competitiveness Branch of the Division on Investment, Technology and Enterprise Development informed the Commission that it had continued work on policy analysis in enterprise competitiveness through its Expert Meeting on Best Practices and Policy Options in the Promotion of TNC–SME Business Linkages (November 2006) and by contributing to the Expert Meeting on Building Productive Capacities (September 2006). It had also carried out several developing country case studies on the internationalization of enterprises through outward foreign direct investment (OFDI), and collaborated with the German Technical Assistance Corporation (GTZ) on country case studies on best practices in the promotion of business linkages from a policy perspective. In addition, it had provided advisory services to Asian Governments, including through ASEAN regional meetings and seminars on OFDI and enterprise regionalization.

87. The Branch had produced guidelines for building capacity and facilitating the growth of SMEs in developing countries and economies in transition through business linkages. A publication entitled "Deepening development through business linkages" reviewed three important elements for private sector development (an enabling business environment, access to finance and public–private sector partnerships) that are critical for a linkage strategy. In addition, the Branch had conducted a joint research project with OECD on how to increase the participation of SMEs in global value chains, financed by RUIG-GIAN.

88. The Branch had also continued to provide technical assistance and capacity-building for an SME-conducive environment through its EMPRETEC programme. It had consolidated EMPRETEC in Latin America, and in anglophone and francophone Africa (launching the African EMPRETEC Forum), while launching new business linkages programmes in three countries and preparing project proposals to expand EMPRETEC in South and South-East Asia. Cross-training and mutual assistance between EMPRETEC programmes encouraged South–South cooperation. Lastly, the Branch had produced a business linkages tool kit.

89. The Trade Logistics Branch of the Division on Services Infrastructure for Development and Trade Efficiency (SITE) reported that it had continued to monitor and analyse developments relating to international transport and trade facilitation and their implications for developing

countries. In its *Review of Maritime Transport 2006*, and in its quarterly Transport Newsletters, it had focused on the special situation of landlocked and transit developing countries and least developed countries. It had also produced a guide to the international legal framework for the carriage of goods by air. Through an Expert Meeting in October 2006, the Branch had facilitated the discussion of the emerging issue of ICT solutions to facilitate trade at border crossings and ports.

90. The Trade Logistics Branch continued to address the issue of international standards by analysing the economic implications for developing countries of the SOLAS amendments and the International Ship and Port Facility Security (ISPS) Code, port benchmarking and trade transaction modelling, and by producing technical material (a CD-ROM) on existing customs and transit conventions affecting multimodal transport.

91. The Branch had continued to help developing countries participate in the ongoing trade facilitation and transport and logistics services negotiating processes through the activities of the Trust Fund funded by Spain and Sweden. It had organized 10 regional workshops and two round tables for Geneva-based delegates, while participating in various related national and regional events and producing a series of technical notes on specific trade facilitation measures on proposals regarding GATT Articles V, VIII and X. The Branch had continued work to support the creation of facilitation clusters, the assessment of developing countries' needs and priorities in trade facilitation, the establishment of trade facilitation platforms, and international multimodal transport operations. Further technical assistance had also continued under the ASYCUDA programme, which had launched several new projects, including in LDCs and regional centres (in Central America and the Caribbean, and East, Southern and West Africa). The secretariat highlighted its fruitful cooperation on international transport and trade facilitation with other organizations (UNCITRAL, the Global Facilitation Partnership, UNECE and the World Bank).

92. SITE's ICT and E-Business Branch reported on its continued development and policy-oriented research and analytical work on the implications for economic development of the different aspects of ICT and e-business. The main product of this research and analysis was the *Information Economy Report 2006*, which provided updated information on the uptake of ICT in developing countries and examined, inter alia, the implications of ICT for employment. Also, the report proposed for the first time a model framework for ICT policy reviews in developing countries, so that Governments can assess the progress and effectiveness of their ICT for development policies. The report also examined the recently adopted United Nations Convention on the Use of Electronic Communications in International Contracts in order to help developing countries establish a legal framework for e-business.

93. The Branch had also started to implement its Development Account Project on Capacity Building for Information and Communication Technology Measurement, which should enhance the ability of developing countries to produce more and better official statistical data on ICT to support their policymaking in this area. A training manual on the collection of ICT-in-business statistics and the related training course are in preparation, as well as a database on e-business indicators in developing countries. The Branch also conducted several advisory missions on ICT measurement, and provided on-site training at the national and regional levels. Much of this work was carried out in the framework of the UNCTAD XI Partnership on Measuring ICT for Development.

94. The ICT and E-Business Branch also ensures that UNCTAD provides a forum for international discussion and the exchange of experiences on ICTs and e-business, and their economic implications. The Branch delivered a module on the policy issues of the information economy during the courses on key issues on the international economic agenda, and provided advisory services and training on the legal aspects of e-commerce to several developing country Governments. To support the implementation of the outcome of, and follow-up to, WSIS, UNCTAD organized the first facilitation meeting on the action lines for e-business and e-employment (May 2006). Also in connection with WSIS, it organized jointly with ILO and OECD an Expert Meeting on the use of ICTs to achieve growth and development (December 2006).

95. Finally, on the issue of free and open source software (FOSS), the ICT and E-Business Branch organized a seminar with UNITAR (August 2006) that examined the role of FOSS in economic and social development as well as its use in the UN system. Further work on FOSS took place within the framework of partnerships with public and private sector entities that are active in the field of human capacity-building through FOSS training and awareness-raising.

Chapter VII

OTHER BUSINESS

BUILDING SKILLS IN DEVELOPING COUNTRIES: TRAINING, NETWORKING AND ICTs

(Agenda item 8)

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

“Building skills in developing countries: Training, networking and ICTs”
(TD/B/COM.3/AHM.1/2);

“Report of the Ad Hoc Expert Meeting on Building Skills in Developing Countries: Training, Networking and ICTs” (TD/B/COM.3/AHM.1/3).

Chairperson's summary

Building knowledge and skills for trade in developing countries

97. The Commission discussed the building of knowledge for trade when considering the results of the Ad Hoc Expert Meeting on Building Skills in Developing Countries: Training, Networking and ICTs, held November 2006. The Commission had before it the background paper (TD/B/COM.3/AHM.1/2) and the report (TD/B/COM.3/AHM.1/3) of that meeting.

98. Many developing countries have problems in integrating into international trade because of gaps in the knowledge and skill capacities of their human resources, and of their training and research institutions. The need for trade-related technical assistance and capacity-building in developing countries has been widely acknowledged by, inter alia, the Doha Development Declaration, the Monterrey Consensus on Financing for Development and the Aid for Trade Task Force. UNCTAD recognizes the importance of this through its work on technical assistance, research and intergovernmental consensus-building in the fields of knowledge and skills for development.

99. Capacity-building must focus on local institution-building, so as to promote autonomy and the long-term sustainability of human resource training and research. Furthermore, investment in the building of knowledge should be a permanent fixture in the budget allocations and policy priorities of developing countries. It is important that countries invest in local research capacity, since the results of local research can inform, and be mainstreamed into, policymaking and the positions of developing countries in trade negotiations. The UNCTAD Virtual Institute encourages the links between government and academia in developing countries in order to arrive at evidence-based policymaking.

100. ICT and networks can support trade-related capacity-building for individuals and institutions, offering new ways of collaboration and access to information. Knowledge and skills development are multidisciplinary and thus require the support of all UNCTAD Divisions, as well as inter-agency cooperation.

101. When presenting the report of the Ad Hoc Expert Meeting on Building Skills in Developing Countries, the Chairperson of that meeting stressed that trade-related capacity building was a key component of countries' competitiveness and the effectiveness of Governments. The experts had felt that UNCTAD's unique perspective on trade and development added value to its trade-related capacity-building activities. This should continue to be reflected in UNCTAD support for training and research programmes, as well as in the delivery of its training and advisory services. Developing countries are not always aware of UNCTAD's activities, particularly since it does not have field offices, and capacity-building activities, such as technical assistance, can be a useful means of disseminating UNCTAD's work.

102. The organization should continue its analytical work on building knowledge and skills in developing countries, analysing country experiences and studying, for example, the links between research and policymaking. In the area of consensus-building, follow-up meetings should be organized, and their conclusions examined by the intergovernmental machinery of UNCTAD. The secretariat should also continue to provide technical assistance on trade-related capacity-building, particularly through the Virtual Institute, the TrainForTrade programme and the Training Course on Key Issues on the International Economic Agenda. UNCTAD could also contribute to a future forum established in the context of the Aid for Trade initiative.

103. Technical cooperation and capacity-building are increasingly important for developing countries and essential for their fulfilment of multilateral commitments. Countries need to make supply-side adjustments in order to take advantage of liberalization and avoid economic marginalization. UNCTAD is one of the few organizations that actively promote the participation of developing countries, and technical assistance programmes such as the UNCTAD Virtual Institute strengthen the links between UNCTAD and developing countries, as well as helping them with their research needs.

104. Some delegates agreed that donors should continue to support UNCTAD in this work, since building capacities in the field of knowledge and skills for trade is a long-term process, and suggested that the issue of trade-related capacity-building should become a standing item on the Commission's agenda.

Institutional issues

105. A delegate requested the UNCTAD Commission on Enterprise, Business Facilitation and Development to develop transparent and objective measures to assess the impact of its work, of its Expert Meetings and of relevant technical assistance programmes in order to provide member States with adequate information for prioritizing the work of the Commission, with a view to maximizing its effectiveness and meeting developing countries' expressed needs. Several delegations expressed support for the need to make the Commissions more effective and suggested that the issue be addressed for all the Commissions, possibly at the Trade and Development Board, and not just for the Commission on Enterprise, Business Facilitation and Development.

106. At lunchtime on Friday a proposal was made by many delegations on policy options, provided for in paragraph 32(b) of the outcome of the Mid-term Review. Owing to the lateness of the proposal, and taking into account the concern of some delegations that such a proposal should be made at the beginning of the session of the Commission so that they could consult their

capitals and that policy options should be presented as a result of Expert Meetings, it was decided not to discuss the proposal.

107. The delegations that had proposed the policy options emphasized that, in order to have substantive outcomes from the work of the Commissions, those outcomes should include policy options, as agreed in paragraph 32(b) of the Mid-term Review (TD/B(S-XXIII)/7 (vol. I)).

Chapter VIII

ACTION BY THE COMMISSION

108. At its closing plenary meeting, on 23 February 2007, the Commission adopted its agreed recommendations on agenda items 3, 4, 5 and 8 (see chapter I above). In addition, it took note of the reports of the three expert meetings and one ad hoc expert meeting as contained in documents TD/B/COM.3/EM.27/3, TD/B/COM.3/EM.28/3, TD/B/COM.3/EM.29/3 and TD/B/COM.3/AHM.1/3. It also took note of the secretariat's progress report on the implementation of the agreed recommendations of the Commission at its tenth session (TD/B/COM.3/78).

109. At the same meeting, under agenda item 7, the Commission decided that the provisional agenda for its twelfth session and the timing of the latter, as well as topics for expert meetings, would be decided on by the Trade and Development Board in April 2007.

Chapter IX

ORGANIZATIONAL MATTERS

A. Opening of the session

110. The eleventh session of the Commission on Enterprise, Business Facilitation and Development was opened at the Palais des Nations, Geneva, on 19 February 2007, by Mr. Yury Afanassiev (Russian Federation), Chairperson of the Commission at its tenth session.

B. Election of officers

111. At its plenary meeting, on 19 February 2007, the Commission elected the following officers to serve on its Bureau:

Chairperson:	Mr. Julio Vasquez Roque (Cuba)
Vice-Presidents:	Mr. Frank Isoh (Nigeria)
	Mr. Dayaratna Silva (Sri Lanka)
	Ms. Carmen Elena Castillo (El Salvador)
	Ms. Andriani Falconaki-Sotiropoulos (Greece)
	Mr. Ludmil Kotetzov (Bulgaria)
Rapporteur:	Ms. Asako Sato (Japan)

C. Adoption of the agenda and organization of work

112. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.3/77. Accordingly, the agenda for the eleventh session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Improving the competitiveness of SMEs through enhancing productive capacity
4. Efficient transport and trade facilitation to improve participation by developing countries in international trade
5. ICT and e-business for development
6. Implementation of agreed conclusions and recommendations of the Commission
7. Provisional agenda for the twelfth session of the Commission
8. Other business
9. Adoption of the report of the Commission to the Trade and Development Board

D. Adoption of the report of the Commission to the Trade and Development Board

113. At its closing plenary meeting, on 23 February 2007, the Commission adopted its draft report (TD/COM.3/L.34), subject to any amendments of the summaries of the statements; decided to include in its report the Chairperson's summaries on the substantive agenda items; and authorized the Rapporteur to finalize the report, taking into account the proceedings of the closing plenary.

Annex**ATTENDANCE***

114. Representatives from the following States members of UNCTAD attended the Commission:

Algeria	India
Angola	Indonesia
Argentina	Iran (Islamic Republic of)
Austria	Iraq
Bangladesh	Italy
Belarus	Japan
Belgium	Jordan
Benin	Kyrgyzstan
Bolivia	Latvia
Bosnia and Herzegovina	Lesotho
Botswana	Luxembourg
Brazil	Madagascar
Bulgaria	Malaysia
Burkina Faso	Mali
Cambodia	Mauritania
Cameroon	Mauritius
Central African Republic	Mexico
Chile	Moldova
China	Mongolia
Colombia	Morocco
Congo	Mozambique
Cuba	Myanmar
Czech Republic	Namibia
Djibouti	Nepal
Dominican Republic	Nicaragua
Ecuador	Nigeria
Egypt	Norway
El Salvador	Panama
Ethiopia	Peru
France	Philippines
Germany	Poland
Ghana	Portugal
Greece	Republic of Korea
Haiti	Russian Federation
Holy See	Saudi Arabia
Honduras	Senegal

* For the list of participants, see TD/B/COM.3/INF.11.

Serbia	Timor-Leste
Singapore	Trinidad and Tobago
Slovakia	Turkey
Slovenia	Uganda
South Africa	United Kingdom of Great Britain and Northern Ireland
Spain	United States of America
Sri Lanka	Uruguay
Sudan	Venezuela (the Bolivarian Republic of)
Switzerland	Yemen
Syrian Arab Republic	Zambia
Thailand	Zimbabwe
The former Yugoslav Republic of Macedonia	

115. The following intergovernmental organizations were represented at the Commission:

African, Caribbean and Pacific Group of States	League of Arab States
African Union	Organisation for Economic Co-operation and Development
Afro-Asian Rural Development Organization	Organisation internationale de la francophonie
Commonwealth Secretariat	Organization of the Islamic Conference
European Community	South Centre

116. The following United Nations agencies were represented at the Commission:

International Trade Centre
United Nations Development Programme

117. The following specialized agency and related organization were represented at the Commission:

International Labour Organization
World Trade Organization

118. The following non-governmental organizations were represented at the Commission:

General Category

BPW International
Engineers of the World
Women's International League for Peace and Freedom

119. The following panellists were present at the Commission:

19 February

S.E. M. Samuel Amehou, Ambassadeur, Représentant permanent du Bénin, Genève

20 February

Mr. Federico Poli, Deputy Director of Economic Affairs, Iberoamerican Secretariat, Spain

Mr. Krishan Kumar Modi, Chairman, Modi Enterprises, India

Sra. Cecilia Mondolo, Presidenta de la Fundación EMPRETEC, Buenos Aires

Mr. Germán Ríos, Coordinator, Andean Competitiveness Programme, Andean Development Corporation, Venezuela

Mr. Marc Defossé, Director, European and International Affairs, BASF

Ms. Marie-Florence Estimé, Deputy Director, OECD Centre for Entrepreneurship, SMEs and Local Development

Mr. Arthur Frederik, Counsellor, Permanent Mission of Norway, Geneva

Mr. Roberto Smith-Gillespie, Chief, IPSMS, International Trade Centre

Mr. Federico Bonaglia, Economist, OECD Development Centre

Mr. Jan Roodenburg, Senior Vice President, Supplier Development Sustainability, Philips International

21 February

M. Emmanuel Farcot, Première secrétaire, Mission permanente de la France, Genève

Mr. Matthias Meyer, Executive Director, Praximondo

Mr. Jean Acri, International Road Union

Mr. Peter Krausz, International Road Union

22 February

Mr. Danny Quah, London School of Economics and Political Science

Mr. Jaya Ratnam, Deputy Permanent Representative of Singapore, Geneva

Ms. Nagwa El-Shenawy, Director, Strategic Planning Department, Ministry of Communications and Information Technology, Cairo, Egypt

Mr. Sarbuland Khan, Executive Coordinator of the UN Global Alliance for ICT and Development (via video link with UNHQ, New York)

Mr. Charles Geiger, Special Advisor, Science and Technology, UNCTAD, former Executive Director of WSIS

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