



**United Nations
Conference
on Trade and
Development**

Distr.
LIMITED

TD/B/COM.3/L.19
19 February 2002

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation
and Development
Geneva, 18-21 February 2002

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

18-21 February 2002

Rapporteur: Mr. Paul Frix (Belgium)

Speakers:

Secretary-General of UNCTAD

Egypt for G77 and China

Sri Lanka for the Asian Group and China

Bangladesh for LDCs

Spain for the EU

Uganda for the African Group

China

Cuba

Note for delegations

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

Requests for amendments to statements by individual delegations should be communicated by **Wednesday, 27 February 2002** at the latest, to:

UNCTAD Editorial Section, Room E.8108, fax no. 907 0056, tel. no. 907 5656/1066.

OPENING STATEMENTS

1. The **Secretary-General of UNCTAD** said that the subjects to be discussed by the Commission were central to development efforts for two reasons. First, one should not lose sight of the necessary link between the macroeconomic environment and micro activities. Second, in the current approach to development, the key actors in the market economy were enterprises. They determined if a development strategy would be successful. The interactions among enterprises and Governments were, therefore, of central importance. With regard to the conditions that enterprises needed in order to be able to fulfill their development role, while trade negotiations were extremely necessary, they were, in themselves, not sufficient conditions for development. The final outcome would depend, among other things, on the existence of a productive sector that could respond immediately to the opportunities created. Otherwise, trade opportunities would have no impact. There were many factors that allowed the productive sector to respond to trade opportunities. Some of them depended on enterprises, entrepreneurs, and their personal capacity for innovation, but others depended on Governments, such as efficient customs administration, trade facilitation, electronic commerce and infrastructure, adequate legislation, etc. These could not be resolved at the micro level.

2. He briefly drew the Commission's attention to the case of Enron and how its failure had wide repercussions. It was a classic case of the failure of corporate governance at all levels. It was surprising that a country that had served as a model for the global market economy could have such serious problems, and there were many lessons to be learned in terms of adequate supervision, accounting and reporting.

3. With regard to salient points that had been discussed at Expert Meetings, one of the specific concerns related to the provision of adequate financing, especially for small and medium-size enterprises. Most importantly, there was a glaring gap in international financing: on the one hand micro-finance was available for micro-enterprises, and on the other hand larger companies had access to financing, but financing on reasonable terms was not available for SMEs. While there were important obstacles to overcome, much could be achieved by Governments working together to promote best practices that reduced risks and transaction costs.

4. Lastly, he emphasized that helping enterprises to become more competitive was at the heart of development and would determine what benefits could be derived from the Doha Ministerial Conference and the follow-up to it.

5. The representative of **Egypt**, speaking on behalf of the **Group of 77 and China**, said that the three expert meetings whose recommendations would serve as the basis for the Commission's policy recommendations all dealt with issues high on the development agenda. The Group of 77 and China emphasized the need to strengthen communication infrastructures in general and transport and trade facilitation in particular and to reinforce the small and medium-size enterprise sector through national, regional and international support measures. The role of gender in the development debate must be considered, wherever relevant, and

UNCTAD should make it a point to mainstream gender issues in the various areas of its work, as it had already successfully done in enterprise development.

6. The Group of 77 attached great importance to the work carried out by the Expert Meeting on Electronic Commerce and International Transport Services held in September 2001. New technologies were shaping the global economic landscape in which firms from developing and developed countries operated. A firm's competitiveness was measured by its capacity to link to global markets in real time, delivering quality goods. In this respect, firms from developing countries, and especially LDCs, faced a number of particular obstacles, such as the insufficient development of telecommunications, the limited availability and high cost of transport facilities, and difficulty in accessing finance at a reasonable cost. To remedy the situation, a sustained effort by national Governments as well as the international community was called for. The Commission should give attention to this subject in its future work.

7. UNCTAD's focus on small and medium-size enterprises (SMEs) in respect to financing was welcomed. Small and medium-size enterprises were the backbone of their economies. They contributed to economic growth in general and to employment generation in particular, but also to social development. As the Secretary-General of UNCTAD had said, the real challenge after Doha was to make enterprises in developing countries ready to seize the opportunities that might arise from new international trading opportunities.

8. Building productive capacity or relieving supply constraints required the existence and/or creation of a strong and vibrant SME sector. Thus SMEs held the key to economic development. For the sector to flourish, the creation of the right conditions to generate self-financing, as well as to access local and international finance on reasonable terms, was necessary. Between financial institutions preferring to lend to larger corporate borrowers or to Governments on the one hand and the focus of donor-driven micro-finance schemes on the other, a void was left as far as SMEs were concerned. Key in this respect was capacity building, since providing finance alone without technical support and business development services rarely led to sustainable results. The Group of 77 and China encouraged UNCTAD to continue work on improving the competitiveness of SMEs by enhancing productive capacity through easier access to finance, technology and other relevant means.

9. With regard to the issue of gender mainstreaming, it was noted that, to date, women's entrepreneurship had not received the concerted and coordinated attention it warranted. The Group had taken note of the policy options and recommendations proposed in the Expert Meeting of 2001, many of which were already on the national agendas of many of its member States, while other recommendations were being carefully considered for inclusion in development strategies, wherever appropriate.

10. In respect of gender and ICT, ICT and electronic commerce played an increasingly important role in enhancing economic growth and development, but despite the great potential of ICT and the Internet, only those who had access to them at affordable rates and knew how to use them in an effective way would benefit. In many developing countries, many of the poor, a large proportion of whom were women, and many living in rural areas, unable to afford computers and often living in houses with no connection to the national

telecommunication infrastructure, risked being marginalized. On the other hand, experiences shared in the Expert Meeting showed that new technologies, if accessible and used, could bring new business opportunities to women, especially in the developing countries. The Group therefore endorsed the outcome of the Expert Meeting, underscoring that knowledge and the Internet were public goods and that therefore all appropriate measure should be taken to ensure rapid, equitable and affordable access to the Internet and ICT, especially for women.

11. The representative of **Sri Lanka**, speaking on behalf of the **Asian Group and China**, expressed full support for UNCTAD's work on electronic commerce, which was a useful complement to the work that was taking place at the regional level. He commended the outcome of the Expert Meeting on Electronic Commerce and International Transport Services, which would assist in promoting the use of electronic commerce and in strengthening transport service providers in developing countries. Further, the development of a legal framework allowing the use of electronic documentation was important to enable the spread of electronic commerce.

12. In the context of the recent economic downturn, he emphasized the importance of UNCTAD's recent work in the area of SME financing and encouraged the continuation of practical technical assistance programmes that would make SMEs more creditworthy and bank personnel better able to evaluate SME loan applications. These activities could be made more efficient by applying information technology, and UNCTAD should pursue its work on e-finance for enterprise development. Finally, he recommended that UNCTAD include the gender dimension in its overall work on ICT and electronic commerce and suggested that UNCTAD carry out analytical work on the gender dimension of ICT and e-commerce, identifying opportunities created for women in the digital economy. The Asian Group and China expressed concern about the lack and poor quality of data on electronic commerce and encouraged the secretariat to continue to work in this area, so as to ensure that data were internationally comparable.

13. The representative of **Bangladesh**, speaking on behalf of the **least developed countries**, commended the work of the Expert Meeting on E-commerce and International Transport Services and noted that an efficient system for the movement of goods for export was essential for the products to be competitive and for adequate returns to the manufacturers to materialize. He also noted that there was a clear distinction to be made between business-to-business and business-to-consumers e-commerce. While business-to-consumer e-commerce was impractical at this stage for many LDCs, due *inter alia* to the limited use of credit cards and electronic commerce, business-to-business e-commerce was becoming a way of life. He then emphasized the role of micro and medium-size enterprises in the LDCs economies. While several LDCs – and especially Bangladesh - had encouraging examples of financing of micro enterprises, the problems of SME financing were much more complex because the usual banking channels were simply unable to cater to such demands. He therefore reiterated the support of the LDCs for continued UNCTAD activity on the subject of financing for SMEs. However, due to the limited penetration of information technologies and the lack of appropriate regulations, the use of e-finance for SMEs still required caution.

As regards the topic of mainstreaming gender to promote opportunities, the LDCs had undertaken initiatives that encouraged the participation of women in the socio-economic development process; these schemes demonstrated that, given the opportunity, women could undertake important entrepreneurial activity. The LDCs regarded the gender dimension as critical in the development process and complimented UNCTAD for its attention to this subject.

14. The representative of **Spain**, speaking on behalf of the **European Union**, congratulated the secretariat for the quality of the documentation prepared for the various Expert Meetings, and also made special reference to the *E-Commerce and Development Report 2001*.

15. Good practices in e-commerce and international transportation were key for the facilitation of trade. The interest shown in the Expert Meeting of September 2001 on the subject, as reflected by the high number and quality of experts attending, was illustrative of the importance attached to the issues involved. The technical assistance that UNCTAD had provided and should continue to provide was well appreciated.

16. In efforts to increase the competitiveness of SMEs in developing and developed countries, access to finance, including e-finance, was necessary. Action was therefore required in terms of strengthening institutions, developing new systems for accessing finance, and establishing an appropriate supervisory and regulatory framework.

17. The EU attached importance to gender mainstreaming as a basis for a real and balanced development of society, as reflected in the Bangkok Declaration. The recommendations of the Expert Meeting on gender mainstreaming should be taken into account in all areas of work of UNCTAD and not only in the area of work of the Commission. A focal point should be established to monitor the implementation of the recommendations of the Expert Meeting.

18. The new item 7 on the agenda dealt with the implications for UNCTAD of the fourth WTO Ministerial Conference. UNCTAD had considerable experience in several relevant areas, such as trade facilitation, and was well placed to make a contribution in those areas.

19. In deciding on new themes to be taken up by future semi-permanent expert meetings, the Mid-term Review process, currently under way, would need to be kept in mind. It would be important to determine which subjects could serve as focal points and where UNCTAD had a comparative advantage.

20. As many areas of UNCTAD's work were connected to work undertaken by ITC, cooperation with ITC was necessary in order to avoid duplication of work. One area for cooperation was ITC's e-Trade Bridge.

21. The representative of **Uganda**, speaking on behalf of the **African Group**, noted that the information revolution had vastly changed the way that business was conducted. In this context, three major challenges faced the African region: the urgent need to develop suitable

and adequate transport infrastructure to move goods and services expeditiously and efficiently; the urgent need to develop modern and affordable telecommunications and information technology infrastructure; and the challenge of developing human resources in both the private and the public sector so as to increase competitiveness in the global arena.

22. The African Group believed that one of the major bottlenecks in the fight for survival, growth and competitiveness concerned access to finance on reasonable terms. It looked forward to the results of the Expert Meeting in question being carried forward to the Monterrey Conference on Financing for Development, and it welcomed the efforts of the chairperson of the Expert Meeting to transmit the outcome to the conference.

23. The issue of gender was pertinent to entrepreneurs and to the issue of financing SMEs in light of the importance of women entrepreneurs to economic development. For this reason, the African group endorsed the recommendations of the expert meeting on the issue, including those relating to the mainstreaming of gender in information and communication technology policies. The importance of EMPRETEC as an engine for job creation, SME-TNC linkages and South-South cooperation should also be highlighted, and in that connection development partners might wish to provide funding with a view to strengthening and expanding EMPRETEC. Finally, the African Group looked forward to the implementation of the proposed post-Doha activities, using additional resources, while urging caution in the sense that the Bangkok Plan of Action should continue to be fully implemented.

24. The representative of **China** said that the Expert Meeting on transport and e-commerce had allowed an extensive and in-depth exchange of views and produced constructive suggestions, and it was hoped that the experts' views would be duly reflected in the outcome of the Commission's work. E-commerce gave rise to tremendous opportunities, but most developing countries had a weak communications infrastructure and had to bear high communications costs, so they faced serious constraints in the development of e-commerce. He welcomed the fact that UNCTAD's proposed technical cooperation programme to assist developing countries in participating actively in the post-Doha work programme included a proposal for capacity building in e-commerce, and he hoped that adequate funds could be mobilized for that project.

25. The representative of **Cuba** noted the precipitous growth of e-commerce in recent years and its overall economic importance. For developing countries to benefit from e-commerce, human resources had to be developed and educational levels and Internet access had to be improved. This required not only access to computer equipment but also increased infrastructure development. Rural areas, especially rural areas where there was little or no access to telephone connections or even to radio or television signals, had to be covered by such efforts. He endorsed the conclusions of the Expert Meeting and agreed that government had a role to play in improving the physical and educational infrastructure of developing countries, if they were to benefit from e-commerce.

26. His Government was convinced of the importance of this process, and in this light had developed a modern programme of education and informatization. This programme allowed

students to acquire and make use of computer skills during primary school and through the final years of higher education.

27. The illiteracy levels in Latin America were higher than the world average, and this further hindered e-commerce development. Support from the international community was greatly needed. The transfer of know-how and capital between enterprises of industrialized and developing countries was important, but South-South cooperative relationships were also extremely valuable.

28. The Expert Meeting report illustrated the difficulties faced by SMEs in obtaining finance and credit guarantees. It was of vital importance for Governments to look for solutions to SME financing. SME credit evaluation was hindered by insufficient transparency, and as a result SMEs were frequently offered unfavourable terms. Gender mainstreaming was important, not only as a matter of principle, but also out of respect for the contribution of women in general, and of women entrepreneurs in particular, to economic development. He agreed with the recommendations of the Expert Meeting in question.

ORGANIZATIONAL MATTERS

A. Opening of the session

29. The sixth session of the Commission on Enterprise, Business Facilitation and Development was held at the Palais des Nations, Geneva, from 18 to 21 February 2002. The session was opened on 18 February 2002 by Mr. Ali Mojtahed Shabestari (Islamic Republic of Iran), Vice-President of the Commission at its fifth session.

B. Election of officers

30. At its opening plenary meeting, on 18 February 2002, the Commission elected its Bureau as follows:

President:	Mr. Julio Vázquez Roque (Cuba)
Vice-Presidents:	Mr. Camilo Ruiz Blanco (Colombia)
	Mr. B.G. Chidzausiku (Zimbabwe)
	Ms. Fatima Al-Ghazali (Oman)
	Mr. Eberhard von Schubert (Germany)
	Ms. Zuzana Kubikova (Slovakia)
Rapporteur:	Mr. Paul Frix (Belgium)

C. Adoption of the agenda and organization of work

31. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.3/41, as orally amended. Accordingly, the agenda for the sixth session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Electronic commerce and international transport services: Best practices for enhancing the competitiveness of developing countries

4. Improving the competitiveness of SMEs in developing countries: Role of finance, including e-finance, to enhance enterprise development
5. Mainstreaming gender in order to promote opportunities
6. Progress report on the implementation of agreed recommendations of the Commission at its fifth session
7. Implications for the work of the Commission following the Doha Ministerial Conference
8. Provisional agenda for the seventh session of the Commission
9. Other business
10. Adoption of the report of the Commission to the Trade and Development Board.