



**United Nations
Conference
on Trade and
Development**

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TRADE AND DEVELOPMENT BOARD
Commission on Trade in Goods and Services, and
Commodities
Expert Meeting on Financing Commodity-Based Trade and
Development: Innovative Financing Mechanisms
Geneva, 16–17 November 2004
Item 2 of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

I. Provisional agenda

1. Election of officers
2. Adoption of the agenda and organization of work
3. Financing commodity-based trade and development: innovative financing mechanisms
4. Adoption of the report of the meeting

II. Annotations to the provisional agenda

Item 1: Election of officers

1. It is recommended that the Expert Meeting elect a Chairperson and a Vice-Chairperson-cum-Rapporteur.

Item 2: Adoption of the agenda and organization of work

2. The provisional agenda for the Expert Meeting is reproduced in section I above. A detailed programme, with annotations, will be available one week before the meeting.

Documentation

TD/B/COM.1/EM.24/1

Provisional agenda and annotations

TD/B/COM.1/EM.24/2

Financing commodity-based trade and development: innovative agriculture financing mechanisms

Item 3: Financing commodity-based trade and development: innovative financing mechanisms

3. Commodity producers and processors need good access to credit in order to be competitive – for working capital needs, and to invest in new farm assets, technology, post-harvest equipment, processing equipment and the like. Traders need good access to credit in order to optimize their turnover and keep their transaction costs down. In many developing countries and countries with economies in transition, access to credit is now severely constrained, with most banks willing to lend only against certain fixed assets and at unfavourable terms (compared to credit terms on the world market). This situation is a serious impediment to development, and, given that most of the world's poor are commodity producers, hampers worldwide efforts to reduce poverty. However, a quiet revolution is occurring in agricultural lending in particular, similar to what happened with micro-finance in the 1990s. New modes of delivering credit to producers, processors and traders are being tested, with different approaches followed in various countries. The time to mainstream these approaches is now. Through this expert meeting, UNCTAD (which over the past 10 years has developed a rich work programme of analysis, technical assistance and advice on commodity finance) hopes to serve this goal.

4. The meeting will provide UNCTAD member States with a better understanding of how innovative thinking can help bring finance to farmers, processors and traders. It will also permit an exchange of experience between practitioners involved in innovative modes of agricultural credit around the world. Whereas traditional agricultural lending in

developing countries has not served the development of the commodity sector well, these new modes are proving much more successful. This fact should help overcome the scepticism of local banks and governments about lending to the agricultural sector, and should help them to define new strategies. Ways and means through which the international community can cooperate with developing countries and contribute to improved lending practices with regard to the agricultural sector in these countries will also be discussed.

5. Most of the new modes approach the borrower – whether it is a farmer (or farmers' association), a processor or a trader – as part of the commodity supply chain. Credits are then based on the performance of the borrower in the chain, rather than just on the borrower's riskiness. The risks for the financiers are then much lower, and agricultural lending can become a worthwhile activity. After reviewing the main innovative delivery models for agricultural finance, the meeting will suggest ways forward to further develop such models and to mainstream them (particularly by familiarizing more developing-country banks with these new techniques).

6. The meeting's discussions will be based on the secretariat's background note, country-specific experience papers and sector-specific case studies presented by national experts and resource persons. These papers will be made available to the meeting in the form and language in which they are received.

Item 4: Adoption of the report of the meeting

7. The report of the Expert Meeting, which will reflect the views expressed by the experts, will be submitted to the Commission on Trade in Goods and Services, and Commodities at its next session. The Expert Meeting may wish to authorize the Rapporteur, under the authority of the Chairperson, to prepare the final report after the conclusion of the meeting.

SCHEDULE OF THE MEETING

Day 1 (16 November 2004)	Day 2 (17 November 2004)
<i>(10 a.m. – 1 p.m.)</i>	<i>(10 a.m. – 1 p.m.)</i>
<p><u>Plenary</u></p> <p>Opening statement</p> <p>Item 1: Election of officers</p> <p>Item 2: Adoption of the agenda and organization of work</p> <p><u>Informals</u></p> <p>Item 3: Financing commodity-based trade and development: innovative financing mechanisms</p>	<p><u>Informals</u></p> <p>Item 3 (continued)</p>
<i>(3 p.m. – 6 p.m.)</i>	<i>(3 p.m. – 6 p.m.)</i>
<p><u>Informals</u> (continued)</p> <p>Item 3 (continued)</p>	<p><u>Plenary</u> (closing)</p> <p>Item 4: Adoption of the outcome of the meeting</p>

Inputs from experts

Experts nominated by member States are expected to submit brief papers (at least five pages long) to the UNCTAD secretariat in advance of the meeting. Papers that draw on experts' experience will be made available to other participants in the form and language in which they are received.

An expert paper may cover one or more of the following issues:

1. Based on national experiences, what are the main problems of commodity trade finance (short- to long-term), in particular as they affect the poorer segments of the population? What are the main factors causing these problems?
2. What are some specific examples of positive experiences where innovative and well-adapted financing mechanisms were structured to enable access to finance for operators in the commodity sector? What were the main reasons for success?
3. What are the prospects of improving the role of local banks in providing efficient and well-adapted financing mechanisms that would correspond to the needs and requirements of producers, processors and traders/exporters in your country?
4. What might be the appropriate role(s) for government?
5. What are the most important areas for technical assistance to pursue the objective of enhancing commodity trade finance, and particularly to foster cooperation between local banks and national operators in the commodity sector? What is the role of UNCTAD? What is the best way to deliver the technical assistance?

Experts are requested to submit papers by *1 November 2004* to:

Mr. Lamon Rutten
Division on International Trade in Goods and Services, and Commodities
UNCTAD
Palais des Nations
CH-1211 Geneva 10, Switzerland
Fax: +41 22 917 0509
Tel.: +41 22 907 5770/5014
E-mail: lamon.rutten@unctad.org