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

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Chapter I

AGREED RECOMMENDATIONS ADOPTED BY THE COMMISSION AT ITS NINTH SESSION

Improving the competitiveness of SMEs through enhancing productive capacity

1. The Commission recognizes the important contribution that the SME sector can make to job creation, economic growth and achieving the Millennium Declaration Goal of poverty reduction. It recalls that UNCTAD XI mandated UNCTAD to continue its work on enterprise development, taking account of developments in the international economic environment. It also agrees that, during the past decades, the globalization process has affected the business environment for SMEs in developing countries, with international competitiveness becoming increasingly important for them to benefit from international trade and investment opportunities.

2. The Commission agrees that the internationalization of enterprises is one of the essential ways for strengthening the competitiveness of developing country firms. That includes strategies addressing structural weaknesses, integrated forms of production and distribution networks, such as TNC-SME linkages, clusters and global value chains, and direct outward investment from developing country firms.

3. The Commission requests UNCTAD to continue its work on policy analysis in the area of enterprise competitiveness. In particular, UNCTAD should further analyse policy options for enhancing the competitiveness of developing country firms through their internationalization, including by developing linkages with larger international firms, integration into global value chains, and engaging in direct outward investment.

4. The Commission also agrees that UNCTAD continue its efforts in the area of technical assistance and capacity building with a view to contributing to the development of an SME-conducive environment and to unleashing the potential of entrepreneurship in developing countries, especially the least developed countries. This work should be continued, *inter alia*, through public-private sector partnerships and through its EMPRETEC programme. The Commission also requests the secretariat to explore ways in which issues of SME development could be better addressed. It also requests the secretariat to explore ways of providing assistance to tsunami-affected countries in their rehabilitation efforts in the area of SME competitiveness.

5. The Commission requests the secretariat to undertake a preliminary study on the possible development of a competitiveness analysis framework and relevant indicators to support progress in building a sound SME sector in developing countries and countries with economies in transition.

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

6. The Commission recognizes the importance of access to adequate transport and logistics services by developing countries as a prerequisite for the achievement of the international development goals, including those contained in the Millennium Declaration,

particularly for countries with special needs. Given the long-term nature of the problems addressed in the area of transport and trade facilitation and based on the São Paulo consensus, the UNCTAD secretariat should continue to:

- (a) Keep under review and monitor developments relating to efficient transport and trade facilitation and examine their implications for developing countries;
- (b) Provide assistance to developing countries in the ongoing negotiations relating to the Doha Development Agenda at the WTO. In particular, UNCTAD, in cooperation with other relevant international organizations, should strengthen assistance to the trade facilitation negotiations process. It should also seek the support of the donor community in expanding its activities within the Global Facilitation Partnership. The secretariat should conduct consultations immediately with relevant stakeholders in order to create a better understanding of the developmental aspects of trade facilitation with a view towards the development of an appropriate consultative framework;
- (c) Provide technical assistance and capacity building activities in the area of transport and trade facilitation, including on the use of automated systems to improve international trade and transport management. Special attention should be paid to the improvement of transit arrangements for the landlocked and transit developing countries;
- (d) Monitor developments and disseminate information on security measures affecting the international trade and transport of developing countries and analyse their potential implications;
- (e) Cooperate with other intergovernmental and non-governmental organizations in their work relating to the development of international legal instruments affecting international transport and trade facilitation, including multimodal transport, as provided for in paragraphs 59 and 60 of the São Paulo Consensus.

Electronic commerce strategies for development

7. Recognizing the contribution that the wider adoption and use of ICT and e-business in developing countries can make to the achievement of the international development goals, including those contained in the Millennium Declaration, and welcoming the initiatives undertaken within the Partnership on ICT for Development in the areas of measuring ICT, free and open source software, and e-tourism, the Commission recommends that UNCTAD should:

- (a) Carry out research and policy-oriented analytical work on the implications for trade and development of the different aspects of ICT and e-business that fall within UNCTAD's mandate, with a focus on those sectors of main interest for developing countries. Particular attention should be paid to supporting the consideration of the trade and development dimensions of international discussions pertaining to ICT and e-business, including in the contexts of the World Summit on the Information Society (WSIS), the high-level plenary meeting of the General Assembly to review the implementation of the Millennium Declaration, and WTO;

(b) Continue, with an appropriate implementation strategy, to provide a forum for international discussion and exchange of experiences concerning ICT, e-business and their applications, including dissemination of best practices and standards, in the promotion of trade and development. In this context, free and open source issues and topics should be incorporated into UNCTAD's contribution to and support for the high-level General Assembly plenary meeting on the Millennium Declaration and WSIS Phase II processes, as well as in contributions to ECOSOC activities and other relevant United Nations bodies considering ICTs in the development context, especially in LDCs;

(c) Continue work in the field of the measurement of ICT, including the development of statistical capacity, to enable developing countries to measure the access, use and impact of ICT and to monitor progress in this field. Activities concerning the statistical measurement of ICT should be undertaken in the context of the Partnership on Measuring ICT for Development that was launched at UNCTAD XI;

(d) Contribute to capacity building in the area of ICT for development, particularly in trade sectors of special interest to developing countries or those that can be more profoundly enhanced through the use of ICT, such as tourism, SME development and poverty alleviation. Such work should address aspects of the identification of specific needs in the area of ICT and e-business, the exchange of experiences and the dissemination of information, and the enhancement of technical and managerial skills and other capacities. Without prejudice to other technology and content models, UNCTAD should provide advisory services to developing countries in the context of its capacity-building activities and the multi-stakeholder partnerships launched at UNCTAD XI, and facilitate an informed and factual discussion on free and open source software, in partnership with private sector and civil society entities so that they can take advantage of developments in this area.

Chapter II

OPENING STATEMENTS

1. The **Officer-in-Charge of UNCTAD** noted that the Commission's ninth session was the first since UNCTAD XI and thus the first to reflect on the mandates of the São Paulo Consensus. UNCTAD XI had confirmed that UNCTAD should continue its work on enterprise development, taking account of developments in the international economic environment and identifying opportunities and challenges in economic development. In particular, small and medium-size enterprises (SMEs) were the main contributors to national economies in terms of production and employment, and UNCTAD worked to improve their competitiveness by enhancing their productive capacity. In this context, it was examining how SMEs in developing countries could participate in internationalization processes through exports, by developing linkages with larger international firms, and by engaging in direct outward investments.

2. Trade facilitation was now being negotiated at the World Trade Organization, and UNCTAD had been asked to collaborate in that regard. He announced the establishment of a multi-donor Trust Fund on trade facilitation, with initial financing from the Government of Sweden, which would support activities aimed at assisting developing countries in the WTO negotiations. On the issue of transit trade, UNCTAD continued to support cooperation on transit transport arrangements as part of the implementation of the Almaty Plan of Action. Successful transit transport arrangements would bring together the private and public sectors from landlocked and transit countries, taking into account recent developments in international logistics, such as increased multimodal transport, new security requirements, and new information and communication technologies (ICTs).

3. ICTs had a role to play in enhancing SME competitiveness and trade facilitation in developing countries, although inequalities persisted among and within countries in terms of access to ICTs and the benefits people were able to derive from them. Most developing countries faced a serious risk of being left behind. Such inequalities were attributable to differences in income levels and to explicit or implicit policy choices. It was noted that free and open source software held potential benefits for developing countries in terms of costs and of the development of ICT-related skills, but development in this area required basic digital literacy and ICT awareness among businesses. In general, the accessibility of ICTs for groups facing particular challenges, such as women and rural populations, also needed to be enhanced.

4. E-business practices also required an enabling legal and regulatory environment, and solutions needed to be sufficiently flexible so as not to be rendered obsolete by rapid technological change and to adapt to the specific needs of developing countries. Concrete, sufficiently funded action plans were also needed to ensure the significant participation of developing countries in the information society. The WSIS process was moving in that direction, and UNCTAD was supporting the aspects of that process related to its mandate, in coordination with other international agencies. In this context, attention should be drawn to the multi-stakeholder partnerships of the Global ePolicy Resource Network, the Partnership on Measuring ICT for Development, and the UNCTAD E-Tourism Initiative.

5. The **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, noted that UNCTAD XI had emphasized the importance of micro-level interventions

in order to achieve export competitiveness. In addition, UNCTAD's work on TNC-SME linkages was considered crucial to help domestic companies in developing countries to take advantage of new trade and investment opportunities. The promotion of such linkages should be seen as part of a broader strategy aimed at developing entrepreneurship and technological capabilities through programmes such as EMPRETEC. Work on capacity building of SMEs should be strengthened further, from both the analytical and the technical assistance point of view, in the areas of linkages, outward investment, clusters and entrepreneurship, innovative SME financing, and global supply chains.

6. The Group of 77 highlighted the increasing importance of international transport services and trade facilitation for the competitiveness of developing countries, particularly in the context of the "new geography of trade". In this sense, regional organizations and the international community needed to be particularly supportive of efforts towards the improvement of transport services and infrastructure, taking into account the need to develop an appropriate legal framework, based on internationally agreed rules and regulations, and the implications of security requirements for developing economies.

7. Concerning the recently initiated negotiations on trade facilitation issues at the World Trade Organization, developing countries needed the support of the international community to better identify their related needs and priorities, and to estimate the costs of implementation of specific facilitation measures. To this end, the Group of 77 welcomed the creation of UNCTAD's Trust Fund on trade facilitation, and it hoped that the Fund would contribute to the creation of a Consultative Task Force to support the work of negotiators from developing countries.

8. On the issue of e-commerce strategies for development, a supportive environment for the adoption of ICT and its economic applications in developing countries required efforts at the international and national levels, including in terms of capacity building, the regulatory framework, cost of access, and the generation of content relevant to the needs of developing countries. Such efforts would not be effective unless the international community supported them with adequate financial resources.

9. The Group of 77 expressed its appreciation for UNCTAD's work in analysing the economic implications of ICT for developing countries through the *E-Commerce and Development Report*, and encouraged continued analysis of the development implications of ICT issues discussed at the World Trade Organization and of economic aspects of the information society in the context of the WSIS process, as well as work in support of the implementation of the WSIS Plan of Action. In welcoming the partnership initiatives undertaken by the secretariat on ICT for development, the Group of 77 highlighted the economic importance of the e-tourism initiative and the multiple potential benefits of free and open source software, as well as the need to support the development of the necessary capacities in developing countries in order to formulate successful ICT policies.

10. The representative of **Costa Rica**, speaking on behalf of the **Latin American and Caribbean Group**, said that, with regard to the improvement of SME competitiveness through capacity development, the Latin American experience showed that developing countries could set up basic domestic technological capacity in order to support industrial exports without having to depend on the networks of transnational corporations. UNCTAD was encouraged to explore ways of integrating the production of transnational corporations and global supplier networks, which could be an effective way for SMEs in developing

countries to join the global economy. In order to revitalize the industrial sector through dynamic, innovative, export-oriented SMEs, interested developing countries, investors and the international community needed to lend their support.

11. His Group noted that UNCTAD's assistance to developing countries in analysing their needs and priorities in the context of the WTO negotiations on trade facilitation was of utmost importance, in particular regarding transit issues for landlocked Latin American countries. It welcomed technical assistance on transit corridors, and it also supported and valued UNCTAD's work with UNCITRAL.

12. The Commission was the appropriate forum for discussing the links between ICTs and economic development, and the analytical work by the secretariat in this area was appreciated. Noting the relevance of the current initiative on e-tourism for developing countries, the Latin American and Caribbean Group encouraged continued analytical work on ICT and key economic sectors, as well as on its commercial, legal, or administrative aspects. However, these analyses should be complemented with capacity building, and it was hoped that the partnership initiatives of UNCTAD XI would progress in that sense. Finally, UNCTAD should continue supporting the WSIS process to ensure that the economic aspects of the information society were adequately treated, as had been done through the WSIS thematic meetings on the economic and social implications of ICT and on measuring the information society. The latter was an example of practical actions, in collaboration with other organizations, that could contribute significantly to improving the capacity of developing countries to establish and evaluate their strategies for the development of the information society.

13. The representative of **Luxembourg**, speaking on behalf of the **European Union and acceding countries (Bulgaria and Romania) and candidate countries (Croatia and Turkey)**, expressed appreciation for the detailed progress report on the implementation of the recommendations of the Commission at its previous session, but it would have been better to have a more synthetic and qualitative overview making it possible to better analyse the impact of the secretariat's activities on the basis of the opinions of beneficiaries. With regard to the issue of competitiveness and enterprise internationalization in developing countries, the opportunities of globalization had been seized mostly by the more advanced countries, and it would be interesting for the secretariat to analyse the situation of SMEs in the LDCs.

14. Trade facilitation would continue to play a major role in the development process, but no developing country had yet identified development needs and priorities in the context of the WTO negotiations. With respect to electronic commerce strategies for development, the European Union was sure that UNCTAD would contribute significantly to the WSIS process, as evidenced by its role in recent thematic meetings. In this context, a new initiative had been taken by the European Commission: a help desk for export promotion, which aimed to help exporters in developing countries to have easier access to the European common market.

15. The representative of the **Philippines**, speaking on behalf of the **Asian Group and China**, highlighted the need to explore ways of working towards a more nurturing international environment to improve the competitiveness of SMEs, in particular to enhance good economic governance at the global level and good corporate governance at the domestic level. In view of the recent environmental disasters in the Asian region, it would be interesting to examine their development implications for SMEs, how strengthening SMEs

could contribute to the rebuilding and rehabilitation of affected areas, and the role that UNCTAD could play in that context.

16. Landlocked, transit and archipelagic countries in the Asian region faced multiple transport challenges, and the implementation of the Almaty Plan of Action and the São Paulo Consensus and the preparation of a legal framework on multimodal transport were important to them. New security measures also had technical and financial implications for the region. On the issue of electronic commerce strategies for development, the Asian Group looked forward to discussions on the promotion of ICT use by SMEs, on the role of ICT as an integral part of national development policies, and on capacity building needs of developing countries in ICT. ICT-enabled services and business process outsourcing had been identified as new and dynamic sectors that provided an important window of opportunity for SMEs in developing countries, but protectionism in developed countries presented obstacles to trade in this sector.

17. The representative of **Ghana**, speaking on behalf of the **African Group**, noted that liberalization in Africa had not yet resulted in poverty reduction and economic growth. Thus, the conventional wisdom that there was a direct correlation between trade openness and poverty reduction must be reassessed, and the critical policy issue appeared to consist in improving the composition of exports by building competitive and dynamic export capabilities. There was a strong need to improve the productive and supply capabilities of domestic companies, especially SMEs. UNCTAD's work on enterprise internationalization, as well as on clusters and global value chains, was particularly relevant to the integration of African companies into the global economy, while work on technical assistance and capacity building supported the development of African entrepreneurship.

18. The Expert Meeting on Design and Implementation of Transit Transport Arrangements had shown the importance of this topic for Africa, and it had endorsed the proposal for a consultative task force as an UNCTAD support mechanism for the negotiating process in the area of trade facilitation. On the issue of transport, African countries had encountered serious difficulties in complying with new maritime security regimes, and they needed more financial and technical assistance in that connection.

19. The representative of **Benin**, speaking on behalf of the **least developed countries**, said that the productive capacity of enterprises in LDCs was inadequate and too weak for them to compete in an international economic environment. In order to face up to such challenges, national efforts needed to be supported by bilateral and multilateral partners. It was important to strengthen capacity building in SMEs to enable them to improve their ability to analyse and make use of data from the globalized business world. SMEs needed assistance in improving institutional and structural capacities over the long term, so that national and foreign private investors would be attracted. The transfer of technology was an important factor in reinforcing productive and human resources capacity. Access to finance and risk management would also support entrepreneurial efforts.

20. The least developed countries faced a worrying situation with regard to the development of multimodal transport, and challenges included the limited availability of transport equipment, precarious infrastructure, and complex and onerous administrative procedures. It was important to develop transport and communication infrastructure to reduce costs and facilitate exports from LDCs. This in turn should help SMEs in those countries to

become more competitive in the global market. LDCs counted on their development partners to provide financial support for such infrastructure.

21. Furthermore, landlocked LDCs required transit solutions that included the simplification of administrative procedures causing increased costs and delays. The development of multimodal transport and accelerated delivery services would also represent an important contribution for LDCs. These countries also faced serious problems in terms of adapting their infrastructure to new security measures for international transport, which required important investments in equipment and human resources.

22. Reflections on the digital divide and the ICT lag in LDCs could culminate in the adoption of a plan of action to expand infrastructures and to strengthen capacities to enable more individuals to use ICTs and benefit from the digital economy. If nothing was done in that regard, the rapid growth of ICTs would produce a more acute or even definitive marginalization of LDCs. Unfortunately, the WSIS process still needed to address certain pending issues in this regard, including the project for a Digital Solidarity Fund. The analytical and research work of UNCTAD on the economic, social and legal implications of ICTs was important in supporting LDC participation in international trade and, along with activities on enterprise competitiveness and transport efficiency, deserved to receive optimal resource allocations.

23. The representative of the **Islamic Republic of Iran** said that, on the issue of enhancing enterprise competitiveness, SMEs in developing countries did not necessarily benefit from TNC-SME linkages, mostly because of structural weaknesses in SMEs. A solution might involve strengthening SME capacity to integrate into production and distribution networks and to establish mutually beneficial alliances with other SMEs in developing countries.

24. Iran was a transit country between Central Asia and the Persian Gulf, and transport was therefore an important issue for the country. UNCTAD's technical assistance was useful with regard to decreasing transit costs and facing up to infrastructural shortages and institutional bottlenecks. Other elements that could help Iran increase its share in international trade, as well as benefit the whole region, involved connectivity to international corridors, the use of ICTs in transport, a legal framework on multimodal transport, and the implementation of the Almaty Plan of Action for landlocked and transit countries. He called attention to the technical and financial implications of new security measures and environmental standards, and welcomed UNCTAD's work on the interlinkage between security and trade facilitation.

25. Iran welcomed the findings of the *E-Commerce and Development Report 2004*, and suggested that business-to-consumer and business-to-government e-business be discussed further. At the same time, the digital divide, governance of the Internet versus governance on the Internet, the implementation of the WSIS Declaration of Principles and Plan of Action, and digital authentication merited more attention.

26. The representative of **Cuba** said that the main obstacle to SME survival and growth was the lack of access to financing, and that issue should be discussed by the Commission. Governments should encourage the banking sector to provide credit to SMEs, for example through fiscal incentives. Cuba had taken measures to facilitate SME access to credit, particularly in the agricultural sector. In order to build the capacity of SMEs to benefit from

valuable programmes such as EMPRETEC, it was suggested that a system should be put in place for countries to access implementation methodologies using their own human resources, and distance education techniques could be used to that end.

27. Good-quality foreign direct investment could originate in both developed and developing countries. Governments could encourage investors by providing adequate information on investment opportunities. Cuba supported investment that created infrastructure and contributed capital, market and technology elements. Capacity building for experts in developing countries should also be supported. Furthermore, Cuba opposed initiatives that could reduce the negotiating power of Governments in terms of modelling their own development policies. Cuba and Venezuela had entered into an agreement that served as an example of South-South cooperation based on the political, social, economic and juridical asymmetries between countries.

28. On the issue of ICT use by SMEs in developing countries, more attention should be given to the issue of technology transfer in order to address the lack of know-how in this regard. Such technology transfer could be North-South and South-South. UNCTAD, in collaboration with other UN agencies, could prepare “packages” to help developing countries in capacity building for e-commerce. On the issue of trade facilitation and transport, financing and training were needed in order to implement container security measures in developing countries. Developed countries and transnational corporations should support developing countries and LDCs in this endeavour. The Cuban Ministry of Transport was working in coordination with Customs and other authorities to simplify administrative procedures and had successfully improved the flow of maritime trade information and the transit time of maritime traffic in Cuba. The use and implementation of electronic data exchange norms by countries should be studied.

29. The **Chairperson** expressed the Commission’s deep sympathy with the Islamic Republic of Iran in connection with the earthquake that had struck the country that morning.

Chapter III

IMPROVING THE COMPETITIVENESS OF SMEs THROUGH ENHANCING PRODUCTIVE CAPACITY

(Agenda item 3)

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

“Linkages, value chains and outward investment: Internationalization patterns of developing countries’ SMEs” (TD/B/COM.3/69);

“Report of the Expert Meeting on Promoting the Export Competitiveness of SMEs” (TD/B/COM.3/EM.23/3).

Chairperson’s summary

31. In introducing the item, a representative of the secretariat said that strengthening the competitiveness of domestic enterprises, particularly SMEs, was vital for developing countries to benefit fully from international trade and investment. The process of globalization had largely affected the business environment for SMEs, and it was becoming increasingly important for firms to become internationally competitive, if they were to survive.

32. Even though the share of internationally active SMEs was increasing, the majority of firms were not prepared to cope with the heightened international competition on the global market. It had therefore become of the utmost importance to understand under what conditions developing countries’ firms could successfully participate in the internationalization process, including through integrated production networks, TNC-SME linkages, global value chains and outward investment from developing country firms. The issues note on “Linkages, value chains and outward investment: Internationalization patterns of developing countries’ SMEs” (TD/B/COM.3/69) had been prepared by the UNCTAD secretariat to facilitate the Commission’s discussions.

33. The Chairman of the Expert Meeting on Promoting the Export Competitiveness of SMEs, held in December 2004, presented the report of the Meeting (TD/B/COM.3/EM.23/3). The experts had examined a set of policy recommendations to enhance the export competitiveness of SMEs, including through possible links to international supply chains. The discussions had focused on three issues: the concept of export competitiveness (at country level, firm level and cluster level); the importance of production networks and of linkages with TNCs in raising the competitive potential of SMEs; and the policy space left to and needed by Governments to support the export competitiveness of SMEs. Among the main conclusions of the Expert Meeting, the Chairman highlighted the importance of government support for building up SMEs’ development and competitiveness; the need for a flexible combination of public intervention and market freedom and of macro and micro policies; the need for public/private partnerships; and the need for support measures and appropriate policies to derive advantages from and address risks involved in SME internationalization strategies such as creation of linkages with TNCs.

34. The presentation on the Expert Meeting was followed by an interactive panel discussion on “Threats and opportunities of globalization for domestic firms in developing countries”. The first panelist presented the efforts made in his country in the area of SME development, which included investment in education and infrastructure, the introduction of a new legal and fiscal framework, and the improvement of private and public banking. Furthermore, in order to support SMEs proactively, the Government had created the National Agency for Private Investment (ANIP) with the purpose of facilitating foreign investment in the country and a national institute for the support of SMEs. The panelist also referred to the importance of the Government's cooperation with the private sector and the international community. In particular, he mentioned the usefulness of the joint UNDP-Chevron Texaco programme as part of the country's enterprise development agenda, with UNCTAD's active involvement. UNCTAD's component included intensive training and business development services for more than 1,000 local companies, the establishment of TNC-SME business linkages and the implementation of a business incubator. Further cooperation with UNCTAD in the area of policy advice on SME competitiveness was planned.

35. The second panelist presented the OECD Bologna Process on SME and entrepreneurship policies. After emphasizing the importance of SMEs in OECD countries, the panelist stressed that in all economies, regardless of their economic status, SMEs faced three common challenges: access to finance, access to innovation and access to international markets. In order to face up to these challenges, the OECD Bologna Process had the objective of fostering the entrepreneurial agenda and SME competitiveness at the global level. Guidance should be provided to Governments assisting entrepreneurs and SMEs worldwide to meet the challenges; and the high-level dialogue on SME policies among policy-makers, the business community, national and international organizations, institutions and NGOs should be further deepened and improved. A consensus among developing and developed countries had been reached at the Second OECD Ministerial Conference on SMEs, held in Istanbul in June 2004, to the effect that the importance of SMEs as an engine for development should be acknowledged by all Governments, that countries should work cooperatively to reduce barriers to international markets, and that the role of SMEs in global value chains should be enhanced. The panelist also highlighted the lack of reliable SME statistics and the existence of an OECD action plan to advance this area. Stressing the importance of international cooperation on SME development, the panelist referred to the recently signed OECD-UNCTAD Memorandum of Understanding on cooperation in this area between the two organizations, including a joint project in the area of global value chains and their effect on SMEs competitiveness.

36. The third panelist addressed the main obstacles to SME development in sub-Saharan Africa from the point of view of the private sector. SMEs in the region had to operate in an unstable policy environment with highly volatile macroeconomic indicators, they faced a complicated bureaucratic and regulatory framework, they had limited access to finance, corporate governance was lacking, and there was no culture of self-motivation for success. Furthermore, most of the SMEs were not very technologically advanced. In order to remedy these problems, a purely market-based solution would not be sufficient, and an effective policy-making regime would be required for the survival of SMEs. Addressing the problem of finance, the panelist highlighted the importance of providing SMEs with trade finance and not only with micro-finance, which was often restricted to domestic use. He described the successful use of international debit cards accredited to the United States in order to enable SMEs to interact across borders. Furthermore, he emphasized the importance of having a

positive mental attitude for succeeding in SME development. He also highlighted the need for technical assistance in SME development and the usefulness of UNCTAD's EMPRETEC programme in motivation building, which was essential for the promotion of successful entrepreneurs.

37. In the discussions that followed, one of discussants suggested that, in promoting competitiveness of SMEs, there was a need to conduct evaluations of programmes that supported enterprise development to better assess their impact.

Enhancing the competitiveness of developing countries' firms through internationalization

38. The session on this topic focused on different methods of enterprise internationalization and their impact on enterprise competitiveness.

39. The first panelist stressed the importance of private sector development in contributing to the realization of the Millennium Development Goals, underlining the thrust of a report released recently by UNDP that suggested a number of initiatives for engaging the poor as consumers and entrepreneurs. Most developing country micro enterprises operated outside legal frameworks, but the assets of these enterprises were greater than the FDI flows to some developing countries. These micro enterprises were potential SMEs, and there was a need to recognize them legally, including through access to credit and collateralization of their assets.

40. The second panelist discussed the role of a private sector organization in promoting partnerships in private sector development in the context of South-South cooperation, specifically between SMEs from Africa and Asia. This was done by identifying and improving relevant policies and developing practical programmes to support sustainable business partnerships. Critical gaps that had hampered the development of mutually beneficial partnerships arose from differences in business expectations, practices, communication and innovation processes. In strengthening business linkages between the two regions, the organization concerned was aiming at raising efficiency and partnership readiness of African SMEs by integrating them into global supply chains, by improving the communication capacities and image of African SMEs, and by knowledge and skill transfers. Four approaches were identified for realizing the aims: skills and knowledge development; the Afrasia exchange network; business ventures and partnerships; and public-private partnership promotion.

41. The third panelist highlighted the trends and development of FDI inflows and outflows in the Asia-Pacific region. In particular, outward foreign direct investment (OFDI) from Asia was growing and accounted for the lion's share of outflows from developing economies, with China and India as key emerging investors. The increase in OFDI from the region was due to the influence of regional free trade agreements (FTAs), integration, relocation to lower-cost locations, and a combination of "push" and "pull" factors. OFDI from Asian developing economies was contributing to growing South-South FDI flows and intra-regional investment. Internationalization through OFDI helped developing country firms improve competitiveness by accessing markets, technology, strategic assets and natural resources, including building brand names. FDI by SMEs involved evaluation of investment

locations based on a set of variables which could be clustered under markets, costs, natural resources, infrastructure framework, policy framework and business promotion and support factors. A number of suggestions were made by the panelist to promote FDI by SMEs, including the need to study home and host country measures, examine the determinants and drivers of FDI by SMEs, and establish programmes to foster policy dialogue that promoted South-South FDI.

42. The concluding panelist presented the internationalization strategy of a large firm from a developing country, including the motives, benefits and challenges of OFDI. Internationalization through OFDI helped the firm to improve competitiveness, to cope with fluctuations in demand in domestic market, to build a brand, to accelerate growth and to benefit from economies of scale. Organic and inorganic approaches were used in accelerating the growth of the firm. The former related to leveraging existing products in new markets and creation of new market segments. The latter included acquisitions of assets abroad and strategic alliances with partners in host countries through joint ventures. The internationalization strategy of the firm followed an interrelated sequence of steps, which included assessing the stages of market evolution, establishing a well-defined framework for market selection, identifying criteria for location and partner selection, developing positioning strategy, processes and support, and building the brand name. The firm planned to extend its internationalization further, particularly through OFDI, to various other countries. In responding to a question, the panelist explained that his company had a strong linkage programme with SMEs, both in the country as well as abroad. This was done by encouraging its supplier SMEs to go abroad where the firm operated and through outsourcing.

43. In the ensuing discussion, a number of interventions were made and questions raised. One speaker stressed that some Asian developing economies were already significant investors and some were emerging as investors, such as China and India. Internationalization of enterprises through OFDI was increasing, and there was a need to analyse the characteristics of that development. In this context, she stressed that UNCTAD should carry out work on this matter to lead to a better understanding of the phenomenon. It was also observed that the problems faced by SMEs were common in Africa, in OECD countries and elsewhere.

44. Another delegate highlighted the plight of SMEs in the tsunami-affected countries, which had previously been major contributors to national development. The tsunami had crippled SMEs in those countries, and there was an urgent need for UNCTAD to rebuild and improve the competitiveness of SMEs in affected countries. Linkages between TNCs and SMEs would be important for quick rehabilitation.

45. One delegate shared the experiences of his country as it related to enhancement of SME competitiveness. In supporting SME development, the Government had put in place specific policies and initiatives, for example to facilitate SMEs' access to finance. It was suggested that UNCTAD should examine policy issues and develop programmes on involving SMEs in global value chains, improving their access to capital, and facilitating TNC-SMEs linkages. Another delegate requested UNCTAD to undertake analytical work on the methodologies for assessing and benchmarking competitiveness in order to develop a framework to better assess competitiveness of developing countries and their enterprises.

Chapter IV

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

(Agenda item 4)

46. 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.3/67);

“Report of the Expert Meeting on Design and Implementation of Transit Transport Arrangements” (TD/B/COM.3/EM.22/3);

“Design and implementation of transit transport arrangements” (TD/B/COM.3/EM.22./2).

Chairperson’s summary

47. In introducing the item, the **representative of the UNCTAD secretariat** said that today, for most developing countries’ exports, transport costs had a higher incidence on overall transaction costs than customs duties. Transport services should be seen as part of logistics services, which incorporated transport and production chains into global supply chains. Particular attention had to be paid to the plight of least developed and landlocked countries, security concerns and transit transport issues. Regarding the latter, UNCTAD was following up on the Almaty Plan of Action. UNCTAD coordinated its activities in the field of trade and transport facilitation with other international organizations through the Global Facilitation Partnership (GFP).

48. The Chairperson of the Expert Meeting on Design and Implementation of Transit Transport Arrangements presented the report of that meeting (TD/B/COM.3/EM.22/3). He highlighted the fact that, overall, South-South trade and exports of manufactured goods from developing countries had increased substantially. However, many landlocked countries were not benefiting from this general trend. Among the tools and instruments available to improve transit trade were transit transport regimes, customs systems and cargo tracking schemes. Pragmatic steps to improve transit transport arrangements needed to involve all major players involved in transit trade. Improvements and reforms of transit regimes could start out with an initial investment which then induced a virtuous cycle, where more transit trade encouraged more investment, which in turn facilitated further transit trade. The initiative for such initial investments could come from transport service providers, such as ports, or also from shippers, who had an interest in more efficient transit corridors. There also existed an important role for the international community as regards capacity building and institution development.

49. During the Expert Meeting, a proposal had been made as regards the creation of a consultative task force to consider trade facilitation issues in support of the WTO

negotiations process. While concentrating on Article V of GATT, the consultative task force could look at transit facilitation from a developmental perspective and could extend its focus to articles VIII and X. The consultative task force could be part of the support mechanisms that UNCTAD could provide for the negotiating process in the area of trade facilitation. During the Expert Meeting, support had also been expressed for UNCTAD's ongoing technical cooperation projects regarding transit transport clusters.

50. The panellist from the WTO Secretariat informed the Commission about the activities of the Negotiating Group on Trade Facilitation. The intention was to receive most proposals by July 2005. The aim of the Group was to finalize the negotiations during the next two years. A challenge for developing countries would be to find out what special and preferential treatment they would require as regards the implementation of future commitments. The success of the negotiations depended strongly on the provision of technical assistance and capacity building. In this context, he expressed his appreciation for UNCTAD's support. He warned, however, that international organizations could not carry out the task of supporting the negotiations on their own, and important efforts would also be required at the national level. As regards multilateral projects, international organizations, including the WTO and UNCTAD, would need to request financial assistance from donors.

51. The panellist from a private sector logistics company explained that the private sector did not usually use the word "trade facilitation", but regarded its elements as prerequisites for trade. The private sector aimed to increase sales and reduce total supply chain costs, for which reduced lead time, distribution costs and inventories were required. It also considered that the development of trade facilitation measures should be a joint effort of the public and private sectors and that the latter should become involved from the outset.

52. Delegates reiterated the importance of transport and trade facilitation for developing countries' competitiveness. Several questions related to the WTO negotiating process. The issue of the cost of trade facilitation measures was raised several times, and fears were expressed that the gap between LDCs and developed countries would increase because of the lack of available financial resources to implement trade facilitation measures. Technical assistance was required not only for the implementation of agreed facilitation measures, but also during the negotiation process. It was recalled that in Cancún developing countries had rejected the so-called Singapore Issues, and in the July package they had accepted negotiations on trade facilitation under the condition of receiving technical assistance and special and differential treatment.

53. The UNCTAD secretariat informed the Commission about the existence of an UNCTAD Trust Fund on trade facilitation, which had been created with initial financing from the Government of Sweden to finance activities in support of the negotiating process. As regards the proposal for a consultative task force on trade facilitation, this would require donor support for its creation and maintenance.

54. It was mentioned that the WTO allowed for preferential treatment on a regional level, although it might be wondered why a country would want to discriminate against non-regional trading partners. In the particular case of fees and formalities, there might exist legal difficulties in accepting discrimination against non-regional trading partners.

55. As regards the main trade obstacles and causes of delay, private sector participation could lead to important improvements. In order to enhance national supply capacities, trade facilitation was particularly important for small and medium-size companies, National trade and transport facilitation committees might be useful platforms in this regard; they could also act as a means of liaison between national interests and the negotiating parties in Geneva. Proposals were also made in respect of web-based and self-assessment tools to analyse the needs and priorities of developing countries.

56. Finally, attention was drawn to the urgent nature of support for the negotiations on trade facilitation. As projects and meetings advanced, information about their results should be disseminated immediately.

Chapter V

ELECTRONIC COMMERCE STRATEGIES FOR DEVELOPMENT

(Agenda item 5)

57. For its consideration of this agenda item the Commission had before it the following documentation:

"E-commerce strategies for development: Selected trade and development aspects of information and communications technologies" (TD/B/COM.3/68)

"Report of the Expert Meeting on Free and Open-Source Software: Policy and Development Implications" (TD/B/COM.3/EM.21/3)

Chairperson's summary

58. Introducing the item, the Chief of the Electronic Commerce Branch of the Division on Services Infrastructure for Development and Trade Efficiency focused on the contribution that ICT and e-business could make to the achievement of the Millennium Development Goals (MDGs). The proximity between the high-level plenary meeting of the General Assembly to review the implementation of the Millennium Declaration and the second phase of the World Summit on the Information Society, both scheduled for the second half of 2005, provided a unique opportunity to better identify and exploit synergies between efforts to address the digital divide and the work on the MDGs. ICTs had considerable potential as enablers of development processes. They were directly relevant to target 18 under MDG eight (Global Partnership for Development), but they also had a large potential in terms of contributing to the achievement of several other MDGs, such as goal one (eradication of extreme poverty), two (education), three (gender equality), six (health) and seven (environment). She provided examples of ways in which ICTs and e-business could be instrumental in the achievement of those MDG.

59. The Chairperson of the Expert Meeting on Free and Open-Source Software (FOSS): Policy and development Implications, held in September 2004, highlighted the complexity of the issue, as well as the broad range of practical experiences and policy positions. Given the development implications of technology policy and the need to create digital opportunities, FOSS, as a truly global development, required active consideration and appreciation by Governments, the private sector—in particular SMEs—civil society, and educational and academic institutions; all were well placed to benefit, as FOSS promoted sharing knowledge. FOSS also made business sense, and many leading technology firms used FOSS for critical tasks. FOSS tested traditional notions of copyright and patents and thereby provided inputs into the current debate on intellectual property and development. The approach of government policy to FOSS had been debated, and most experts felt that FOSS should be part of a positive agenda for ICT development. UNCTAD should continue its work on FOSS with particular regard to the MDGs, WSIS and WIPO processes, in cooperation with other UN bodies and agencies.

60. The presentation of the report of the Expert Meeting was complemented by a presentation by a representative of the Creative Commons (CC) NGO. It was explained that notions similar to those of FOSS could be applied to the object of ICT—actual content. Rather than rejecting copyright, CC provided more liberal alternatives that allowed creative persons and entities to use and exchange content in ways taking advantage of the capacity of ICT to provide broader and more equitable access. In the discussion that followed, clarification was sought on the extent of cooperation with WIPO and the geographic reach of CC activities.

61. A representative of the International Labour Organization presented the outcome of a WSIS thematic meeting on the social and economic implications of ICT that had been held in Guatemala from 17 to 19 January 2005, under the joint auspices of the International Labour Organization, the International Trade Centre, the Organization for Economic Cooperation and Development and UNCTAD. Over 300 participants from 39 countries had attended the event. The meeting had identified ways in which ICT could boost economic growth in developing countries through improvements in innovation and product development processes, efficiency and productivity gains in enterprises, and expanded market reach. He also referred to the challenges that ICT presented to developing economies, mainly in respect of the capacity of individuals and enterprises to use ICT. The thematic meeting had concluded that empirical evidence of the positive effects of ICT on growth was increasingly available and that, although further research was needed, developed countries seemed to be less well equipped to take advantage of the growth potential of ICT. He listed policies and practices that the thematic meeting had identified and which, if adopted by Governments, social partners, international organizations and statistical offices and research organizations, could boost economic growth and ease the cost of transition to an information economy. The conclusions of the thematic meeting had been presented at the preparatory committee of WSIS, and concrete proposals would be made to reflect them in the outcome of the Summit.

62. Another panellist, from the International Telecommunication Union, presented a report on behalf of the members of the Partnership on Measuring ICT for Development (including the ITU, OECD, UNCTAD, UNESCO Institute for Statistics, UN regional commissions—ECA, ECLAC, ESCAP and ESCWA—the UN ICT Task Force and the World Bank) who had co-organized another WSIS thematic meeting on measuring the information society, held in Geneva from 7 to 9 February 2005. She said that 270 delegates from 85 countries had participated in the meeting, the purpose of which had been threefold: to work on a list of core ICT indicators that could be harmonized at the international level and that all countries might consider collecting; to identify the needs of national statistical offices (NSOs) in developing countries regarding their capacity to compile ICT indicators; and to discuss mechanisms to quantify the relevance and contribution of ICT towards the development and the achievement of the MDGs. The thematic meeting had carried out a stocktaking exercise on global ICT indicators. The exercise had revealed that although many developing countries were already collecting some ICT indicators, these were often limited to only a small number of basic access indicators. It had also been shown that few countries were collecting usage indicators. Concerning the question of internationally comparable indicators, the experts participating in the thematic meeting had agreed on a list of core indicators concerning basic ICT infrastructure, access and usage by households and individuals, and access and usage by enterprises. This list of indicators was intended to provide guidance for countries wishing to start collecting indicators and could be a starting point for developing internationally comparable ICT statistics. The list was to be amended as experience was

gained. Concerning the capacity building needs of the NSOs of the developing countries, the meeting had agreed that, following the establishment of a list of core indicators, there was a need for specialized training for ICT measurement. The “Guide to Information Society Measurement” developed by the OECD Working Party on Indicators of the Information Society, combined with other inputs to reflect the reality of developing countries, was considered to provide a useful tool in this regard. Finally, she summarized the main conclusions of the thematic meeting, which had been submitted to the preparatory committee of WSIS and would be presented at the next meeting of the United Nations Statistical Commission.

63. In the ensuing discussion, the need to facilitate the creation of local content and the challenges that SMEs faced in this regard were examined. It was suggested that measures to promote content should be complemented by others addressing the questions of linguistic diversity on the Internet, the generation of trust, and the facilitation of electronic payments. Concerning measurement of ICTs, a delegate referred to the fact that countries were at various levels of development and that their statistical capacities were uneven, thus rendering more difficult the compilation of a core list of ICT indicators. Also, at a conceptual level, it was important that ICT indicators reflected the particular concerns of developing countries. The role that the Partnership on Measuring ICT for Development, and UNCTAD as a member of the Partnership, could play in addressing the capacity building needs of developing countries' NSOs was mentioned in this regard. It was also pointed out that the economic and social aspects of ICTs and their quantitative assessment presented a new challenge that would be addressed most effectively through a gradual approach and by keeping in mind that, even in developed countries, information about the effects of ICT on smaller enterprises remained very difficult to obtain.

64. Following a presentation of a web site that would support UNCTAD's e-tourism initiative, the discussion of the item closed with a reference to the need for UNCTAD to further analyse the economic development aspects of the pending issues of WSIS, namely Internet governance and the financing of ICT, as well as the trade and development implications of several ongoing discussions in the WTO.

Chapter VI

IMPLEMENTATION OF AGREED CONCLUSIONS AND RECOMMENDATIONS OF THE COMMISSION

(Agenda item 6)

65. 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 eighth session” (TD/B/COM.3/66).

The secretariat supplemented the information in the report with presentations on the competitiveness of SMEs, transport and trade facilitation, and electronic commerce strategies for development.

Chairperson’s summary

66. In the field of improving the competitiveness of SMEs through enhancing productive capacity, a representative of the secretariat outlined the work it had carried out since the Commission’s eighth session to consolidate policy analysis findings in order to provide an enterprise development policy blueprint for developing countries. These activities included the organization of one of the main thematic sessions during UNCTAD XI on building productive capacity of developing country firms, an Expert Meeting on Export Competitiveness, and the preparation of a series of strategy papers on Asia-Africa cooperation. Furthermore, the secretariat highlighted its joint work with OECD on the subject, the organization of five training courses for diplomats and government officials on SME competitiveness, and the creation of a website displaying the SME-related activities of the Branch on Investment and Enterprise Competitiveness.

67. The secretariat also reported on the organization of several workshops on best practices in the promotion of business linkages in Asia and South America. Such linkages had also been addressed at side events co-organized during UNCTAD XI (on transnational corporation requirements for SME suppliers), by the implementation of a project in North-East Brazil, and through a pilot project proposal for Uganda. In addition, UNCTAD was participating in a joint research project with other organizations, including OECD and GIAN, on global value chains.

68. To enhance the promotion of business skills development, the EMPRETEC programme had been introduced in Guyana and Angola, and a new EMPRETEC video had been produced. In addition, EMPRETEC results and impact assessments had been the subject of three UNCTAD XI side-events. The installation of EMPRETEC was being explored in some Andean, Caribbean and Middle Eastern countries. Finally, the first Entrepreneurship Training Workshops had started in Paraguay in September 2004.

69. In the field of efficient transport and trade facilitation to improve the participation of countries in international trade, the secretariat had continued its work on reviewing and monitoring developments through its *Review of Maritime Transport 2004*, its quarterly

Transport Newsletter, various international, regional and national seminars, and publications on different issues of relevance for developing countries. The ongoing update and application of the Advance Cargo Information System (ACIS) and the Automated System for Customs Data (ASYCUDA) had assisted and guided developing countries in the use of ICT for international transport services and trade facilitation. The issue of security initiatives and their impact had been addressed in the publications *Container Security: Major Initiatives and Related International Developments* and *Trade and Transport Facilitation: Building a Secure and Efficient Environment for Trade*, as well as at an UNCTAD XI session.

70. The secretariat reported on its close cooperation with UNCITRAL, as well as with the WTO on work carried out in connection with the Doha Development Agenda on transport services under GATS (at WTO seminars and other meetings) and on trade facilitation (through negotiating assistance subsequent to Annex D of the July package). The secretariat was also providing technical assistance to LDCs on identifying needs and priorities for trade facilitation and establishing trade facilitation platforms. In the area of transit, the Expert Meeting on Design and Implementation of Transit Transport Arrangements had come forward with valuable practical suggestions for the improvement of transit arrangements. Regional and national projects on trade and transport facilitation, as well as a project for land-locked and transit developing countries, were ongoing.

71. In the area of electronic commerce strategies for development, the secretariat had conducted research and analytical work on the economic implications of ICT for developing countries through its *E-Commerce and Development Report 2004*. In order to assist developing countries in capacity building for national e-strategies, the secretariat had participated in the delivery of courses on e-commerce and ICT for development under paragraph 166 of the Bangkok Plan of Action and in missions for regional organizations in the field of e-commerce strategies. The secretariat was also preparing guidelines on best practices in e-commerce legislation and a distance-learning version of the “Legal Aspects of E-Commerce” course. Significant progress was reported on the E-Tourism Initiative, including the development of a training course on ICT and e-tourism.

72. Significantly, the secretariat had made substantive contributions to the WSIS process through participation in its stocktaking, in the UN ICT Task Force Global Forum on Internet Governance, in the WSIS PrepCom 1 and 2, and through the co-organization of a donor agencies briefing and of two WSIS thematic meetings on “The Social and Economic Implications of ICT” and “Measuring the Information Society”. The latter meeting had taken place in the framework of the secretariat’s ongoing work on statistical measurement of ICT, including through surveys on ICT usage by businesses in developing countries, and the development of the Measuring ICT website. At UNCTAD XI, the secretariat had been an active partner in the launch of the Partnership for Measuring ICT for Development and the organization of a WSIS side-event.

73. Also at UNCTAD XI, and to provide a forum for the discussion of ICT-related issues, a thematic session had been held on ICT as an enabler for growth, development and competitiveness; there had also been a parallel event on trade-related finance and an UNCTAD/UN ICT Task Force side-event on “Implementing the WSIS Plan of Action, Issues for Trade and Development”. Finally, an Expert Meeting on Free and Open Source Software: Policy and Development Implications had taken place in September 2004.

74. Delegates expressed satisfaction with the secretariat's work, in particular work related to trade facilitation in land-locked and transit developing countries. It was noted that the special needs of transit countries were being addressed in UNCTAD's work programme for the next biennium, and that this focus responded to the outcome of UNCTAD XI. It was noted that future work with transit countries was envisaged regarding technical assistance on the implementation of transit arrangements and regarding a project on transit corridors. As an important element of transit transport regimes, attention would be paid to ensuring an enabling environment for multimodal transport and logistics services.

Chapter VII

OTHER BUSINESS

(Agenda item 8)

Chairperson's summary

75. The Commission was provided with an oral briefing on the contribution that the secretariat's work on enterprise, business facilitation and ICT for development could make to the achievement of the international development goals, including those contained in the Millennium Declaration.

76. Strengthening the competitiveness of domestic enterprises, particularly SMEs, was vital for developing countries to benefit from international trade and investment opportunities and to contribute to the achievement of the international development goals, including those contained in the Millennium Declaration, in particular Goal 1 on "Eradication of extreme poverty and hunger". It was noted that the Millennium Project Report stressed the importance of promoting the private sector, which could create jobs and generate more income in order to help reduce poverty.

77. The Commission discussed how SMEs in developing countries could ensure that the benefits and advantages of enterprise internationalization were adequately utilized and risks were properly addressed, in particular through TNC-SME linkages, global value chains and outward investment. It was also stressed that the problem of access to capital and finance was particularly crucial and still unresolved for the majority of SMEs in most developing countries, and it was therefore important to explore finance-related issues further.

78. The Millennium Project Report also suggested that "the key to achieving the Goals in low-income countries is to ensure that each person has the essential means to a productive life", which *inter alia* required adequate human capital, of which entrepreneurial skills were one of the key elements. The Commission considered the issue of how to unleash the potential of entrepreneurship in developing countries, including through the EMPRETEC programme.

79. With respect to UNCTAD's work on trade facilitation and transport, it was noted that transport was important in the development process of countries, and that the implementation of targets related to Goal 8 (Develop a Global Partnership for Development) required linkages and networking among developing countries. Efficient transport and trade facilitation provided the background for increased competitiveness of developing countries and allowed access to global markets. The linkages between efficient transport and development prospects were particularly crucial for countries with special needs. UNCTAD's activities in connection with the implementation of the Almaty Programme of Action could be expected to contribute to reducing transit transport costs, improving the quality of transport services available to landlocked countries, and increasing the contribution of international trade to their development process.

80. The year 2005 would see a unique convergence between the work done on the social, economic, technical and political aspects of development on the one hand and information and communication technology (ITC) for development on the other because of the proximity of two major conferences: the five-year review of progress toward the achievement of the development goals of the Millennium Declaration at the General Assembly in New York in September 2005, and the second phase of the World Summit on the Information Society (WSIS) in Tunis in November 2005.

81. It was recognized that ICT for development could support the development goals of the Millennium Declaration, either directly, in the case of Goal 8 and its target 18 (“In cooperation with the private sector, make available the benefits of new technologies, especially information and communication technologies”), or indirectly. For example, ICT could support the goal of eradicating extreme poverty and hunger by stimulating macroeconomic growth. It could support the goal of achieving universal primary education by broadening the availability of quality educational material and enhancing the efficiency and effectiveness of educational administration and policies. The health-related development goals of the Millennium Declaration could benefit from the potential of ICT to provide an effective and efficient channel for the distribution of healthcare and disease prevention information to the general public, and to make healthcare services like consultation, diagnosis and treatment more accessible. Finally, ICT for development could support the growth of environment-related activities by enabling greater participation by the population in activities to protect the environment through networking and information exchange, thus supporting the goal of ensuring environmental sustainability.

82. Delegates considered that the secretariat's presentation on the links between its work and the development goals of the Millennium Declaration was very useful in the light of the forthcoming UN General Assembly session, and they encouraged the secretariat to continue highlighting such links in the context of the Commission's future sessions.

Chapter VIII

ACTION BY THE COMMISSION

83. At its closing plenary meeting, on 25 February 2005, the Commission adopted its agreed recommendations on agenda items 3, 4 and 5 (see chapter I above). In that connection, it took note of the reports of the expert meetings contained in documents TD/B/COM.3/EM.21/3, TD/B/COM.3/EM.22/3 and TD/B/COM.3/EM.23/3. It also took note of the secretariat's progress report on the implementation of the agreed recommendations of the Commission at its eighth session (TD/B/COM.3/66).

84. At the same meeting, under agenda item 7, the Commission approved the provisional agenda for its tenth session (see annex I below), as well as the topics for expert meetings for 2005 (see annex II below).

Chapter IX

ORGANIZATIONAL MATTERS

A. Opening of the session

85. The ninth session of the Commission on Enterprise, Business Facilitation and Development was held at the Palais des Nations, Geneva, from 22 to 25 February 2005. The session was opened on 22 February 2005 by Mr. Carlos Fortin, Officer-in-Charge of UNCTAD.

B. Election of officers

86. At its opening plenary meeting, on 22 February 2005, the Commission elected its Bureau as follows:

President:	Mrs. Sarala Fernando (Sri Lanka)
Vice-Presidents:	Mr. Mehdi Fakhari (Islamic Republic of Iran) Mr. Mr. Clement Frank Nyaaba (Ghana) Ms. Carmen Fratita (Romania) Mr. Richard Fallon (Ireland) Mr. Kiminori Iwama (Japan)
Rapporteur:	Mr. Julio Vasquez Roque (Cuba)

C. Adoption of the agenda and organization of work

87. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.3/65. Accordingly, the agenda for the ninth 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. Electronic commerce strategies for development
6. Implementation of agreed conclusions and recommendations of the Commission
7. Provisional agenda for the tenth 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

88. At its closing plenary meeting, on 25 February 2005, the Commission decided that the Chairperson's summaries on items 3, 4, 5, 6 and 8 should be incorporated into its report. It authorized the Rapporteur to complete its report in the light of the proceedings of the closing plenary.

Annex I

PROVISIONAL AGENDA FOR THE TENTH SESSION OF THE COMMISSION

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 eleventh session of the Commission
8. Other business
9. Adoption of the report of the Commission to the Trade and Development Board

Annex II

TOPICS FOR EXPERT MEETINGS FOR 2005

Theme: **Improving the competitiveness of SMEs through enhancing productive capacity**

Topic: **Enhancing productive capacity of developing country firms through internationalization**

1. UNCTAD XI confirmed that UNCTAD should assist developing countries and economies in transition in the design and implementation of active policies for building productive capacities and international competitiveness. Specifically, the São Paulo Consensus invited UNCTAD to continue its work on enterprise development, taking account of structural limitations of SMEs and developments in the international economic environment and identifying opportunities and obstacles to progress in economic development.

2. Building productive capacity, increasing international competitiveness and ensuring greater integration into the world economy is imperative for the economic growth of developing countries, especially LDCs. It opens new markets, permits the expansion of productive capacity, skills and technology transfer, and generates higher levels of income and employment. To foster an upgrading of domestic productive capacities, systematic policies and measures are required, including coherent efforts to strengthen enterprise competitiveness through internationalisation. This includes such strategies as global value chains and TNC-SME linkages, as well as outward foreign direct investment (OFDI). There is therefore need to further explore under what conditions developing country firms, and in particular SMEs, can successfully participate in the internationalization processes and whether this could lead to a new and mutually beneficial form of South-South cooperation. In particular, it is important to further analyse the impact of outward investment of developing country firms on their competitiveness and to understand what policy framework and options would help to strengthen enterprise competitiveness of developing countries, in particular LDCs, through outward investment.

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

Topic: **Trade facilitation as an engine for development**

3. With its inclusion in the WTO General Council Decision (the 31 July Package), trade facilitation remains at the forefront of the development agenda of most developing countries. WTO members have now started a negotiating process on trade facilitation with a focus on the improvement of the three GATT 1994 Articles V, VIII and X, which deal respectively with transit issues, fees and formalities, and the transparency of trade procedures.

4. Long waiting times at border crossings or at ports, inappropriate fees or formalities, as well as unclear trade and transport rules and regulations can all become serious obstacles to trade, and as a consequence adversely affect investment and the creation of employment. Developing countries must be proactive in designing and implementing trade facilitation

measures for enhancing efficiency, reducing transaction costs and maintaining supply capacities.

5. The experts will analyse the process of establishing national needs and priorities as regards trade facilitation. They will further discuss capacities and technical assistance requirements to implement specific trade facilitation measures that aim at building the required institutional, commercial, legal and operational environment for an effective integration into the global economy.

Theme: ICT and e-business for development

Ttopic: ICT and tourism for development

6. The Expert Group Meeting on ICT and Tourism will be anchored in UNCTAD's work on ICT for development issues, and will be a follow-up to the Expert Group Meeting on Electronic Commerce and Tourism that was held in 2000. For the last couple of years, ICT and notably the Internet have profoundly affected the structure of the tourism industry and generated changes on both the supply and demand sides. In a knowledge-based society where tourism information can be easily shared among all stakeholders, the increasing population of Internet users represents a major incentive for developing countries to organize and develop their tourism offer and its promotion over the Internet. Travel booked online continues to grow at a more rapid pace than offline travel, beyond the purchase of airline tickets and including vacation packages and cruises. The challenge of tourism players from the developed world to the competitiveness of developing countries is compounded by the changes brought about by ICT. However, ICT can become an effective tool for developing countries to remedy the imbalance by taking charge of their destination promotion and fostering the development of e-business in the local economy.

7. The potential for e-tourism is considerable despite the limited impact of ICT in developing countries. The impact of ICT is limited by a lack of access to ICT and the related infrastructure, as well as by the limited awareness of e-business-based strategies and policies to develop and maintain comparative advantages in the tourism global market on the part of both enterprises and policy makers in developing countries. If some have had an online presence for the last couple of years, only a small share of destinations have so far been able to fully exploit the Internet for marketing and offering services through the web.

8. The main objective of the meeting will be to provide a discussion forum for developing countries to find out, through experience sharing and best practices, how to benefit most from the opportunities offered by ICT in order to gain in autonomy and competitiveness. The experts will look into national, regional and international initiatives and ICT-related policies and strategies from developed and developing countries. The meeting will offer an opportunity for the experts to learn about the latest technological developments regarding destination management systems and their impact on the promotion of destinations, as well as strategies based on partnerships among the stakeholders of the tourism industry for supporting the growth of e-tourism in developing countries.

Annex III

ATTENDANCE *

1. The following States members of UNCTAD were represented at the session:

Afghanistan	Madagascar
Angola	Mali
Belarus	Mexico
Cambodia	Morocco
Cameroon	Nepal
Central African Republic	Netherlands
China	Nigeria
Costa Rica	Oman
Cuba	Peru
Czech Republic	Philippines
Democratic Republic of the Congo	Republic of Moldova
Dominican Republic	Romania
Egypt	Sierra Leone
El Salvador	Swaziland
France	Switzerland
Gabon	Syrian Arab Republic
Germany	Thailand
Ghana	Ukraine
Haiti	United States of America
Honduras	Yemen
Iran (Islamic Republic of)	Zambia
Italy	Zimbabwe
Jordan	

2. The following intergovernmental organization was represented at the session:

European Community

3. The following United Nations agencies were represented at the session:

International Trade Centre
United Nations Development Program

4. The following specialized agencies and related organizations were represented at the session:

International Monetary Fund
United Nations Industrial Development Organization

* For the list of participants, see TD/B/COM.3/INF.9.

5. The following non-governmental organizations were represented at the session:

General Category

International Confederation of Free Trade Unions

Special Category

International Multimodal Transport Association

6. The following resource persons were invited to the session:

Mr. Nigel Chanakira, Kingdom Financial Holding, Pretoria, South Africa

Mr. Cho Joong-Wan, Economic Affairs Officer, UNESCAP, Bangkok, Thailand

H.E. Mr. Joaquim David, Ministry of Industry, Angola

Ms. Marie-Florence Estime, Deputy Head, OECD, Paris, France

Mr. Ravi Kant, Executive Director, Commercial Vehicle Business Unit, Tata Motors,
Mumbai, India

Mr. Matthias Schuendeln, Assistant Professor of Economic and Social Studies,
Harvard University, Cambridge, United States of America

Mr. Philippe Tokpanou, Executive Advisor, Africa-Asia Chamber of Commerce
Executive Support Group, New York, United States of America