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EXPERT GROUP MEETING ON
CHAMBERS OF COMMERCE AND INDUSTRY

Vienna, 5 - 7 July 1993

REPORT *

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of Commerce and Industry

INTRODUCTION

During the 1980s, privatization and private sector development became key parts of economic reform and adjustment policies in many developing countries and economies in transition. In this new economic landscape, characterized by greater reliance on market forces and private enterprises, the role of private sector organizations such as Chambers of Commerce and Industry and business associations has become more pronounced as representatives of and focal points for the private sector.

These organizations are expected to advocate the needs of private enterprises through an effective dialogue with Governments. They are also expected to complement and sometimes take over efforts and responsibilities of Governments with a view to foster economic development and welfare in their countries, since efforts not only of Governments but also of the private sector itself are required to create and maintain an enabling environment for private sector development.

Chambers also have to offer practical services to meet the needs of their members and of the business community at large, such as information, training, business advice, arbitration, product certification. Since the interests of their members are often divergent (industry versus trade, small versus large enterprises), it is the role of the Chamber to advocate balanced opinions and provide services for the benefit of the business community at large.

In some developing countries and economies in transition, the business community is represented by independent, influential, well-established bodies. However, in many countries Chambers are still weak and inadequately prepared to respond effectively to the increased demand for their role and services, due to factors such as low membership, poor leadership, inefficient management and administration, insufficient financial resources and limited or non-acceptance by Governments.

UNIDO organized the Expert Group Meeting on Chambers of Commerce and Industry to exchange views on developments and recommend guidelines to UNIDO as regards its role and support to Chambers of Commerce and Industry. The Meeting was held from 5 - 7 July 1993 at the Vienna International Centre. Conclusions and recommendations on major issues related to the role of Chambers in the design and implementation on policies focused on private sector development, the appropriate institutional framework of Chambers and co-operation between Chambers which are all of interest to Governments and Chambers. The Meeting also adopted a set of recommendations for UNIDO to enhance its technical co-operation with Chambers of Commerce and Industry as well as with other international organizations also active in this field.

RECOMMENDATIONS

I. Concerning the Role of the Chamber of Commerce and Industry (CCI) in the design and implementation of economic reforms and policies focused on private sector development:

A. Consultation Mechanisms between Governments and CCIs

1. Both Governments and CCIs should give highest priority to establishing and reinforcing national consultation and consensus-building mechanisms between them. For this purpose, CCIs should:
 - a) build-up long-term credibility and reliability as private sector partners to their Governments;
 - b) secure their financial and managerial autonomy vis-à-vis the Governments.
2. Both government regulations/practices and CCI constitutions should include compulsory consultations of CCIs by Governments on relevant draft laws and regulations affecting the conduct of business, before their submission to national parliaments for approval/enactment.

B. Promotion and Development of Small and Medium Scale Industries (SMIs)

3. CCIs should devote particular attention to SMIs:
 - a) by ensuring that they are well represented;
 - b) by providing special facilities to SMIs especially to the newly established ones (access to finance, management assistance, training, marketing, follow-up assistance);
 - c) by providing these services on a preferential basis;
 - d) by assisting SMIs affected by increased competition as a short-term result of structural adjustment programmes, in becoming more competitive in national and international markets.
4. In turn, Governments should create an enabling environment for private sector development in general and for the creation and growth of SMIs in particular.
5. UNIDO should implement technical assistance projects for SMIs through CCIs, as valid counterpart institutions, but should simultaneously reinforce the CCIs' capacity to provide such assistance.
6. UNIDO should undertake fact-finding/evaluation/programming and preparatory assistance missions to CCIs in developing countries, and should have special financial facilities for this purpose.

C. Privatization

7. Governments should fully involve CCIs, as representatives of the private sector, in the design and implementation of privatization policies and programmes, including:
 - a) technical advice on government proposed legislation and implementation mechanisms;
 - b) advice on selection of enterprises to be privatized;
 - c) assistance in identification of national as well as foreign investors and potential shareholders;
 - d) assistance in publicizing privatization opportunities, through promotion campaigns, seminars, conferences, etc.

D. Investment Promotion

8. In their investment promotion activities, CCIs should make full use of existing networks, such as:
 - a) UNIDO network of Investment Promotion Services (IPS);
 - b) inter-CCI networks, including the ICC activities in this field.

E. Trade Promotion

9. CCIs should be regarded as natural and efficient institutions for trade promotion activities.
10. In order to promote trade opportunities, CCIs should encourage regional and sub-regional trade agreements, as well as their full implementation, to the benefit of their members. However, as a first priority due care should be given to reinforcing the institutional capabilities of CCIs to promote trade.

II. Concerning UNIDO Programmes for cooperation with CCI in delivering services to industrial enterprises:

11. UNIDO should be more responsive to private sector needs, and Governments from developing countries should encourage direct cooperation between UNIDO and private sector institutions. In particular, CCIs should be encouraged by UNIDO and Governments to act as official counterpart institutions for UNIDO technical assistance projects related to private sector.

12. CCIs are recognized as valid counterpart institutions for the following UNIDO programmes:

- a) Development of SMIs, particularly through technical and business advisory services;
- b) Entrepreneurship Development, particularly as regards mobilization of resources, such as access to credit and foreign exchanges and organization of training;
- c) Investment Promotion, covering the identification, preparation (feasibility and other investment related studies), and promotion of investment projects (including participation in UNIDO Investment Fora);
- d) Enterprise-to-Enterprise cooperation with partner countries (North-South and South-South), especially on cost-sharing basis;
- e) Promotion of Industrial Subcontracting, particularly for hosting Subcontracting and Partnership Exchanges as built-in services, and organizing subcontracting fairs;
- f) Industrial Information, especially as built-in services and as national focal points for the international network and referral system of UNIDO's INTIB (Industrial and Technological Information Bank);
- g) Industrial and Technology Fairs/Exhibits;
- h) Training, especially with regard to programmes for the business community.

13. The UNIDO Programme for Industrial Subcontracting and Partnership should be promoted in Africa; Development Banks could usefully support such initiatives.

III. Concerning the Appropriate Institutional Set-up of Chambers:

14. UNIDO, with the support of Governments and CCIs, should strengthen its Programme of Assistance to CCIs, Federations of Industry and Manufacturers Associations. UNIDO should provide advice and assistance to CCIs with respect to setting-up well-established, truly representative and fully independent CCIs.

15. When considering the legal framework (public or private law) of CCIs in developing countries, due consideration should be given to factors such as:
 - the historical background and the economic, political and social environment;
 - the prevailing national consultation and consensus-building mechanisms between State and private sector;
 - the size of the informal sector (more than 50% in many African countries) vis-à-vis the critical mass of registered enterprises necessary for the establishment of CCIs under private law.
16. Financing mixes between membership fees, fund generating activities, fiscal revenues (where applicable), and donations/sponsorships should be explored by CCIs in developing countries.
17. CCIs should search for and initiate innovative fund-generating activities such as:
 - a) income-generating services offered to member and non-member enterprises on a user-fee basis;
 - b) services for the public authorities, under subcontract;
 - c) mobilization of sponsors for selected activities;
 - d) infrastructure management (harbours, airports, custom warehouses, etc.).
18. UNIDO and CCIs should jointly organize, in cooperation with specialized institutions, training programmes at 4 levels of target groups:
 - a) elected executives of CCIs;
 - b) professional staff of CCIs;
 - c) youth and adults (vocational and skill-upgrading training);
 - d) enterprises (specialized training).
19. UNIDO should also provide assistance to CCIs as regards:
 - a) policy guidance (e.g. on structure and functions);
 - b) technical expertise (to be channelled by CCIs to its members);
 - c) common facilities;
 - d) sponsoring regional/international meetings of CCIs.

IV. Concerning the Cooperation between Chambers:

20. CCIs and UNIDO/ITC should encourage exchange of information and work out cooperation in the form of networks for activities related to the promotion of foreign investment, foreign trade, transfer of technology, etc.
21. The integrated commercial information network, which is being established by the CCIs of developing countries, (members of the Group of 77), should be supported by the member CCIs, international organizations and financial institutions.

V. Concerning the role of International Organizations:

22. UNIDO should strengthen its cooperation by exchanging information and maintaining permanent consultations and by undertaking joint activities, such as training programmes, advisory services and publications, with related international organizations, namely:
 - a) The International Chamber of Commerce (ICC) particularly the International Bureau of Chambers of Commerce (IBCC);
 - b) The International Trade Centre (ITC)
 - c) The United Nations Commission on International Trade Law (UNCITRAL);
 - d) Other professional or regional organizations involved in cooperation among CCIs.
23. CCIs should be encouraged to cooperate with ICC, IBCC, ITC, UNCITRAL and UNIDO and benefit from their technical assistance networks, such as, within UNIDO: INTIB, IPSS, Subcontracting Exchanges.
24. UNCITRAL and ICC should put their Arbitration Rules, facilities, mechanisms (courts), model contracts and legal guides at the disposal of CCIs. The latter should consider the UNCITRAL Arbitration Rules, making use of the relevant UNCITRAL recommendations in this respect, and other existing arbitration rules and practices.
25. The CCIs in developing countries, with the support of UNCITRAL, ICC and possibly UNIDO, should set-up national arbitration mechanisms and rules and benefit from the training programmes and publications of these international organizations.

26. For UNIDO and ITC programmes of assistance to CCIs, new sources of funds should be explored and mobilized such as:

- a) Special purpose contributions from donor countries;
- b) Development Banks;
- c) Other International Aid Programmes;
- d) Financing by recipient CCIs on cost-sharing or on trust-fund basis;
- e) Income-generating activities of UNIDO (such as COMFAR, UNIDOSS, publications, training seminars).

I. ORGANIZATION OF THE MEETING

Some 15 participants attended the meeting. Participants were representatives of Chambers of Commerce and Industry, of relevant international organizations and experts in the field of Chambers of Commerce and Industry. Also, some 10 UNIDO staff members from different divisions carrying out activities of relevance to Chambers attended the Meeting. The list of participants is given in Annex II.

The Meeting was opened by the Director of the Industrial Institutions and Services Division, who welcomed the participants on behalf of the Director General. He stated that the Meeting was held at a critical point in time when many developing countries and countries in transition are facing major challenges: how to combat poverty and create employment opportunities, how to capture new international market niches and how to reduce deficits and move towards macro-economic stability. He then referred to the major socio-economic reforms that started since the end of the 1980s, characterized by greater reliance on the private sector and reduction of direct government involvement in productive activities.

He stressed that in response to these developments reflecting changing priorities of its Member States, UNIDO has re-examined its approaches and has given increased importance to comprehensive support to private sector development as a priority area of strategic concern. UNIDO's efforts as regards private sector development are customized, addressing the particular needs of the country requesting UNIDO's assistance through comprehensive intervention at three distinct but interlinked and co-ordinated levels, i.e., the policy, institutional and enterprise levels. He gave a number of examples, such as advice in the field of investment promotion policies, human resources development programmes, assistance to the establishment or strengthening of institutions providing technical and managerial support services to the business community, support to the creation of networks at the national, regional and international level, direct assistance at the plant level.

He further stated that private sector organizations should assume a more important role and greater responsibilities to foster private sector development, recognizing that the effectiveness of these organizations varies from one country to another in terms of playing their role between Governments on the one hand and their members/clients on the other hand.

He emphasized that UNIDO wishes to renew its relationship with Chambers of Commerce and Industry and that the recommendations of the Meeting would be an important basis for intensifying UNIDO's support to Chambers.

Subsequently, the Director of UNIDO's Industrial Investment Division, the Head of the Feasibility Studies Branch and the Head of the Investment Promotion Office (Austria) each briefly introduced in the opening session the activities of their respective division/branch (described under paragraph II.b of the summary of discussions).

Finally, after the introduction of the participants by the moderator, the Meeting adopted the agenda given in annex I and deliberations started accordingly. Each agenda item was briefly introduced by one of the participants.

II. SUMMARY OF DISCUSSIONS

AGENDA ITEM I

ROLE OF CHAMBERS IN THE DESIGN AND IMPLEMENTATION OF ECONOMIC REFORMS AND POLICIES FOCUSED ON PRIVATE SECTOR DEVELOPMENT:

(a) Promotion and development of small and medium industries (SMIs)

The case of India was presented, where Chambers are an organized platform for the collection and dissemination of information relevant for the private sector at large, for bringing problems of the business community to the attention of the Government, for settling business disputes etc.

The Meeting confirmed that, although Chambers do not differentiate between the size of the member enterprises, it may happen that they are dominated by the larger enterprises. It may be difficult to solve possible conflicting interests between large and small enterprises. It was stressed that SMIs should be well represented and encouraged to voice their interests through the Chamber.

The crucial issue is how to ensure that the interests of the small enterprises are not neglected. In this respect Chambers can provide assistance to new entrepreneurs and should ensure that Governments fulfill their role by making available common infrastructural facilities to SMIs. Chambers could provide a range of services, such as common management, marketing and book-keeping support, specific training, information or assistance in mobilizing easier access to finance. Also, some Chambers apply preferential fees for SMIs for specific services or make them available to them free of charge, whereas the bigger enterprises have to pay for the same services. Prerequisite for effective services by Chambers addressing specific needs of SMIs is access to a proper communication system to reach the business community.

One expert pointed out that, whereas Chambers should increasingly be involved in providing support services to SMIs, this implies that they need to have the required expertise. Therefore, before expecting Chambers to act as counterpart organizations in UNIDO technical co-operation projects, their capacity to promote SMIs should be evaluated. As and when necessary, Chambers should be supported in building up required capacity to provide good quality services to SMIs, taking into consideration similar services already offered by other institutions in the country to avoid overlapping.

Another point highlighted by an expert was that Chambers often seem to focus on international trade and foreign investment promotion, whereas improvements as regards the organization of the domestic market tended to be given less attention, although very important for, particularly, SMIs.

One expert referred to the impact of structural adjustment programmes (SAP) on SMIs and the need for Chambers to support not only new entrepreneurs and newly established SMIs, but also existing ones that face problems such as drop in demand, increase in production costs and therefore loss of competitiveness as a result of SAP. Stabilization measures, though expected to have a positive impact in the longer run, may create disincentives to invest and negative effects in the early stages of economic reform programmes. It was stressed by another expert that, while incentives are needed to promote SMIs, Governments should not jeopardize competitiveness of SMIs through protectionist measures.

(b) Privatization

On a world-wide basis, privatization activity has increased sharply over the past five years, particularly in developing countries and economies in transition, having been used as a key tool in economic reform and adjustment policies. The example of Turkey was given where the privatization process of 'State economic enterprises' started in 1984 in which the Istanbul Chamber of Commerce has been actively involved (such as through giving advice, organizing workshops). It was mentioned that involvement and consensus of the private sector organizations and labour unions as regards the tools and techniques used are essential for the success of privatization programmes.

In the case of Hungary, the Chamber has also been involved in the formulation of the privatization programme (legal and institutional framework), administered by the State Property Agency (SPA). The Chamber also promotes privatization opportunities at the national and international levels, provides advisory services to domestic and foreign entrepreneurs and organizes seminars on the subject. Also Chambers at the level of municipalities are encouraged to play a role in the privatisation process.

It was hoped that by the end of 1994 up to 50 per cent of State companies could be in private hands. The progress since embarking on the privatization programme in 1990 has been, however, slower than expected. The main reasons mentioned for this are lack of domestic capital, an underdeveloped financial infrastructure as well as increased competition from similar programmes in neighbouring countries, all competing to attract foreign investment to the region. Nevertheless, Hungary's privatization programme was said to have been a major factor in attracting foreign capital. In mid 1993 the cumulative foreign investments in Hungary exceeded USD 6 billion which is more than 50 percent of the capital invested in Eastern Europe so far, which makes Hungary the leading capital-receiving country in this region.

In other countries such as Senegal and Cameroon, the Government did not involve the private sector representatives in the choice of enterprises to be privatized. In the case of Senegal, it was only at a later stage, that, following political pressure, competitive bidding for enterprises - which so far limited to potential foreign investors -, was also opened to local investors. Another observation made concerned the apparent tendency of some Governments to want to privatize first and foremost loss-making rather than profitable enterprises. Attention was also drawn to the need to avoid the transformation of public monopolies into private ones. In this respect the suggestion was made to subject individual participation to a ceiling, to avoid such monopolies.

It was recognized that privatization is a difficult process, often with conflicting objectives and requiring compromises. The results in many countries have fallen short of initial expectations and many things have gone wrong. Therefore, the process requires transparent procedures and strong participation of private sector organizations such as Chambers, particularly in public awareness campaigns and identification of domestic and foreign investors. Also, it was mentioned that privatization of public industrial enterprises has to be accompanied by industrial restructuring which is often costly.

Finally, the observation was made that, with the vast supply of 'enterprises for sale', the market has difficulty in absorbing all these offers (especially in the absence of or with a limited capital market), which has a negative impact on sales proceeds. Therefore, if it is an objective to privatize the economy in the shortest possible time, this may conflict with other objectives, such as to maximize privatization proceeds or to safeguard employment.

(c) Consultation mechanism between Chambers and Governments

In recent years greater attention has been given by developing countries and economies in transition to the major role of the private sector in the development of a country. It is recognized that the public sector should neither compete unfairly nor carry out economic activities which can be performed better, more efficiently and more profitably by the private sector. The involvement of the public sector in the production of goods and services should be limited to activities that are so-called strategic for the nation and that cannot or will not be performed by the private sector.

A balance between government support and private sector contributions is required to foster a country's development. Since the private sector itself has good understanding of the problems faced and needs to be addressed, its involvement in all stages of the preparation and implementation of economic policies affecting the common interests of the (heterogeneous) business community is crucial. On the one hand, the Government has to accept that there is a role for the private sector in formulating as well as

implementing policies; on the other hand, the private sector has to accept the role and responsibilities of the Government. A collaborative partnership, characterized by mutual recognition and respect should be 'the name of the game'. In order to be effective, the dialogue between Governments and representative private sector organizations should be institutionalized.

The case of Austria was cited where the Federal Economic Chamber (under public law) acts as an independent body, representing the interests of their members towards parliament, the Government and other authorities. The Austrian Chamber continuously uses its legal right to express its opinion concerning all relevant legislation and is often asked by the public authorities to give advice on economic and social matters (such as price control, trade agreements, collective bargaining, social security and safety issues). Also, the Government has entrusted the Chamber with a number of responsibilities, such as those related to investment and trade promotion (commercial attachés abroad), counselling of enterprises, adult education and apprenticeship training. Austria has a tradition of 'self-government' by the social partners ('sozial Partnerschaft'), reflecting decision-making based on consensus between the partners. The Chambers are financially independent from the Government and have as main sources of income membership levies and income-generating activities. It was mentioned that in Austria Chambers are a mirror of political life (related to political parties).

The Federal Economic Chamber has been successful in building up a strong reputation as a reliable and credible partner to the government in promoting the overall socio-economic stability of the country.

One expert pointed out that, whereas in the case of, e.g., Austria, Chambers have to be consulted by the Government on matters such as policies with an impact on the business community, in most African countries Chambers may be consulted. Also, there is no assurance that position papers prepared by the Chambers will be taken into consideration by Governments. It was noted that it is sometimes difficult to obtain information from the public authorities. It was also mentioned that, even if (public) Chambers receive so called subsidies from the Government, it should not be forgotten that such funds ultimately have been paid for by the business community through a levy on registration, on turn-over or on trade (import/export).

The Meeting stressed that Chambers should be reliable and credible partners of Governments with managerial and budgetary autonomy and should not be dominated by the public authorities.

(d) Investment Promotion

Since many developing countries and economies in transition are actively trying to attract investors (particularly foreign direct investment), there is increased international competition among investment locations. With a view to establishing, modernizing or expanding production facilities, Governments compete to attract capital, technology and know-how by offering fiscal and trade incentives, infrastructural facilities, simplified bureaucratic procedures etc. In this process promotional techniques are employed, consisting of the provision of information, the creation of an attractive image of the country as an investment location and the provision of services to potential investors.

Investment promotion tends to be a typical responsibility of the Government but in many countries the management of (some of) these activities are delegated or contracted out to the para-public or private sector while maintaining a cooperative working relationship with the Government.

The example of Mexico was given, where CANACINTRA (the apex Chamber of the manufacturing industry and largest Chamber in Mexico) has been increasingly involved in investment promotion activities, especially following changes in economic policies of the Mexican Government (from import substitution to export promotion, such as through the 'maquiladora' programme). At present the Chamber is providing international co-operation services in a range of fields such as assistance to members in the identification of foreign business partners, promotion of sub-contracting opportunities, provision of information on foreign markets and on trade policies, organization of the participation of enterprises in foreign trade/industrial fairs, etc. Once an investment proposal is ready for promotion abroad and prospective foreign investors are identified, the Chamber organizes business meetings and provides further services such as assistance in negotiations.

To promote investment projects abroad, CANACINTRA has access to various bi- and multilateral co-operation arrangements and networks. It was pointed out that in Mexico the business community is working closely with the public sector and was well represented in the free trade negotiations with the USA and Canada (NAFTA) at thematic and sectorial levels.

One expert mentioned the importance of promoting co-operation between Chambers such as though an exchange of technical and commercial information. Also, attention was drawn to the activities of the Commission on Multinational Enterprises and International Investment of the International Chamber of Commerce in the area of investment promotion (mainly in the form of publications and seminars). Finally, UNIDO's Investment Promotion Services (IPS) were mentioned whose principal function is to identify foreign partners to sponsor investment projects in developing countries (for details see summary of discussions under agenda item II b).

(e) Trade promotion

Considering the importance of foreign trade (export and import) for most economies, Chambers have to play an active role in this respect, e.g. in the form of offering services to individual enterprises, preparing and participating at trade fairs, providing promotional material etc.

It was pointed out by one expert that there is sometimes a lack of understanding as regards the division of responsibilities between Trade Promotion Organizations (TPOs) and Chambers. Whereas Chambers tend to be closer to the business community, are often represented in the regions (through national networks) and provide assistance to both exporters and importers, TPOs are not representative private sector organizations, are usually only based in the capital and only focused on export promotion. Also, at the international level, Chambers co-operate whereas TPOs compete with each other. It was also stated that Chambers have easier access to the highest government level than TPOs.

The Meeting discussed the importance of south-south trade and other forms of economic co-operation among developing countries, including opportunities for joint ventures. It was felt that the potential for south-south trade could be as important as the traditional south-north trade. Chambers were said to be a logical actor in the promotion of regional trade. It was noted that Chambers of developing countries (members of the Group of 77) are in the process of establishing an integrated trade information network (see also IV.D). Other co-operation initiatives (in the African context) concern the creation of a development bank to promote inter-/intra-regional trade and of an insurance company. The importance of promoting trade through sub-regional organizations such as SAARC and PTA was also mentioned.

One expert pointed out that, on the African continent, there is a clear need to improve data collection systems in order for information networks to be able to function properly. Chambers often lack the human resources and logistics to collect and disseminate information. Another problem faced in Africa is related to the poor communication infrastructure between African countries which affects the effective functioning of inter- or sub-regional information networks.

The main activities of the International Chamber of Commerce in the field of trade promotion were highlighted, namely harmonization of trade practices, rules on documentary credits and arbitration (for details see summary of discussions under agenda item V). For the private entrepreneur it is crucial to have 'access to the right information, at the right moment and to the right business partner in the right location'.

Reference was made to the XXXIst ICC Congress that will be held in October 1993 in Cancun (Mexico) where, among other things, the role of Chambers to enhance trade efficiency through trade information networks will be discussed.

AGENDA ITEM II

UNIDO PROGRAMMES FOR CO-OPERATION WITH CHAMBERS IN DELIVERING SERVICES TO INDUSTRIAL ENTERPRISES:

(a) Entrepreneurship and SMI Development

UNIDO's activities to promote the development of new entrepreneurs and assist existing SMIs to survive, to modernize or to expand in internal and external markets were highlighted. For UNIDO key factors in supporting entrepreneurs are a favourable environment and organized business services. UNIDO's (customized) assistance covers a range of areas, such as advice on the most appropriate policy and regulatory framework for SMIs and assistance in strengthening public and/or private sector institutions to support SMIs and in providing physical infrastructure facilities (business incubators, industrial estates), entrepreneurship development training, business information and consultancy services.

The Meeting indicated that, whereas in some countries Chambers may tend to represent mainly the larger enterprises, in other countries the smaller enterprises are the main users of the services offered by Chambers.

It was pointed out that Chambers have to be an advocate of the needs of SMIs, and mobilize resources such as access to credit and to foreign exchange as well as organize training. In this respect, as and when active in the field of promotion of SMIs, Chambers are an appropriate counterpart organization for providing assistance to the SMI sector. It was stressed that Chambers, in providing training and advisory services to SMIs, should not compete against their membership. Also, since Chambers cannot afford to have in-house expertise in all fields, close co-operation with other national organizations such as training institutions and local consultancy firms is necessary in organizing specialized training and providing business counselling services. Also, Chambers should avoid duplication of efforts of existing institutions involved in assistance to the SMI sector.

One expert stressed the need for training programmes to be adapted to the needs of small entrepreneurs: unlike in the case of larger enterprises, a small entrepreneur cannot afford to leave his/her workshop to attend a training course. Also, small enterprises prefer assistance 'at their doorstep'.

(b) Investment Promotion

A presentation was given of UNIDO's activities in the field of industrial investment promotion. Key elements of the programme focused on mobilizing financial, technical and managerial resources for the implementation of industrial investment project cover (i) the identification, (ii) the formulation and (iii) the promotion of such projects. Although no criteria are applied for small/large, public/private projects, UNIDO's investment promotion efforts typically involve larger scale investments (US\$2 million and above). The assistance is tailor-made and can cover both entirely new investments or rehabilitation, modernization and expansion of existing plants as well as product diversification.

To prepare and screen investment projects in developing countries, UNIDO developed standardized tools such as a detailed feasibility studies manual⁽¹⁾ (a United Nations 'bestseller'). Also, corresponding computer software has been developed and many users have been trained on the same (COMFAR for comprehensive feasibility studies and PROPSPIN for project screening and pre-appraisal).

For the promotion of investment projects vis-à-vis foreign partners, UNIDO has an expanding network of Investment Promotion Services (IPS) spread over the world. The principal function of these offices is to identify foreign partners for investment projects in developing countries.

Other instruments are (i) investment promotion fora that are organized in developing countries to enable local project sponsors and potential foreign partners to discuss identified projects, (ii) country presentation missions organized by IPS offices in their host countries for delegations from developing countries. Also (iii) there are direct contacts between project sponsors and potential foreign partners, such as those established by delegates from investment promotion agencies and other institutions in developing countries seconded to an IPS office.

It was recognized that involvement of Chambers in UNIDO's investment promotion activities should be intensified. One expert mentioned that UNIDO unfortunately reacts only to requests made by Governments and not to private sector requests. In reply to this, it was emphasized that UNIDO can and does assist the private sector, subject to endorsement of the assistance by the Government.

One expert also pointed out that the factor 'time' is of utmost importance in the case of investment projects. Therefore, UNIDO's response to requests for assistance has to be more responsive to private sector needs and to be quick and flexible.

¹ See Manual for the Preparation of Industrial Feasibility Studies, United Nation publication, Sales No. E. 91. III. E. 18

In this context, it was highlighted that at present the system of communication between IPS offices and Investment Promotion Centers in the developing countries and economies in transition is in the process of being modernized. By introducing electronic networking, the speed and, therefore, the quality of services will be improved.

(c) Enterprise-to-Enterprise Co-operation

UNIDO's activities in the field of enterprise-to-enterprise co-operation were described. While large enterprises are geared towards different forms of industrial cooperation arrangements with other enterprises, small and medium enterprises are usually not equipped to seek such collaboration and thus deserve special attention and assistance in this area.

With financing of various donor countries such as Belgium, France, Germany, India and Italy, UNIDO has been executing programmes to identify and promote opportunities for industrial co-operation arrangements between SMIs in developing and SMIs in industrialized or other developing countries. A key element in such arrangements is the need to ensure that the co-operation is sustainable, fair and beneficial for both partners. Therefore, UNIDO's role as an 'honest broker' is considered essential.

It was learnt from experience that the process of bringing potential partners together is long, sometimes even up to several years. Whatever assistance is provided by UNIDO, the ultimate decision for co-operation lies with the two partners. In such programmes the proper selection of enterprises, based on factors such as corresponding size and level of technology, is crucial.

The chances of success may depend not only on the co-operation between the partners but also on the prevailing conditions in the countries such as access to financing, need for government endorsement of co-operation arrangements etc.

It was mentioned that Chambers could play a catalytic role in bringing partners together. Also, they could act as counterpart organization for UNIDO as regards enterprise-to-enterprise promotion activities, preferably on a cost-sharing basis.

Particular reference was made to the south-south dimension of this programme, such as in the case of India promoting enterprise-to-enterprise cooperation in three partner countries in Africa.

(d) Promotion of Industrial Subcontracting and Partnership

As one particular type of enterprise-to-enterprise co-operation, UNIDO's programme for the promotion of industrial subcontracting was described. It is an efficient tool to promote complementarity between large and small enterprises, to increase the utilization rate of installed industrial capacities, to increase production and employment in the SMI sector and to produce better quality products at a lower cost. Thus it contributes to the optimal allocation of industrial resources and fosters horizontal integration and national growth.

In the past 10 years, UNIDO has been involved in the establishment of national Subcontracting and Partnership Exchanges (SPX) and of regional and international networks between them. The SPXs act as centres for technical information and promotion as well as clearing houses for industrial subcontracting enquiries and opportunities. UNIDO has also been surveying, designing and developing standard instruments and methods for the development of industrial subcontracting, such as industrial legislation (including fiscal incentives and policy regulations), industrial nomenclatures, computer programmes for database management (UNIDOSS), operational manuals, legal guidelines and model contracts, guides on subcontracting fairs, and legal statutes for the establishment of SPXs.

In Latin America alone, UNIDO has established a network in 13 countries, covering a total of 30 SPXs using the same methodology, the same nomenclatures, the UNIDOSS software and standard means of communication, to exchange information on subcontracting enquiries and potential partners.

This is an activity particularly suitable and relevant for Chambers (the examples of Belgium, France, Italy, Mexico, Spain, Turkey were given). In fact, more than half of the SPXs established by UNIDO are operated by or located in Chambers, such as the 6 SPXs of CANACINTRA in Mexico and the 2 SPXs of the Istanbul Chamber in Turkey.

The issue of financing of Subcontracting Exchanges was raised. At present, when located in Chambers, the latter put substantial funds in the operation of the exchanges. At the same time they benefit the economy as a whole and enterprises in particular. Therefore, it was recommended that subcontracting exchanges be co-financed by the different categories of beneficiaries.

The case of Turkey was pointed out, where the Istanbul Chamber financed up to about 70% of the participation costs of Turkish enterprises to the major subcontracting fairs (Midest, France; Hannover, Germany); meanwhile enterprises progressively cover the costs of their participation.

Regarding UNIDOSS (the subcontracting software system designed by UNIDO and granted under cover of a UNIDO licence agreement to SPXs in developing countries), an expert enquired about the possibility for Chambers or SPXs in developed countries to acquire the software system against payment of a fee or royalty. This question will be carefully considered by UNIDO, but in principle it is willing to do so.

One expert pointed out that, in the case of Africa, industrial subcontracting as a development tool has been underutilized so far and indicated that the African Development Bank (ADB) might be interested in co-financing Subcontracting Exchanges in Africa.

(e) Industrial Information

An overview was given of UNIDO's Industrial and Technological Information Bank (INTIB) - UNIDO's technological information clearing house - which has been providing the industrial sector in developing countries with the necessary information/background for taking business decisions. In addition to through its query service, access to information is facilitated through INTIB's own international network. At present there is a network of over 70 national and 4 regional focal points that are in direct contact with UNIDO HQ. To expand and further improve its services, INTIB started a new International Referral System to redirect queries received by INTIB to a wide range of well targeted sources of industrial and technological information. Through a decentralized approach, INTIB's customers will have speedy access to specialized information sources (described in standardized directories of national sources of information). Also so called Technology Markets (TECHMART's) - business fora bringing together technology seekers and technology suppliers - are organized at the (sub-)regional level with a view to promote the exchange of technological information.

It was pointed out that complementarity with other UN information data bases (such as ITC on trade-related matters and UNEP on environment-related matters) is ensured; networking takes place among these different data bases.

Whether or not Chambers are designated as INTIB focal points at the national level depends on the respective Governments, since they designate the appropriate institution for centralized information services.

In addition, UNIDO has been providing customized support in the creation and strengthening of industrial information centers, institutions and services, in the form of expert advice, training, provision of hard- and software. The provision of such information services is a natural function of Chambers.

(f) Export Promotion

It was mentioned that, based on its mandate, UNIDO's role is focused on industry- rather than pure trade-related matters. There is a division of responsibilities between UNIDO and ITC, with focus of the former on production-related and of the latter on trade-related technical co-operation activities.

In order to export, products have to be adapted to requirements of the international markets. In this respect UNIDO provides assistance to manufacturers in developing countries in the design and adaptation of products and production processes in order to capture foreign markets. At the institutional level, UNIDO's support is given to industrial design centres, export promotion bodies etc. UNIDO also has been supporting the organization and promotion of industrial/technology fairs. Increased co-operation with Chambers in the above-mentioned area was recommended.

AGENDA ITEM III

THE APPROPRIATE INSTITUTIONAL SET-UP OF CHAMBERS

(a) Legal framework

The two dominating legal 'models' of Chambers, i.e., the so-called Anglo-Saxon model, under private law, and Continental model, under private law, each with their advantages and disadvantages, often lead to a debate. It was pointed out that the dichotomy is a simplification. There exist Chambers under public law that operate mainly with private funds (e.g., the Chamber of Nice - France -, which draws 80% of its revenues from the operation of the international airport). Similarly, there are Chambers under private law with a major portion of financial resources originating from public funds. Moreover, the legal framework should not be a primary issue, the most important concern being whether the Chamber acts in the interest of its members in an effective manner. To this end Chambers should have a simple core structure that is flexible.

Rather than distinguish Chambers in terms of their legal status, it was agreed that the source of funding is a more sound basis to classify Chambers. One expert proposed to make a distinction between the following sources of funding: (i) fiscal (by the entire nation), (ii) para-fiscal (by the business community as a whole) and (iii) direct sources (e.g., membership fees, user fees, donations etc.). Depending on the type of funding, the status of the staff will vary: seconded by government, elected or contracted.

The Meeting agreed that the legal framework is a matter of decision by the country itself; the choice is linked to the historical background as well as the economic, political and social environment (such as consultation tradition between government and private sector and size of the informal sector versus registered enterprises).

Attention was drawn to a rather paradoxical situation, which is quite common in the African context, that taxes are levied on imports rather than turn-over. Thus, as a country imports more, its Chamber becomes 'richer'.

Another expert pointed out that the fact that reliable statistical data on turn-over of businesses tend to be missing explains the pragmatic method often adopted in Africa.

(b) Representation

It was mentioned that, in colonial times, Chambers in developing countries tended to be dominated by the foreign business community. After independence, the (often socialist/ communist) governments used Chambers mainly as a promotion tool (with appointed executives). Following the adoption of economic liberalization policies, more emphasis has been given to the representativity of structures such as Chambers. It was recognized that Chambers should represent the business community at large and not the interests of individual entrepreneurs. The latter is the duty of professional organizations.

The statutes are crucial for the representativity of Chambers in that they determine the rules and procedures as regards the election of office holders. Such rules have to be strict and transparent in order for a Chamber to be considered a credible, representative private sector organization. The election process of Chambers in Senegal and other African countries was described, demonstrating a lengthy but transparent voting system of the General Assembly members and Executive Board members (including the establishment of the electoral corps, of a committee to monitor the election process for which specific step-by-step election procedures are to be followed).

The electoral system within Chambers is important given the need for an independent and a truly representative body. Also, even if the parliament allocates funds for the Chamber and the Government controls their utilization, autonomy of the Chamber as regards its financial management is vital.

(c) Sectoral and regional coverage

A Chamber may have a national focus (covering trade, industry, services), a regional focus (at the city, district, provincial etc. level) or sectoral focus (covering a specific industry, trade or service). In the case of countries following the private law model, there may be overlap at the national, regional or sectoral level (e.g., more than one national or apex Chamber). Depending on the level at which a Chamber operates, the priority concerns are likely to vary, such as general policy issues at the national level and immediate problems of the business community in a province or sector as regards a local or sectoral Chamber.

It was pointed out that, given the divergency of the interests of the members, Chambers have to ensure a proper balance in addressing the interests of groups such as traders versus industrialists and small-scale versus large-scale enterprises.

Whether or not there are regional/local offices of Chambers will depend on the size of the country. Also, it may sometimes be difficult to have representatives from all regions for each sector such as mining, industry, trade, since economic activities are sometimes concentrated in certain provinces only.

It was recommended that many different structures should be avoided, such as a separate Chamber of Commerce, Chamber of Industry, Chamber of Agriculture, Chamber of Handicrafts etc.

One expert stressed that Chambers have first and foremost a national role and responsibility; their international role should be considered secondary and not more crucial than their national role.

The Meeting recognized that training is an important aspect of the activities of Chambers, varying from training of the elected office holders, permanent staff and specific target groups such as young and unemployed, as well as specialized training for enterprises.

(d) Financing

It was pointed out that, if the business community is less flourishing, Chambers are also affected, especially if under private law. The major dependence of Chamber resources on business cycle fluctuations make it necessary for private Chambers to be competitive, effective, efficient, and to be innovative in identifying new sources of revenue.

Some examples were given of the distribution of financial resources, i.e., about 30% of the resources of the Bombay Chamber (India) originate from membership fees and about 70% from income-generating services; there is no government subsidy. The resources of the Chamber of Dakar (Senegal) consist for 43% of fiscal income and for 57% from income of services offered. The Dakar Chamber does not yet levy membership fees. As regards the Brussels Chamber (Belgium), 50% comes from membership fees and the rest from income-generating services such as Temporary Admission (ATA) carnets, training courses, subcontracts with public authorities including the city of Brussels (such as receiving foreign trade missions), as well as selected activities financed by sponsors.

It was recommended that Chambers provide services to both members and non-members, with non-members regarded as clients and having to pay a (higher) fee.

As regards fiscal sources of funding of Chambers, attention was drawn to the fact that, even if the Chamber has the legal right on an annual basis to a percentage of fiscal revenues, the public authorities do not always transfer the approved budget allocations to the Chambers, or only partly or with major delays. This constitutes a major source of uncertainty for Chambers.

Among the income-generating activities of Chambers, specific services such as the issuing of certificates of origin, of ATA Carnets was briefly discussed. As regards the ATA (temporary duty-free imports) scheme, this has been established with assistance from the International Bureau of Chambers of Commerce (IBCC) and the Customs Co-operation Council with a view to facilitating the entry into and exit from countries when business delegations take temporarily samples of goods to exhibitions, trade fairs etc., thus avoiding time-consuming customs formalities.

The Meeting stressed the importance of income-generating services for Chambers, whether under private or public law. In some cases the issuing of ATA carnets and of certificates of origin was stated to cover about 25% of the Chambers' budget.

The Meeting agreed that UNIDO's paper on the Institutional Set-Up of Chambers of Commerce and Industry, in which the above-mentioned points are discussed, be attached as annex to the report of the Meeting (see annex III).

AGENDA ITEM IV

CO-OPERATION BETWEEN CHAMBERS

Networking and Twinning arrangements

Initiatives to promote regional and international networking among Chambers have been taken, such as the Euro-Chambers in Europe and various regional Chambers in Africa (in the form of regional federations of Chambers). More recently the Chambers of developing countries (members of the Group of 77) have made efforts to create an integrated trade information network with three focal points: Bogota for Latin America, Douala for Africa and Karachi for Asia. The main problem faced as regards this international inter-Chamber initiative is related to lack of resources and support from member Chambers.

It was pointed out that, as long as at the national level Chambers are weak, the effectiveness of co-operation at the (sub-) regional level is also affected. Therefore, more internal resources (subsidies, income generated through services) and additional external support would be required to be able to put in place effective and sustainable co-operation mechanisms.

It was recognized that international co-operation among Chambers is likely to be at a more general level. On the other hand, bi-lateral co-operation among Chambers can have a more direct impact for both partner organizations in terms of facilitating exchange of information, organization of trade missions etc. Such co-operation can be formalized through signing mutual assistance agreements, co-operation agreements or twinning agreements. Good intentions of Chambers to co-operate may be frustrated by persisting trade barriers (such as in the CEDEAO region, West-Africa). An appeal was made to the UN system to assist in removing such barriers. Also, assistance in the organization of trade missions, buyers/sellers meetings was mentioned as a priority.

It was pointed out that, although the regional Chambers in Africa are rather weak, they have been instrumental in lobbying with the concerned Governments, e.g. as regards the idea of an intra-African commercial bank (which led to the establishment of the ECOBANK); the same applies to the idea of creating an intra-African insurance mechanism, and of a shipping company (for which chambers have been lobbying).

AGENDA ITEM V

ROLE OF INTERNATIONAL ORGANIZATIONS

(a) Additional presentations

International Chamber of Commerce (ICC)

The activities of the International Chamber of Commerce (ICC) and of the International Bureau of Chambers of Commerce (IBCC) which forms an integral part of the ICC were described. The ICC was founded in 1919 and covers as a non-governmental organization more than 7,500 companies and business associations in 110 countries throughout the world. ICC can be considered as the international speaker of the private sector, representing and defending the interests of the business community at the international and national levels (the latter through national committees). Its primary role is political: the promotion, codification and liberalization of international trade. In this respect it puts forward views and provide policy recommendations to international bodies such as the UN (where it enjoys consultative status), GATT, ITC, OECD, EEC as well as recurrent events such as G7 Economic Summits.

In addition to its political function, ICC has technical functions. In this respect there is a range of technical commissions on themes of relevance for the business community, such as the Commissions on: Multinational Enterprises and International Investment; Intellectual and Industrial Property; International Commercial Practices; International Trade Policy; Taxation; Arbitration; Banking; Law and Practice relating to Competition; Energy; Environment; and Computing, Telecommunications and Information Policies. The technical commissions (consisting of senior executives of major companies) regularly review issues affecting the business community and communicate their views to Governments and international organizations.

In addition, the ICC provides practical services for businesses through specialized divisions, among which are ICC's International Court of Arbitration, Institute of International Business Law and Practice, World Council for the Environment, International Maritime Bureau, Counterfeiting Intelligence Bureau, Commercial Crime Bureau and Publishing Division.

One of the specialized divisions of the ICC is the International Bureau of Chambers of Commerce (IBCC) which has members (Chambers and Associations of Chambers) in over 100 countries. The IBCC is an international forum of executives of Chambers and is at the same time the 'window' of access to the activities of the CCI for these Chambers.

IBCC has a range of objectives such as to strengthen the 'Chamber movement', to increase co-operation between Chambers and to provide technical assistance and training programmes for executives of Chambers in developing countries and economies in transition. The earlier mentioned ATA Carnet system is managed by the IBCC. Also, the IBCC encourages Chambers to play an active role in environmental protection.

United Nations Commission on International Trade Law (UNCITRAL)

The United Nations Commission on International Trade Law (UNCITRAL) was created in 1966 in order to enable the UN to play a more active role in reducing or removing legal obstacles to the flow of international trade.

The Commission has the mandate to co-ordinate and encourage co-operation in the field of harmonization and unification of international trade laws, prepare and promote new international treaties and conventions, model laws etc.

The International Trade Law Branch of the UN Office of Legal Affairs serves as the substantive and administrative secretariat of the Commission. This secretariat carries out legal research on subject matters within the programme of work of UNCITRAL, prepares reports, draft texts (conventions and model legislation), comments on draft legal texts and organizes training. Examples are the preparation and diffusion of: a set of model contract rules for bank guarantees; a draft model law on international credit transfers; a legal guide on drawing up international contracts for the construction of industrial works; and arbitration rules (designed for world-wide use and containing detailed provisions for the different stages of arbitration and conciliation procedures), so far ratified by 90 countries.

Recommendations to assist arbitral institutions and other interested bodies with regard to arbitration under the UNCITRAL Arbitration Rules were distributed. If Chambers want to render arbitration services, UNCITRAL can give advice on how to establish the required legal framework. One expert pointed out that, in the context of West Africa, only one Chamber has also an arbitration function. He stressed that the same should be encouraged elsewhere. It was mentioned that it is not the objective to impose unified legal solutions on countries, but to harmonize legislation.

It was stressed that ICC and UNCITRAL do not compete but supplement each other. For example, as regards arbitration, UNCITRAL offers legal texts, which ICC can use as arbitral institution or court. Several experts, recognizing that UNCITRAL rules are less known than the ICC rules, requested UNCITRAL/UNIDO to circulate these arbitration/conciliation rules.

One expert raised a basic problem as regards the application or enactment of UNCITRAL or ICC arbitration rules, since possibly conflicting with national legislation which may overrule them.

The expert from ITC added that it will implement a project covering the development of training materials to be used by Chambers in training seminars on international laws and trade practices for the business community.

(b) Mobilization of funds

In addition to the earlier mentioned financing sources of Chambers (fiscal revenues, membership fees and user fees for services) made by one expert, sponsors or donations would be another category that can contribute to the financing of the operations of Chambers.

As regards international support, it was pointed out that UNIDO is a technical and not a financial assistance organization. Taking into consideration that traditional sources of funding (UNDP, bilateral donors) are actually subject to a decrease rather than an increase, due to the financial crisis in both the UN and major donor countries, more and more new sources of funding have to be identified to be able to provide assistance to developing countries and economies in transition that request UNIDO's technical support.

Alternatives consist of payment for services by recipients entirely (trust fund) or partly, i.e., on a cost-sharing basis. However, this is often difficult for the least developed countries. Intensification of the mobilization of resources from 'Chambers from the North to those in the South' was also mentioned as a path to be pursued; other possible sources could be special purpose contributions from donor countries and possibly international and regional development banks, given their strong interest in fostering private sector development.

ANNEX I

AGENDA

Monday, 5 July 1993:

1. Opening of the meeting
2. Objective and procedures of the meeting
3. Adoption of agenda
- I. Role of Chambers in the design and implementation of economic reforms and policies focused on private sector development
Introduced by: UNIDO Secretariat
 - (a) Promotion and development of small and medium industries (SMIs)
Introduced by: JB.P. Gunaji, India
 - (b) Privatization
Introduced by: C. Ersun, Turkey and P. Dunai, Hungary
 - (c) Consultation mechanisms between Chambers and Governments
Introduced by: J. Farnleitner, Austria
 - (d) Investment promotion
Introduced by: L.M. Pando L., Mexico
 - (e) Trade promotion
Introduced by: G. Langer, International Trade Centre (ITC)

Tuesday, 6 July 1993:

- II. UNIDO programmes for cooperation with Chambers in delivering services to industrial enterprises
 - (a) Entrepreneurship Development/SMIs
Introduced by: UNIDO Secretariat
 - (b) Investment promotion
Introduced by: UNIDO Secretariat
 - (c) Enterprise-to-enterprise cooperation
Introduced by: UNIDO Secretariat
 - (d) Promotion of industrial subcontracting
Introduced by: UNIDO Secretariat

(e) Industrial information
Introduced by: UNIDO Secretariat

(f) Export promotion
Introduced by: UNIDO Secretariat

III. The appropriate institutional set-up of Chambers

(a) Legal framework
Introduced by: C. Metman, France

(b) Representation
Introduced by: I. Diop, Senegal (UNIDO expert)

(c) Sectoral and regional coverage
Introduced by: JB. P. Gunaji, India

(d) Financing (including income generating activities)
Introduced by: L. de Wolf, Belgium

Wednesday, 7 July 1993:

IV. Cooperation between Chambers

(a) Networking
Introduced by: A. Destouches, International Chamber of
Commerce (ICC)

(b) Twinning arrangements
Introduced by: P. Tchanque, Group of 77

V. Role of international organizations

(a) Additional presentations:
- the International Chamber of Commerce (ICC)
- the International Trade Centre (ITC)
- the United Nations Commission on International
Trade Law (UNCITRAL)

(b) Mobilization of funds for UNIDO programme of technical
cooperation with Chambers

4. Conclusions and recommendations

5. Closure of the meeting

ANNEX II

LIST OF PARTICIPANTS

- AUSTRIA** Bundeswirtschaftskammer
Mr. Johann Farnleitner
Deputy Secretary General
- Mr. Maximilian Burger-Scheidlin
Department of Foreign Economic Relations
- BELGIUM** Chambre de Commerce et d'Industrie de Bruxelles (CCB)
Mr. Luc de Wolf
Administrateur Directeur-Général
- CAMEROON** Chambre de Commerce, d'Industrie et des Mines du
Cameroun Mr. A. Bahyiha Pondi Conseiller technique
- HUNGARY** Hungarian Chamber of Commerce
Mr. Peter Dunai
Director General
- INDIA** The Council of EEC Chambers of Commerce in India
Mr. B.P. Gunaji
Secretary General
- MEXICO** Cámara Nacional de la Industria de Transformación
(CANACINTRA)
Mr. Luis Miguel Pando L.
Director General
- SENEGAL** M. I. Diop
Former President of the Chamber of Commerce
and Industry of Dakar and UNIDO expert
- TURKEY** The Istanbul Chamber of Commerce
Mr. Cengiz Ersun
Deputy Secretary General
- UNITED
REP. OF
TANZANIA** Tanzanian Chamber of Commerce, Industry and Agriculture
Ms. S.C. Goonetilleke
UNDP Chief Technical Adviser
- CPCCAF** Conférence Permanente des Companies
Consulaires Africaines et Françaises
Mr. C. Metman
Délégué Général pour l'Europe
- G77** Association of CCI of the Group of 77

Mr. Pierre Tchanque
President, CCIM du Cameroun

ICC **International Chamber of Commerce**
Mr. Alain Destouches
Secrétaire Administratif

ITC **International Trade Centre (UNCTAD/GATT)**
Mr. G. Langer
Senior Adviser on CCI

UNCITRAL **U.N. Commission on International Trade Law**
Mr. J. Sekolec
Senior Legal Officer

UNIDO **Industrial Institutions and Services Division**
Mr. M.H.A. Hamdy
Director

Mr. D. Cannas
Institutional Infrastructure Branch

Mr. A. de Crombrughe
Institutional Infrastructure Branch

Mr. R. Kennedy
Institutional Infrastructure Branch

Ms. L. van Oyen
Institutional Infrastructure Branch

Mr. J.-C. de le Court
Institutional Infrastructure Branch

Industrial Investment Division
Mr. J. Deroy
Director

Mr. U. Loeser
Acting Head, Feasibility Studies Branch

Mr. H. Pruim

UNIDO Investment Promotion Service
Mr. A. Mayer
Head

Industrial and Technological Information Section
Mr. J-C. Carrier

ANNEX III

**THE INSTITUTIONAL SET-UP
OF CHAMBERS OF COMMERCE AND
INDUSTRY (*)**

(*) This Annex was presented to the meeting as an informal paper prepared by the Secretariat of UNIDO

1. LEGAL FRAMEWORK

It appears from studies carried out in developing countries that the first problem confronting Chambers of Commerce and Industry (CCI) is financing. Poor financial resources are generally due either (1) to the lack of affiliated members, in case of Chambers under private law, which leads consequently to a lack of representativeness vis-à-vis the Government, or (2) to the reluctance of members, who feel forced to contribute in case of Chambers under public law, towards what they consider as an instrument of control in the hands of the State.

As a result, Chambers have often:

- an insufficient and demotivated management and administration;
- an inadequate physical infrastructure and poor quality services, which do not meet the needs in the field.

These deficiencies encourage neither the voluntary membership nor the necessary support from the public authorities.

The traditional duality between the so-called "continental model" and the so-called "Anglo-Saxon model" seems artificial and does not address neither the complexity of the question nor the "raison d'être" of the Chamber's legal framework. The latter should first ensure the representativeness and autonomy of the institution vis-à-vis the public authorities, the full support from those the Chamber represents, and a sufficient financial basis allowing to maintain high-quality services and to launch new services.

The question of the legal framework is of secondary importance compared to the one of financing, and dogmatism must give way to pragmatism and to quality. The legal framework of a Chamber depends de facto on the historical background and on the political, economical and social environment.

This induces us to see that there are other possible approaches, since there are indeed numerous combinations between the two poles (private or public law).

In addition, on the one hand, it should be considered that a voluntary membership under the private law model excludes the informal sector of a country, a sector which can account up to 80% of a developing economy. On the other hand, experience shows that Chambers in some countries receive only partially and with delay the public subsidies that their legal framework is supposed to provide them.

Moreover, as regards financing (see section 4 below), it turns out that the more a Chamber is financed through user fees, the more it can be autonomous and operate without public authorities' intervention. Therefore, the public authorities should entrust the Chambers with more responsibilities and authorized services (management of public infrastructures, services under subcontract for the public authorities, etc.).

The representativeness of a CCI should imperatively be coupled with an adequate independence, materialized through the mode of representation, as described as below.

2. MODE OF REPRESENTATION

It is essential that:

- the management (Board of Directors) of CCIs shall be composed of company managers, directly and democratically elected by their peers;
- the CCIs should express themselves freely on behalf of the various and common interests of all the enterprises;
- they should be officially involved in the design, the decision and the implementation of economic policies;
- the possible control by the public authorities on the functioning of Chambers should be a posteriori and exclusively related to the legal conformity of their activities.

This independence towards the public authorities will guarantee the credibility of the institution towards its members, and clients.

This mode of representation requires a certain degree of pragmatism by the public authorities, which have to soften their sovereignty, particularly related to the discretionary utilization of the institution's budget.

3. DECENTRALIZATION

Two types of decentralization can be referred to: sectoral and geographical.

Sectorally, countries with a simple industrial structure should be differentiated from countries with a complex and advanced industrial structure.

In the first situation, it is frequent to find Chambers covering all sectors and all sizes of enterprises (from the SME to the multinational company). State owned enterprises are not excluded.

In the second situation, it is possible to split into several distinct Chambers: one for Commerce, one for Industry and one for Crafts and/or Agriculture.

The geographical decentralization depends on two factors, i.e. the size of the country and the networking possibilities.

Considering the difficulties the CCIs have to face in developing countries, it seems preferable to concentrate the means in order to be more efficient. When a geographical decentralization is needed, it is essential that each region has the same information, as well as information on other regions (for intra- and inter-Chamber co-operation) and provides services according to standard methods.

4. FINANCING

Information, training, arbitration and advisory services require a physical infrastructure, as well as a well-trained and competent staff. The lack of financial resources for running costs is the first deficiency of CCIs.

Four main financing sources (save loans) can be stressed:

- a) direct membership fees;
 - b) allocations/subsidies from public authorities;
 - c) user fees for income-generating activities, including special projects (running of public infrastructures) and services under contract (among others for the public authorities);
 - d) donations/sponsorships from large enterprises or foundations.
- a) **Compulsory membership** has the advantage of providing systematic funding to Chambers without being dependent on the number of members. This will protect the Chamber from possible pressures. The amount of the membership fees should be determined according to the contributing capability of the members (turnover or preferably net profits). The "bad" years could be compensated by revenues generated by savings made during more "prosperous" years.

- b) **Allocations/subsidies** from the public authorities are often necessary in developing countries and in economies in transition. If pro- forma and regular subsidies allow to avoid long annual budget negotiations, on the other hand subsidies intended for specific projects encourage Chambers to use these funds as efficiently as possible. If necessary, subsidies could be decentralized to the regional authorities.
- c) As regards **user fees** (see section 5 on specific services, below), it is important to note that they should not exceed excessively membership fees. As representative bodies of the commercial and industrial community, Chambers should safeguard the support they are enjoying, and should not deviate from their mandate through excessive search for profit resulting from income-generating activities.
- d) At an initial stage, the (marginal) assistance from external **donors/sponsors** could make up for a part of the needs and thus allow Chambers to develop and reach a satisfactory stage of maturity.

Proposal:

The proportions of these financing sources may drastically differ from one system to another (from 100% public subsidies to 100% membership fees). In view of the autonomy of the CCIs, diversified financing sources are recommended as follows:

- membership fees should progressively constitute 15% to 50% of the global budget of Chambers;
- public subsidies/ allocations should not exceed 40% to 50% of the global budget, in order not to run the risk of seeing, the institution controlled by the State;
- the balance should be financed by income-generating activities and by external donations/sponsorships.

5. **SPECIFIC SERVICES**

The functions of the Chambers of Commerce and Industry can be summarized as follows: **Representation, Information, Training, Advice, Matching**. This is a non-exhaustive list of specific and/or authorized services a CCI may perform for its members:

- **information** (economic situation, legislation, international trade), with a library, periodicals, meetings, etc;
- **vocational and skill-upgrading training;**
- **advisory services** to enterprises, particularly to SMIs;
- **settlement of disputes** (arbitration, conciliation, legal and fiscal expertise);

- management of public infrastructures (airports, warehouses, harbours, etc.);
- granting of authorizations and licences for certain professions;
- registration of enterprises;
- issuing of certificates of origin/conformity;
- temporary admission of goods (ATA carnets);
- organization of trade fairs/exhibitions, and follow-up contacts;
- Subcontracting and Partnership Exchanges (SPXs), in order to efficiently match the enquiries of main contracting enterprises and the specialized supply of subcontracting enterprises.

Now, what should be the policy guidelines regarding the activities a Chamber should/should not perform, and the remuneration of these services?

On the one hand, Chambers should in principle neither compete with existing specialized agencies, nor embark on large programs of training and advisory services, at the risk of becoming too "heavy" and of deviating from their main mandate.

Instead of training and providing advisory services directly, Chambers could assist their members by choosing the appropriate training or advisory agencies able to meet their needs. Chambers perform in that way as a referral agency. Chambers could also carry out comparative studies based on the price/quality ratio of various private agencies, putting them into competition.

Finally, Chambers could consider financing partly training courses attended by their members.

On the other hand, it is their duty to do what another agency is not able to do, i.e. to compensate for deficiencies of the private sector. In concrete terms, where the lack of training and of advisory services are sorely felt, the CCIs have to carry out the services. For instance, the CCIs could usefully play a key role by promoting and developing SMEs/SMIs.

They could even perform this kind of services in countries where the private sector is already performing them, if and only if the need for them is to be felt and if high-quality services are charged in such a manner that they do not compete unfairly with the private sector.