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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

IMPROVING THE COMPETITIVENESS OF SMEs IN DEVELOPING COUNTRIES

The Role of Finance To Enhance Enterprise Development

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Preface

Access to finance has been identified as a key element for SMEs to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries. Without finance, SMEs cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms.

This selection of papers was presented at UNCTAD's intergovernmental Expert Meeting on "Improving the Competitiveness of SMEs in Developing Countries: the Role of Finance, Including E-finance, to Enhance Enterprise Development", held in Geneva on 22-24 October 2001. This publication focuses on SMEs' access to finance.

The main objectives of the Expert Meeting were to:

- review the latest trends in financial innovation for SME customers in order to improve their access to finance;
- raise awareness among policy makers about the importance of these innovations for SMEs and consider how they could be applied in developing countries;
- identify best practices at international and national commercial banks, venture capital funds and insurance companies;
- consider the role of governments and international organizations in replicating best practices in developing countries;
- analyse ways to combine financial with non-financial support as a means to reduce transaction costs and risks ; and
- identify future actions to be taken by Governments, public and private sector development agencies, international financial institutions and UNCTAD in order to improve SMEs' access to finance.

The Expert Meeting included participants from public and private banks in both developed and developing countries; regional development banks; international organizations; business associations; Governments; and academia.

The valuable contributions presented to the Expert Meeting by panellists and experts showed that while the problem of SME access to finance is being resolved in developed countries, this is unfortunately still not the case for developing ones. With the help of advances in information technology a number of leading banks, mainly in developed countries, are already putting these innovations to use to reach SME customers. Although some interesting examples do exist of successful practices in banks and financial institutions in developing countries, the question is how these practices could be more widely applied.

Part I of this publication contains a background study which describes a number of innovations used by leading banks to improve the profitability of lending to SMEs. Part II discusses the role of finance in SME competitiveness. Papers in Part III discuss innovative approaches and successful programmes in SME finance. Part IV presents the outcome of the Expert Meeting, which includes the participants' recommendations to Governments and international organizations further to improve SME access to finance.

There is still much to be done in developing countries to encourage financial institutions to lend to SMEs as the meeting showed. In particular, Governments and business development service providers face the challenge of putting in place the appropriate regulatory framework, national policies and support services. It is our hope that this volume will contribute to meeting that challenge.

Rubens Ricupero
Secretary-General of UNCTAD
Geneva, September 2002

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