

Global Governance, Development Initiatives and South-South Cooperation



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Research and Information System
for Developing Countries

विकासशील देशों की अनुसंधान एवं सूचना प्रणाली

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I

FDI and International Investments: Experiences in Some Selected Countries

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Abstract

This paper examines key drivers of the FDI in Africa, Asia and South America, considering Nigeria, Mauritius, Zimbabwe, Mongolia and Venezuela as the case studies. Investment policies, bilateral investment agreements, market size and natural resource endowments are the main drivers of the FDI inflow in these countries. And infrastructure deficit, low commodity prices, low ease of doing business ranking, inability to protect property rights, lack of responsible business conduct, corruption and unstable political and security environment are found inimical to the FDI inflow and other responsible investments. Among others, the study indicates that since FDI inflows are not solely driven by exogenous factors, there is a need for the countries having natural resources to improve their infrastructure, wage war against corruption, strengthen their institutions and policy environment, improve the no difficulty of doing business status, ensure peace and security, and diversify economy to attract required level of FDI to support growth and development agenda of countries.

NIGERIA

The Foreign Direct Investment (FDI) is an investment in a business by an investor from other country for which the investor has the

control over the company purchased. The Organization of Economic Cooperation and Development (OECD, 2016) defines control as owning 10 percent or more of the business. Businesses that make foreign direct investments are often called multinational corporations (MNCs) or multinational enterprises (MNEs). A MNE may invest directly by creating a new foreign enterprise, which is called a Greenfield investment, or by acquisition of a foreign firm, and is either called an acquisition or brownfield investment. In an essence, foreign direct investment (FDI) connotes an investment reflecting a lasting interest and control by a foreign direct investor, resident in one economy, to an enterprise resident in another economy (foreign affiliate). The relevance of the FDI inflows has been underscored across developed and developing economies, however, the story is not the same across all countries and regions of the world. The FDI inflows into Africa declined from \$71 billion to \$59 billion between 2014 and 2016, while it increased in North America from \$231 billion to \$425 billion during the same period (Figure 1).

Nigeria, as a developing economy, has realized that domestic resources alone are not enough to finance investment and to boost economic growth. Thus, there is a need for a capital-deficient economy, like

Figure 1: FDI inflows by region, 2014–2016 (Billions of dollars)



Nigeria, to complement local savings with foreign capital inflow; which is seen as a catalyst in the economic growth process. Although, the history of the FDI in Nigeria is as old as the country itself, but the advent of democracy in 1999 has awakened the country to realize the need to enact some economic policies to escalate this much needed foreign capital inflow. This is perhaps in recognition of the fact that foreign capital inflows depends on a variety of features of the host economy ,including among others its market size, level of education, tax laws, institutional environment and overall macro-economic and political environment (Aurangzeb, and Ul Haq, 2012). Chowhury and Mavrotas (2003) have posited that the contribution of foreign direct investment to economic growth of any country depends on some other factors like the degree of its openness and its human capital base. Over the years, Nigeria has witnessed a sizable (and fluctuating) inflow of foreign capital but not as much FDI as some other countries, like China, India and USA (Table 1). Over the past three decades or more, the values for these inflows have fluctuated between \$4,449 million in 2016 and \$430.6 million in 1982 (UNCTAD, 2017). There was a general global decline in FDI inflows between 2015 and 2016, except in North America ,which showed increase from

\$389,914 million in 2015 to \$424, 825 million in 2016. Comparatively, , the continent of Europe in 2016 was the highest global recipient of FDI inflow (\$532,994). This was followed by Asia (\$442,665), North America (\$424,825) and Africa (\$59,373). Although, the amount of FDI inflow into the African continent was lower compared to other regions, Nigeria was the second highest destination of FDI inflows after Angola in 2016.

Nonetheless, despite many inflows of FDI into the Nigerian economy, it is still not enough to meet the FDI needs of the country; FDI inflows are still bedeviled with severe challenges such as unstable power supply, low commodity prices, ease of doing business problems, inadequate protection of property rights, corruption, insecurity, decay in infrastructure (infrastructure deficit), corruption, rising inequality and increased poverty, among others. This is quite appalling for an economy adjudged to be the second largest in Africa.

Against this background, this paper is an important contribution to the FDI literature. There is plethora of studies on the FDI but none has taken a holistic view of discussing various dimensions of the drivers of the FDI in Nigeria, ranging from natural resources to socio-economic indicators and not neglecting institutional factors and policies.

Table 1: FDI inflows, by region and economy, 2011–2016 (Millions US Dollars)

	Region/ Economy	FDI Inflows					
		2011	2012	2013	2014	2015	2016
1.	Europe	484 932	541 375	340 466	272 463	565 934	532 994
2.	Asia	425 657	401 177	421 500	460 316	523 641	442 665
	China	123 985	121 080	123 911	128 500	135 610	133 700
	India	36 190	24 196	28 199	34 582	44 064	44 486
3.	North America	269 531	242 145	270 784	230 663	389 914	424 825
	United States	229 862	199 034	201 393	171 601	348 402	391 104
	Canada	39 669	43 111	69 391	59 062	41 512	33 721
4.	Africa	66 018	77 501	74 551	71 254	61 495	59 373
	Angola	14 124	15 078	14 346	16 543	16 176	14 364
	South Africa	4 243	4 559	8 300	5 771	1 729	2 270
	Nigeria	8 915	7 127	5 608	4 694	3 064	4 449

Source: Researcher's Computation from UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) 2018

Any discussion on the key drivers of investment and FDI in any economy has to start with a critical look at the prevailing policies on the investment and the FDI. In Nigeria, the government of the Federation enacted the Nigerian Investment Promotion Commission Act in 1995. The Act was instrumental for liberalization and dismantling of controls (and limits) on foreign direct investment (FDI), which lasted for several years. This move by the government encouraged 100 per cent foreign ownership in all sectors (as opposed to the earlier arrangement of 60 per cent-40 per cent in favour of Nigerians) except in the petroleum sector, where FDI is limited to production sharing contracts or joint ventures.

Industrial Policies and Investment Incentives

The Nigeria Industrial Revolution Plan (NIRP) was a key pillar of country's industrial policy. The NIRP was designed to accelerate build-up of industrial capacity within Nigeria. It aimed to achieve this objective by developing four industry groups where Nigeria already possesses a clear comparative advantage in some sectors such as agribusiness and agro-allied, solid minerals and metals; oil and gas-related industries and construction, light manufacturing and services. Also, the Zero Oil Initiative, developed by the National Export Promotion Council and Ministry of Budget and National Planning aiming to boost supply of foreign exchange from non-oil sectors by driving growth in five areas – export sector, new markets, domestic sourcing, export incentives and funding, and states, zones and competencies.

Bilateral Investment Agreements and Taxation Treaties

To improve trade and investment, Nigeria has signed bilateral investment agreements with Algeria, Austria, Bulgaria, Canada, China, Egypt, Ethiopia, France, Finland, Germany,

Italy, Jamaica, Republic of Korea, Kuwait Morocco, the Netherlands, Romania, Russia, Serbia, Singapore, India, South Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, Uganda, and the United Kingdom. Fifteen of these treaties (with China, France, Finland, Germany, Italy, Republic of Korea, The Netherlands, Romania, Serbia, South Africa, Spain, Sweden, Switzerland, Taiwan and The United Kingdom) have been ratified by both parties; others are still on the process of ratification.

Market Size

Nigeria has a population of over 180 million people. Being the most populous country in Africa, the country has one of the largest markets to attract significant portion of FDI inflows into the African continent. Geographically, the country is strategically located near many West African countries. The country also has abundant natural resources and inexpensive workforce.

Natural Resources

Natural resources exists in multitude in different locations across Nigeria; having the capacity to attract foreign investment to boost economy and development rate of Nigeria. The country is richly endowed with industrial metals to various precious stones such as Barites, Gypsum, Kaolin and Marble. Many of these minerals are yet to be exploited. Statistically, the level of exploitation of these minerals is very low in relation to the extent of deposits found. Natural resource, like oil, has attracted investors but resources shall not be neglected.

Recommendations

In view of the foregoing discussion on the drivers, challenges and policy implications of investment and FDI inflows into Nigeria, following recommendations are hereby outlined to help the government and policy-makers in the country in charting a new course that would

help attract more FDI into the economy but also to maximize its benefit for economic growth and development. These include the following.

- The government should begin to wage genuine war against corruption; since corruption has been identified as one of the problems bedeviling FDI inflows into the economy.
- There is a need for credibility and transparency in the regulatory system of the country. Investors are attracted usually where there is openness in operation and regulatory system or framework is devoid of clandestine motives.
- Government should embark on serious infrastructure audit and make substantial budgetary provisions to meet critical infrastructure needs of the country.
- There is a need to reduce hassles and hurdles of the business people before they register and operate a business enterprise in Nigeria.
- Strengthening of government institutions and Protection of Property Rights should also be seen as an urgent national mandate to attract investors.
- There is a need to enact a specific Responsible Business Conduct (RBC) law in Nigeria. This is necessary to guide investors interested in doing business in Nigeria.
- Lately, some banks had lend at 20 percent interest rate and above, while the deposit rate was between 2 and 3 percent. This trend should be checked by monetary authorities if the economy must attract responsible investors.
- Furthermore, there is a need for the government to pay more attention to burning issues of peace and security
- Again, there is a need of the federal government to start diversifying economy, so that FDI can be fully attracted into other sectors of the economy.

Foreign Direct Investment (FDI) has been

a topic of debate for the policy agenda of developing and emerging markets. Policy-makers and research are constantly interested in unraveling contribution of FDI to country's external financing and economic growth, behaviour of multinational corporations, and the extent of regulation of the FDI and other forms of capital flows. Not coincidentally, economic research has placed a great effort in exploring these issues. Against this background, this paper examines key drivers of FDI in Africa, considering Nigeria as a case study. The results indicate that investment policies, bilateral investment agreements, market size and natural resource endowments are main drivers of FDI inflow in Nigeria. And challenges of infrastructure deficit, low commodity prices, ease of doing business status, protection of property rights, responsible business conduct, corruption and political and security environment, however, are inimical to of FDI inflow and other responsible investments. These findings are consistent with the reports of the multinational companies operating in the region.

ZIMBABWE

Since 1990 to till date, the FDI inflows into Zimbabwe have not been consistent. The inflows spiked from US\$12 million to US\$450 million in 1998. However, the surge in growth the inflows was short lived and plunged to extremely low levels between 2001 and 2009; a period of economic meltdown (Table 1).

The FDI flows into Zimbabwe since the past 10 years were low compared to the country's SADC counterparts. In fact, it declined since 2014 (Figure 1).

The pattern of FDI inflows to the country can be explained by many factors, not limited to mineral resources, south-south cooperation, economic stability, investment laws, and quality of institutions.

Table 1: FDI inflows into selected Southern Africa Development Community (SADC) Countries (SADC): 2008 – 2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Mozambique	592	898	1,018	3,559	5,629	6,175	4,902	3,867	3,093
Namibia	720	506	793	1,120	1,133	801	432	1,095	275
South Africa	9,209	7,502	3,636	4,243	4,559	8,300	5,771	1,729	2,270
Zambia	939	695	1,729	1,109	1,732	2,100	1,489	1,583	469
Zimbabwe	52	105	166	387	400	400	545	421	319

Source: United Nations Conference on Trade and Development.

Mineral Resources

Zimbabwe is one among the developing countries having vast mineral deposits, including gold, diamond, iron ore, platinum, nickel, and natural gas. Ideally, natural resources should attract huge FDI inflows to the country, but this has not been for Zimbabwe, as mentioned above.

Fertile land and Climate

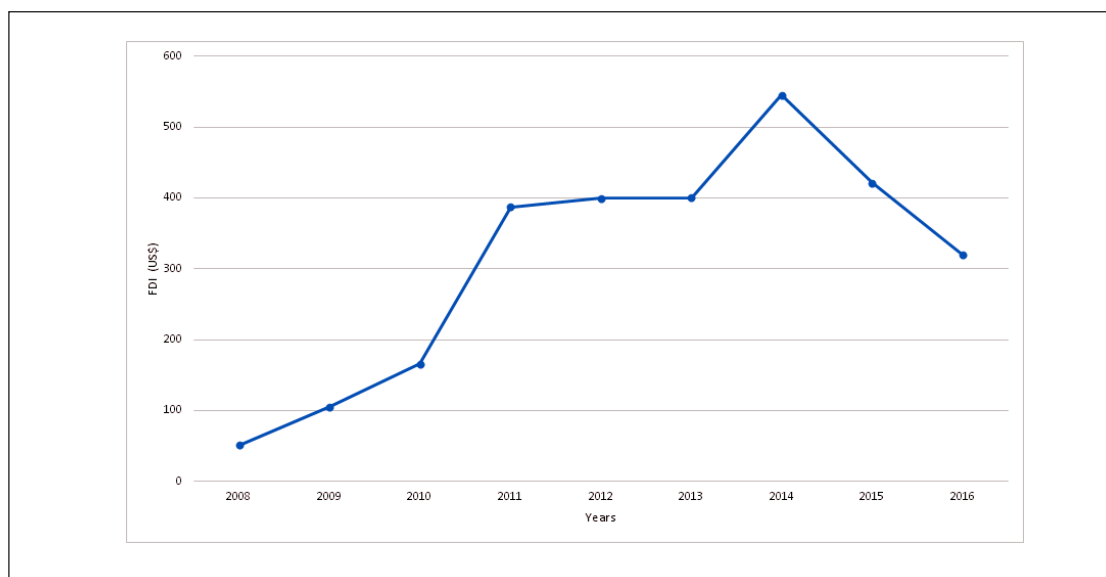
The agriculture industry, especially tobacco sub-sector, is very important for Zimbabwe as it has remained the mainstay of the economy. According to the World Integrated Trade Solution (2016), receipts from tobacco exports totalled US\$880.2 million. There is a huge

potential in country's agricultural sector, considering that arable land largely has remained underutilized. One important reason is that the sector depends heavily on rainfall. Besides, it is dominantly labour-intensive, which makes it less efficient. There is, therefore, a need for heavy investment in agricultural infrastructure and focus should be on irrigation rather than depending on rains. This is a grey area for the FDI inflows into the country.

Economic Stability

Molaie and Ahmadi (2013) carried out research on the effect of democracy, economic stability and political stability on FDI for 138 countries. They found that an improvement in economic

Figure 1: FDI inflow trends for Zimbabwe: 2008 – 2016



Source: United Nations Conference on Trade and Development

stability led to proportionate increase in the FDI. This explains why Zimbabwe received very low levels of FDI during hyperinflation between 2001 and 2009; the country recorded the highest level of inflation of 231 million per cent in 2008. As such economic stability is important for attracting FDI into the country.

Investment Laws

The Zimbabwe's Indigenisation and Economic Empowerment Act of 2010 compelled all businesses of above US\$500 000 value to dispose of controlling interest of not less than 51 per cent of the shares or interests therein to indigenous Zimbabweans. This is one of the major reasons why the country has lately received low FDI inflows. This law, however, is expected to be amended. The proposed amendments of the 51/49 per cent threshold would apply only to two minerals in the extractive sector, namely diamond and platinum, and this is likely to boost investment flows into the country.

Institutions

Daude and Stein (2004) found that inconsistent policies, excessive regulatory system, lack of proper execution of property rights and corruption were instrumental in deterring FDI inflows into the economy. Zimbabwe was under economic sanctions from the EU, Britain and America on allegations of violating property rights and other institutional issues. This affected country's economy negatively, as FDI, especially from Europe, had fallen drastically and resulted in an economic meltdown post 2000. In 2017, the Transparency International ranked Zimbabwe 157/180 on the corruption perception, thus making the country unfavourable as FDI destination.

Focus areas for FDI inflows and quick-win policies

Statistics for 2016 shows that country's top exports were raw tobacco (US\$887m), gold (US\$850m), nickel ore (US\$293m), ferro-alloys

(US\$119m) and diamonds (US\$118m). This indicates that agriculture sector, in particular, the tobacco, sub-sector as well as the mining sector are crucial for country's economy. Efforts for attracting FDI should mainly target these sectors, where the country has a comparative advantage. The amendment of the country's indigenization law should be expedited to demystify pessimism regarding security of investments in the country. One of the reasons why Zimbabwe is receiving insignificant foreign investment flows from accusations on violation of property rights. The land redistribution exercise was viewed as violation of property rights by some sections of the world. It is, therefore, important for the Government to come up with a clear land policy to attract more FDIs in the sector.

Recommendations

Following are the recommendations.

- Zimbabwe has always boasted of having large reserves of natural resources, however, this has not done enough in as far as FDI attraction is concerned. The Middle East countries have managed to realise full reward from oil because they have domestic investors. As such, it is imperative for the country to promote domestic investment in the resource sector to increase country's income.
- Economic stability is an indispensable quality any country should exhibit. Currently, FDI flows into the country are bumpy due to another version of a financial crisis emanating from dollarization. Hence, the country should focus on stabilizing economy through improved productivity.
- The Government should speed up the process of amending Indigenization Law to attract FDI flows in both mining as well as in agriculture sector.
- Zimbabwe needs to reflect seriously on issues of institutional quality. Corruption must be tackled head on. All forms of

bureaucracy in Government ministries and departments should be removed. Moreover, there is a need to respect rule of law and property rights.

MONGOLIA

The history of the FDI in Mongolia is quite recent, but it is very dynamic. Between 1996 and 2000, FDI averaged only USD 29 million but increased to USD 4.6 billion in 2011-2012; an outstanding growth rate among resource-rich developing countries. This increase is even more impressive in relative terms. The FDI inflows per capita averaged only USD 12 between 1996 and 2000 but reached USD 1 625 in 2011-2012. Since 2012, FDI has started accounting for 50 per cent of GDP; becoming one of the most important components of Mongolia's economy. This is regarded as the highest share among examined resource-rich developing countries.

Both internal and external factors have led to the current state of foreign direct investment into Mongolia. Over the past three years, the inflow of FDI into Mongolia has decreased drastically owing to many wrong steps taken by Mongolia's political leadership. These included introduction and acceptance of several new or amended pieces of legislation, which directly contradicted the interest of foreign investors and foreign companies.

One of the most criticized piece of legislation publicly was the "Strategic Entities Foreign Investment Law", passed in 2012. This legislation governed investment by foreign parties into sectors of the Mongolian economy, deemed to be "strategic" by the Mongolian government. Another step towards stable investment environment was the new Investment Law of Mongolia, passed on 30 October 2013. This law replaced Foreign Investment Law (1993) and Law of Foreign Investment in Business entities in Strategic Sectors (2012). In this law, definition of a foreign investment entity in Mongolia (as defined in the Investment Law) is an entity

established under the laws of Mongolia of which not less than twenty-five per cent of the equity is to be held by a foreign investor (including Mongolian citizens permanently residing overseas). And a minimum initial investment of one hundred thousand US dollars (US\$ 100,000) is required for each foreign investor to register a foreign investment entity.

The Law also includes a provision for an 'Invest Mongolia Agency', which would focus on promoting, supporting, and regulating investment activities and would be in charge of issuing stabilization certificates to investors, and would monitor whether such certificate holders are operating in compliance with Mongolian laws and regulations. The applicable rates of the following taxes, fees and duties can be stabilized under stabilization certificates for period up to 18 years, and may be extended to 27 years for qualifying projects: Corporate income tax; Customs duty; Value added tax; and Minerals Externally, Mongolia's economy and potential for foreign direct investment have been hindered by the performance of commodities prices, the Chinese economy, and the global financial markets. Two of the Mongolia's main exports are coal and copper. Both commodities suffered significant losses in market value over the past 5 years. This resulted in decreased revenues for coal and copper miners, operating in Mongolia and as a result decreased taxes for the Mongolian government.

Copper is one of the most diversely applied metals globally. It is used across multiple disciplines – in the creation of power lines to hand-held electronics. Copper futures, priced at US dollars per pound, are monitored globally as a key indicator of the demand for copper. Demand for copper has dwindled since 2011. Unfortunately, this coincided with the damaging legislation that the Mongolia government introduced. The result of this timing was pressure being applied from both domestic and macro forces on foreign investors, both active and interested, in Mongolia's mineral resource sector.

Coal prices had fallen significantly; 52 percent since 2011. The reason for this, similar to copper, is a negative outlook for consumption of commodities globally and Chinese consumption. Pressures from global financial markets have also assisted fall in prices, in particular, a strengthening US dollar. Despite the challenging environment for coal and copper as well as wider market of commodities, Mongolia is still in an advantageous position when its competing with other producing nations. The same can be argued for coal production. This advantage is the result of a favourable geographic position with China in comparison to the largest copper and coal producing nations. Mongolian copper and coal are not subjected to the same high transport related expenses like many, more distant, commodity suppliers. As such, Mongolia is able to maintain a more competitive position at lower pricing. Likewise, Mongolia's production levels of both coal and copper are not in rivalry to the largest producers of either of the commodity. This suggests that the Mongolian economy would be able to sustain itself at lower levels of Chinese consumption and would not be as adversely impacted as other supplier nations; should Chinese demand continues to decrease.

Overall, Mongolia have had varying success at attracting foreign direct investment in the past decade. Between 2005 and 2011, the amount of foreign direct investment that entered Mongolia increased steadily, from US\$184,600,000 in 2005 to US\$4,717,590,841 in 2011. Since 2011, as a result of the issues described above, the amount of foreign direct investment decreased to US\$4,451,761,799 in 2015 and US\$2,150,897,062 in 2016.

Mongolia's attitude towards foreign investment has changed drastically since the past five years. This is owing to economic realities that inhibited country's ability to develop large-scale mining projects without the participation of foreign direct investment. The retreat of foreign investment has not

solely been the fault of adverse legislation but also owing to significant decrease in core commodities prices over the same period. The positive news for Mongolia is that the changes have since been introduced to mining legislation and to support formation of efficient capital markets. These changes have provided a well-structured foundation for the economy that should garner support from international investors. The impact of changing conditions within the Chinese economy has on Mongolia's commodity producers is far more acute than other resource producing nations. Mongolia is, therefore, well positioned to benefit from positive developments in the commodities markets or the Chinese economy. This at present is especially true due to recent positive legislative developments that govern the Mongolian economy and participation of the foreign investors.

MAURITIUS

Mauritius aims to become an investment hub, located midway between Africa and Asia. In the recent years, country's economic diplomacy has sought to create and strengthen partnerships with emerging countries (India, Turkey etc.), while offering technical assistance to several African countries. Agreements with Ghana, Senegal and Madagascar have been approved to create special economic zones (SEZ) in those countries and opening niche markets for Mauritian exports.

FDI inflows in 2016 towards Mauritius reached USD 350 million, which was an increase compared to 2015 but it was below the potential (UNTCAD, World Investment Report 2017). A large part of the FDI was redirected to India (45 percent of Indian FDI inflows come from Mauritius), as both countries had signed a double taxation agreement. The tourism sector attracts most of FDI, particularly the Integrated Resort Scheme, which deals with the construction of luxury villas, golf courses and other amenities in the

resort area. The main investors are the United States, India, United Kingdom, the Cayman Islands and Hong Kong.

Foreign Direct Investment in Mauritius was recorded at 10592 MUR Million in 2016. Foreign Direct Investment in Mauritius averaged 13147.30 MUR Million from 2007 until 2016, reaching an all-time high of 20373 MUR Million in 2012, and a record low of 8793 MUR Million in 2009.

South-South Cooperation

Regional integration arrangements are part and parcel of the present economic context. It is a trend that is expected to play an increasingly important role in shaping the future of the international scene. Closer integration of neighbouring countries is a part of the strategy for creating a larger regional market for trade and investment. Mauritius has a small domestic market and hence faces a major barrier to economies of scale. Only regional integration

Country Comparison for the Protection of Investors

	Mauritius	Sub-Saharan Africa	United States	Germany
Index of Transaction Transparency	6.0	5.0	7.0	5.0
Index of Manager's Responsibility	8.0	4.0	9.0	5.0
Index of Shareholders' Power	6.0	5.0	4.0	8.0
Index of Investor Protection	6.5	4.3	6.5	6.0

Source: Doing Business - Latest available data.

Foreign Direct Investment from 2014 to 2016

Foreign Direct Investment	2014	2015	2016
FDI Inward Flow (million USD)	418	208	349
FDI Stock (million USD)	3,497.3	4,275.4	4,605.9
Number of Greenfield Investments	9.0	9.0	9.0
FDI Inwards (in percent of GFCF)	17.3	10.2	15.9
FDI Stock (in percent of GDP)	27.7	37.1	38.5

Source: UNCTAD - Latest available data





offers the way out, as the pooling of resources and enlarged markets would stimulate national production, trade and investment. Mauritius can access bigger markets by leveraging regional trade to its advantage.

The economic diplomacy practised by Mauritius is predicated on its membership in the following regional economic blocks.

- Southern African Development Community (SADC)
- Common Market for Eastern and Southern Africa (COMESA)
- Indian Ocean Rim-Association Regional Cooperation (IOR-ARC)

Institutions

Aside from its success in macroeconomic management, one of the keys to Mauritius' economic success has been its rich web of trade links, effective institutions, and history of public collaboration. In surveys of institutional quality, Mauritius repeatedly ranks high vis-à-vis comparator countries, particularly in terms of governance, rule of law, and control of corruption. The combination of political stability, democratic legacy, rule of law, and quality of judicial institutions sets Mauritius apart from many Sub-Saharan African countries.

Bilateral Agreements

Mauritius Investment Promotion and Protection Agreements

While much of Mauritius' success as a well-established international financial centre can be attributed to its continually expanding network of double taxation avoidance agreements ("DTAAs"), there is another significant advantage to invest through Mauritius. Mauritius has entered into Investment Promotion and Protection Agreements ("IPPs") with various African countries which, while less well-known than DTAAs, are potentially of great importance to investors seeking developing markets of Asia and Africa. Mauritius has concluded 34 IPPAs, of which 18 are in force. Mauritius' network of IPPAs with various African countries makes it an ideal investment platform. In these countries, there is often pressure to redistribute wealth to local indigenous populations, which have historically been disenfranchised both politically and economically. This results in a perceived threat of nationalisation of assets (such as mines and natural resources) in certain of these countries. In these circumstances, it is beneficial to invest via a country that has an IPPA with the relevant African country to

take advantage of the guarantees offered by the IPPA.

Economy and infrastructure

Mauritius is a sophisticated and dynamic centre from which to do business. It offers the following.

- flexible company and trust legislation
- respected and business-friendly regulatory environment
- compliance with international norms and white-listed by OECD
- sound corporate governance standards
- ready supply of highly-trained, bilingual, competitively priced labour with strong work

Economic Stability

Mauritius's economic freedom score is 75.1, making it a free economy at 21 ranking in the 2018 Index. Its overall score has increased by 0.4 point; with improvements in scores for the government integrity and property rights indicators, offsetting a decline in judicial effectiveness. Mauritius is ranked 1st out of the 47 countries of the Sub-Saharan Africa region; and its overall score is above the regional and world average.

It is firmly believed that Mauritius should take bold measures to increase its FDI inflows. In the wake of global economy, the country has gradually moved from an agro-based economy to an economy centred on services. The service sector has been moving into higher value added and sophisticated services by intensifying growth in sectors such as education, financial, information technology services and medical tourism. To achieve growth in Mauritius, greater skills development as well as an open policy towards absorbing FDI and qualified labour from abroad would be required. This would be beneficial to the labour and knowledge-intensive sectors of Mauritius. The government should try to redirect FDI inflows in productive sectors of the economy.

VENEZUELA

Despite its importance as a complement to national investment and the work of the State for economic development, in the specific case of Latin American countries, it can be observed that in the recent years, FDI flows have decreased; the main cause being recession in global economy that diverted investment flows to developed countries, thus hampering opportunities for Latin America. As the result, in 2015, Latin America received the lowest Foreign Direct Investment during the last 5 years.

According to a report by the ECLAC (Economic Commission for Latin America and the Caribbean), the specific amount of FDI that was received in 2015 by the region was USD \$ 179,100 million; represented a decrease from the previous year of 9.1 percent, which was the worst amount recorded since 2010. This poor performance is explained by several following variables. First was the fall in investment in sectors linked to natural resources; mainly mining and hydrocarbons. In 2015, the entries in these primary economic sectors lost relevance owing to decreasing period in their contributions, which visibly affected sectorial composition of the 2015 FDI in the region.

For this reason, Latin America and the Caribbean lost prominence as receivers of FDI, since there was a decrease in 2015 compared to the dynamism observed globally. In 2015, global FDI flows increased by 36 percent, caused by an intense wave of mergers and acquisitions, especially cross-border, focussed on developed countries.

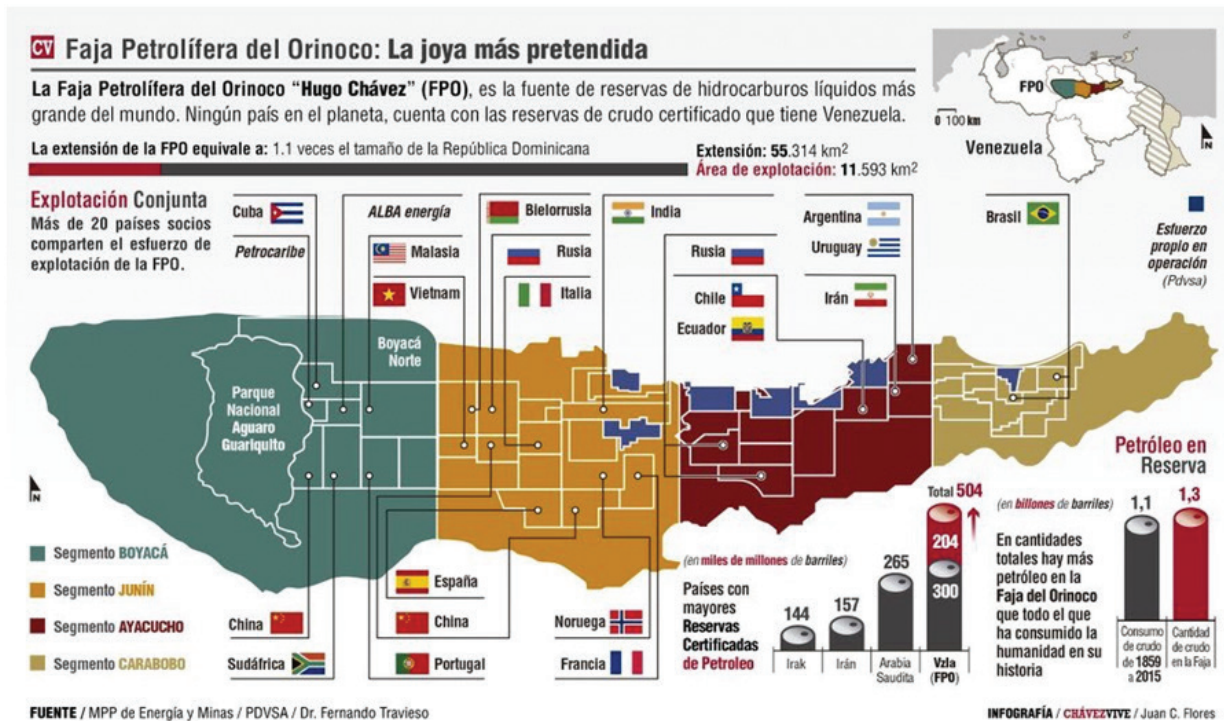
In this sense, the United States was positioned as the main investor in the region, responsible for 25.9 percent of the FDI income; followed by the Netherlands and Spain. It should be noted that the importance of the Netherlands in the statistics does not necessarily correspond to the presence of Dutch companies in the Latin American economies, since many transnational

companies establish subsidiaries in that country taking advantage of their tax advantages, and then invest in third countries.

Understanding that Oil represents the basis of the economy of many countries, including Venezuela; it should also be noted that in the National Territory there is a large natural resource, which is a great attraction for Foreign Direct Investment, such as gold, iron, diamond, etc. In this sense, Venezuela has the Orinoco Mining Arc National Strategic Development Zone, which is an area rich in mineral resource and covers an area of 111,846.86 km, that is, 12.2 percent of the Venezuelan territory. The creation of the Mining Arc was proposed in 2012 by President Hugo Chávez - at that time - and from there was born this Ecological Mining Development Plan, whose criteria correspond to sustainable mining, respecting nature. It provides for the extraction and use of strategic minerals such as iron, gold, bauxite, diamond, copper, coal, quartz, titanium, tin, nickel, coltan, among others. The main objective of the Orinoco Mining Arch is the diversification of

the economy, to obtain more state revenues that are destined for social investment, estimating 60 percent of the resources obtained from these projects for social programmes. Several countries have shown great interest in investing in projects that arise from the Orinoco Mining Arc in Venezuela, an area where there are large deposits of minerals of high industrial value, and which would augur a bright future for the nation's economy.

Foreign investment is a reflection of the trust that exists in Venezuela. "Investors have openly decided to bring their technology, their knowledge of the mining industry, and the resources to start up the projects, and invest in the extraction and industrialization of minerals". Although many countries of the world have expressed their willingness to join the mining plan, the Venezuelan State evaluates each case, taking into consideration the most favourable conditions for the nation. It has been established that the nation would obtain a minimum of 55 per cent of profits, 13 per cent of royalties, and also receive the payment of



Income Tax (ISLR), totaling more than 70 per cent of income.

So far, it is known that the Venezuelan State signed two agreements with the People's Republic of China; one with a mining company in the Congo, and a memorandum of understanding between Venezuela and the Canadian company Gold Reserve.

It gives us an idea about the North-South and South-South Cooperation (SSC) based on the following the main objectives:

- Promote the independence of developing countries by improving their creativity so that they find solutions to their development problems in accordance with their aspirations, values and specific needs.
- Promote and reinforce the collective independence of developing countries by exchanging experiences; contributing, sharing and using their technical and other resources, as well as complementing one another in the development of capacities.
- Create technological capabilities in developing countries, as well as strengthen existing ones to improve their effectiveness in addition to increasing the capacity of these countries to absorb and adapt technology and skills to suit their needs.
- Increase and improve communications among developing countries to raise awareness of their common problems and expand access to available knowledge and experience, as well as creation of new knowledge to address development problems.

China as a pioneer country and the largest contributor to the programme is one of the most important investors of the Orinoco Mining Arc in Venezuela and other areas. Recently, the governments of Venezuela and China have signed an agreement for 400 millions dollars to strengthen mining activities in the Caribbean country.

Venezuela has adopted the Decree 2095 on foreign investment, which is encouraged and

protected by a new legal framework. In addition to this, there is a policy supporting production activities particularly dynamic or potentially good for exports. The government also gives fiscal bonuses, ranging from tax exemptions to special credit treaties to encourage investment in the so-called "strategic" sectors, or to stimulate the establishment of businesses in the country's five least developed states.

It is believed that from the very wording of the agreements, the terms most favorable to the subscribing countries can be constructed. This window is open to the possibilities of creating new realities and there are concrete and sufficient political, economic and social conditions to carry out medium and large-scale investments with a view to the development of the regional market. The size of the domestic market is very modest; however, the potential of Venezuela's mineral, non-mineral, human and commercial resources abounds in possibilities. There is a great country struggling to free itself from neo-colonialism, transforming itself to participate in a multi-centric world.

Conclusion and Recommendations

This paper has examined the key drivers of FDI in Africa, Asia and South America, considering Nigeria, Mauritius, Zimbabwe, Mongolia and Venezuela as case studies. The findings indicate that investment policies, bilateral investment agreements, market size and natural resource endowments are the main drivers of the FDI inflow in these countries. Furthermore, the challenges of infrastructure deficit, low commodity prices, ease of doing business status, protection of property rights, responsible business conduct, corruption and political and security environment are found inimical to the inflow of FDI and other responsible investments. These findings are consistent with the feedback from multinational companies, operating in these region. The findings have several policy implications. Among others, the study recommends that since FDI inflows are not solely driven by

some exogenous factors, there is a need for these countries having natural resources to improve their infrastructure, wage war against corruptions, strengthen their institutions and policy environment, improve ease of doing business, ensure peace and security, and diversify economy to attract required level of FDI that would support the growth and development agenda of the countries.

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II

Contemporary Issues in International Trade for Developing Countries: Challenges and Opportunities

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Introduction

By virtue of the world becoming a global village, it has never become more apparent than it is now that Regional and Bilateral Trade Agreements is the name of the game. According to the WTO, these agreements have significant command over several important economic activities in the world economy and that means their contributions are felt in several frontiers of economic activities including GDP, FDI, FOREX Reserves, among other things.

In many such cases, developed countries have shown their strong base in several macro-economic activities but lacking growth whereas emerging countries have shown their surging growth in these activities.

Again, though developed countries have high stake in several economic activities in the world, their contribution in the total global economic activities are declining continuously over the last decade. There is a strong attempt by the industrialised countries to make a reversal of such trends. This could be possible by having close economic association with dynamic countries as well as vibrant regions of the world through forming 21st century mega regionals. The new narration according to the World Trade and Development Review (2015) is firstly, that the face of RTAs and FTAs is soon having a facelift to include the once excluded countries and create new mergers between the emerging and mega regionals in forming new RTAs. Secondly that there could be regrouping of excluded but high potential FTAs with other like-minded FTAs' and dynamic economies.

This paper tries to bring about different country/regional perspectives in line with how negotiations need to be carried out by the developing countries in Food Security, Digital Economy/E-commerce and to what extent it is being acknowledged; and lastly the aspect of MSME's and their role in developing countries. Thus, the paper attempts to exploit both challenges and opportunities and basis for

better negotiations in these affiliations bearing in mind how sophisticated and unrelenting the world of international trade is and on the basis of these countries various economic, social, political and mostly geographical underpinnings.

The key regions under consideration are South East and Central Asia, Africa and South America consisting of Uzbekistan and Indonesia, Zambia and Tanzania and last but not least Argentina respectively.

A. International Trade and Implications for Food Security

The issue of Food Security remains a global phenomenon in the wake of meeting the SDGS's by both the Developed and Developing World. The current debate is to try and establish whether the agricultural output vis-a-vis trade pattern relations among nations are enough to facilitate food security. The literature shows without a shadow of a doubt that there is more that can be done if at the most affected countries and in this case the developing countries, are to succeed in meeting the targets for SDG number two by 2030. According to Sharma S.K(2016), the world faces more than eight hundred million people in the world living in hunger and being undernourished, the problem of ensuring food security remains an enduring challenge for developing countries. No doubt considerable success has been achieved by a few countries over the past decade in combating hunger. However, many developing countries face daunting challenges on account of a large number of factors, including a stagnant farm sector, inadequate domestic food stocks, volatility in food prices in international markets and low purchasing power among the poor and needy to buy food.

There is need to emphasize the role of agriculture in facilitating a more equal society because of various reasons key among which is that the "Agriculture sector, being the single largest employer in the world and largest

source of income for poor rural household, can play an important role in ensuring food for all as well as developmental targets in developing countries. However, the provisions of the Agreement on Agriculture (AoA) are restricting many developing countries from adopting measures to provide food security through price and procurement policy, as well as sustainable agriculture in time of climate change. Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life (FAO 2003).

AFRICA

Sub-Saharan Africa is the region most affected by undernourishment. The Food and Agriculture Organization (FAO) measures undernourishment as the number of people older than 15 who are “hungry but did not eat or went without eating for a whole day because there was not enough money or other resources for food.” Just more than a fifth of sub-Saharan Africans were undernourished in 2016, but the prevalence of undernourishment varies across

the continent. In 2015, undernourishment was particularly high in the Central African Republic (48 percent), Zambia (48 percent) and Namibia (42 percent). Children and women are particularly at risk. [FAO, 2015]

Measures, Interventions and Regulations

The Agenda AU 2063

The AU Agenda 2063 sets the continent’s development vision over the next 50 years towards a prosperous Africa based on inclusive growth and sustainable development. Among other things, implementation plan covering 2015–2025 which culminated in the adoption of the Malabo Declaration on “Accelerated Agricultural Growth and Transformation for shared Prosperity and Improved Livelihoods” in June 2014 in Malabo, Equatorial Guinea. Under this Declaration, African Heads of State and Government pledged to end hunger by the year 2025 by at least doubling current agricultural productivity levels, reducing postharvest losses and waste by at least half the current level, and reducing stunting to 10 percent and underweight to 5 percent. They have also committed themselves to mutual

Table: Number of people affected by severe food insecurity (2014-16)

	Severe food insecurity - number of people in Millions		
	2014	2015	2016
WORLD	665.9 (±35.7)	645.1(±31.7)	688.5 (±27.6)
AFRICA	289.5(±9.6)	298.0(±8.7)	333.2(±8.6)
Sub-Saharan Africa	265.0 (±9.5)	275.7 (±8.6)	306.7 (±8.3)
ASIA	337.0(±34.1)	306.7(±30.1)	309.9(±26)
Central Asia and Southern Asia	268.7 (±36.2)	233.1(±31.1)	211.9 (±24.4)
Eastern Asia and South-Eastern Asia	44.7 (±5.1)	48.1(±7.6)	70.5 (±11.8)
LATIN AMERICA	27.7 (±1.8)	28.1 (±1.6)	38.3 (±2.0)
NORTHERN AMERICA AND EUROPE	15.6 (±1.6)	17.1 (±1.6)	13.0 (±1.3)
Other country group:			
Western Asia and Northern Africa	50.3 (±2.9)	50.7 (±2.9)	57.9 (±3.2)

Note: Margins of errors are in parentheses

Source: FAO

accountability through institutionalizing a biennial monitoring, review and reporting of progress.

In June 2015, the AU adopted the Declaration on Women Empowerment and Development towards the Africa's 2063 Agenda. The Declaration prioritizes the financial inclusion of women in agribusiness and enhancing women's rights to productive assets. The AU's campaign to abolish the hand-held hoe launched in the same year is targeted to reduce women's farm labour burden by widening their access to modern technologies and agro processing.

African Regional Nutrition Strategy

On 13 July 2015, the African Union Commission (AUC) launched the African Regional Nutrition Strategy (ARNS) for 2016–2025, a continental roadmap to enhance and promote nutrition. The strategy incorporates emerging nutrition concerns and sets clear targets that include the attainment of 40 percent reduction in stunting and 5 percent reduction in wasting among children under 5 years of age by 2025. Using the "Africa Day for Food and Nutrition Security," celebrated every 30 October, as an important platform, the AUC appointed an African Nutrition Champion for a two-year term, to lead continental nutrition advocacy activities.

The 'Feed Africa' strategy of the African Development Bank (AfDB)

An important recent development is the adoption in 2016 by the AfDB of the 'Feed Africa' strategy to enhance a competitive and inclusive agribusiness sector that creates wealth, improves lives and protects the environment. The strategy would involve increased productivity; value addition; investment in infrastructure; creating an enabling agribusiness environment; catalysing capital flows; and ensuring inclusivity, sustainability and effective nutrition – all in a coordinated manner.

A vibrant agriculture sector is extremely crucial for ensuring employment generation, growth and development. However, in most

developing countries this sector is characterised by weak infrastructure and limited market integration, volatility of international market and the inability to participate in the international market. In these countries, farmers face multiple challenges like infrastructure bottlenecks, small size of land holding, marketing problem and fragmented land. This forces the government in developing countries to intervene in the agricultural market to safeguard the interest of farmers (Samaratunga et al. 2013 as cited in Sharma S.K 2016). Governments in these SSA countries address food security through direct interventions that aim at improving access to food, achieving self-sufficiency in foodgrains production as well as agricultural development.

The Way Forward

In the Sub-Saharan African context, there is a high percentage of population is suffering from multidimensional poverty. A high level of hunger, undernourishment and poverty has an adverse impact on human development in these countries. In this context, agriculture plays an important role in fighting against hunger, poverty and undernourishment by providing employment, rural farm or non-farm income and affordable food grains to millions of poor residing in the developing countries. Due to its contribution to employment, rural development and GDP, this sector can provide the fastest and surest way to make this world hunger free. However, the agriculture sector in the developing and the least developed countries is facing problems such as infrastructure bottlenecks, small size of land holding, marketing problem, limited market integration and fragmented land. Due to this, governments in these countries have to intervene in the agriculture sector to achieve economic and social justice for the millions of resource-poor or low-income farmers.

Zambia is suffering from a very high level of prevalence of undernourishment (48.3 %) with around 7 million people suffering from it. Around 62.8 % of population in Zambia are

facing multidimensional poverty. Maize is a staple crop in which Zambia is self-sufficient. Food Reserve Agency (FRA) administers the strategic food reserves and engages in market facilitation, development and management of the national storage facilities. FRA buys maize from the local market at administered price to protect the interest of producers. Robust agriculture growth rates in Zambia have been achieved, well exceeding the 6 percent CAADP target. Enhanced use of hybrid seeds combined with increased fertilizer use have both contributed to higher crop production levels, although persistently high rural poverty rates remain a concern particularly among smallholders. Poverty is exacerbated in rural areas mainly because of dependency on subsistence agriculture affected by climate change. Nevertheless, the national Central Statistics Office reported that poverty decreased slightly between 2010 and 2015.

Sub-Saharan African Governments are under pressure to improve performance in the fight against food insecurity. While progress has been made towards achieving the World Food Summit and the MDG targets, differences persist across sub-regions and individual countries. Although there is no set formula for achieving sustainable improvements in curbing malnutrition, substantial impact often requires transforming political commitments into:

- Good governance;
- Public-Private Partnerships; and
- Comprehensive and complementary approaches to create an enabling environment

LATIN AMERICA

Food production in Latin America is enough to feed its entire population, the region has no problem regarding this topic. This region produces 10% of the world's food production, and delivers 220 million tons of cereals annually.

Over the past twenty years, from 1990 to 2014, Latin America reduced by 60% its proportion of undernourished population, which means a significant improvement in terms of food security and nutrition. The percentage of the population affected by hunger diminished from 14.7% in 1992 to 5.5% in 2014, almost halving the absolute number of people suffering hunger reduced from 66.1 million (15% of the population) to 34 million (6% of the population).

Nonetheless, many people in Latin America still suffer from hunger. We find that for the first time in two decades, hunger increased in Latin America by 2.4 million, reaching a total of 42.5 million (between 2015 and 2016).

Besides that, there are rising obesity and overweight trends too, which affect almost 25% of the adult population. Rates of obesity are not only high, but are growing in all countries and across all socioeconomic levels.

Concerning food availability, this region has required an increasing amount of food to feed its entire population, in terms of calories with a regional average of 2,655 calories per person per day to more than 3,000 in the last available estimate – an increase of 13% in the last twenty-five years.

Latin American countries are agriculture exporters, and they assign an important portion of the production of some commodities to this purpose. In 2016, food and agricultural commodity exports exceeded 205 billion dollars, accounting for a 0.5% drop versus the previous year's agriculture exports.

It is for this reason that trade becomes essential when it comes to the production of certain goods that are not enough to meet the demand. Food trade offers an opportunity to benefit from the synergies between countries in the region and other regions to ensure food availability.

The main problem we find in this region regarding food security is the difficulty in

having access to it, mainly by the poorest inhabitants of this region. Food access means that people should have adequate resources for purchasing appropriate foods for a nutritious diet.

This problem consist in the difficulty that lies in accessing of food, when food prices grow higher, making a big impact directly on a family's income, since they find themselves obliged to reduce purchases, affecting both the quantity and the quality of food purchased, especially to those that are poorest and most vulnerable, given that these spend between 60 and 70% of their income on food.

The importance that the region places on food security issues is shown by the approval of the "Plan for Food Security, Nutrition and

Hunger Eradication of the Community of Latin American and Caribbean States (CELAC) 2025". CELAC is the main regional body of economic and political integration and this plan is "the culmination of a long process characterized by the implementation of various public policies focusing on the most vulnerable households. These include conditional cash transfer programs, support to family farming, and school feeding programs, among others.

The development of public policies has integrated not only technical components, but includes a comprehensive discussion of the institutional frameworks governing the relationship between state and society, and the activities which are specific to political activity. All this has allowed food and nutritional security to be part of the political agenda in the

Food Security Issues and Policies in Indonesia

Food security in one of the nine priorities agenda (called Nawa Cita) of Joko Widodo's presidency program in 2014 to 2019. Under Ministry of Agriculture, government established a special agency for food security in 2001. This agency aims to strengthen food security and to increase the prosperity of farmers. Some policies have been made, such as food diversification, increasing the competitiveness of local food product, increasing the materials availability of bio industry and bio energy, as well as increasing farmer's income.

Besides, government made some new strategies to make local farmers able to increase their food productivity. These some new strategies including giving subsidies (farming machine and tools, seed and fertilizer), improving irrigation network, increasing the quantity of planting, developing farming fields insurance, developing food barn in borders area, integrating field plants of corn and palm oil, increasing meat production, producing good quality of seeds, and improving food trading system (such as maximum retail price policy for the consumers (Harga Eceran Tertinggi (HET)).

Indonesia in on the 69th on the Global Food Security Index 2017, raised slightly from the rank of 71 last year. The poverty in Indonesia is reduced over the last decade, but the number is still significant which reached 27.77 million people in 2017 (Source : Central Bureau of Statistics). Indonesia export meat (fish&chicken), eggs, goats and sheep, but import beef (mostly from Australia).

To maintain price and stock in the country, government develop a system named Sistem Pemantauan Pasar Kebutuhan Pokok/SP2KP (Market Monitoring System of Basic Needs). So people can see the price and stock of staple commodities (such as rice, sugar, meat, egg, flour, soy bean, salt, etc) all over the country from internet. The data is actual because its being updated every day.

countries of this region, through a consensus which facilitates the sustainable implementation of intervention strategies". (Beduschi et al. 2014; FAO 2015 cited by FINNEY, Roberto & MAC CLEY, Pablo, 2016).

B. E-Commerce and Implications for Developing Countries.

The treatment of this subject at the WTO began in the year 1998, when it was introduced during the Ministerial Conference in Geneva, Switzerland. From that moment, E-Commerce has been discussed at a multilateral level, but never coming to any sort of agreement nor significant advance. On the last Ministerial Conference held in Buenos Aires in December 2017, over seventy countries signed a joint statement on E-Commerce, but this only sets the intention to start negotiating and creating a special group for this purpose.

Not existing a general regulation on digital economy, each country has developed their own regulations (although there are some countries that do not even have domestic regulations). Next, we will analyze particular countries of different regions of the world, and explain their extent on E-Commerce, their intents on regulating it and the challenges presented on the way forward.

SOUTHEAST ASIA – FOCUS ON INDONESIA.

The fastest-growing region for E-Commerce is Southeast Asia, followed by Latin America in the second place. Taking in consideration the Southeast Asia region, we can observe that there is a big market of electronic commerce in Indonesia, including a high active number of internet users that reached 132.7 million users last year (or more than 50% of total population of Indonesia, and 20% of the population of Association of Southeast Asian Nations (ASEAN)). This number makes Indonesia the fastest growing country in relation to the

number of internet users today compared to 2016. Indonesia is almost 3 times over the global average with 51.3 % growth year-on-year.

There are many foreign investors in Indonesia's local startups. In a short span of four years time from 2012 to 2016, Indonesia has seen investment values grow 31 times, from \$44 million to \$1.4 billion. During 8 months in the last year alone, this value has grown more than two times to \$3 billion driven by later-stage investments.

In terms of regulation, Indonesia's government launched its 14th Economic Policy Package in 2016 in order to set out a roadmap for national electronic-based trading activities. As a result, on August 2017, government has released President Regulation No.74/2017 on "Roadmap for the National Electronic Commerce System for 2017-2019". This roadmap covers key targets to be achieved by 21 ministry and government institutions. There are 8 major components to the roadmap, including funding, taxation, consumer protection, education and human resources, communication infrastructure, logistic, cyber security and the implementing organization. The government is also preparing some other regulations to maintain the development of E-Commerce in Indonesia.

A big challenge in Indonesia's E-Commerce is how to increase the sales of domestic products. Other challenges are that E-Commerce is still dominated in Java Island and logistic costs, which are one of the highest in Southeast Asia.

One of the next steps for Indonesia in the evolution of E-Commerce is having official data on domestic E-Commerce development. Lately, Coordinating Ministry of Economic Affairs and Central Bureau of Statistics are preparing to work together to compile Indonesian E-Commerce data, so it is expected that this step will be taken soon.

LATIN AMERICA - FOCUS ON ARGENTINA

Latin America region has also become one of the fastest-growing regions for E-Commerce, behind Asia-Pacific. It has been predicted that online retail sales will grow at an annual growth rate of 17% and reach \$85 billion in sales by the end of 2019.

The factors that induce E-Commerce's growth in Argentina are internet penetration rates and having the highest percentage of mobile internet use in the region. Argentina has the highest Internet penetration rate in Latin America (80.1%), and it is one of the largest and most technology developed populations in the world. Besides, its population has more purchasing power and a wide middle class, in comparison with other Latin American countries.

There are currently 16.8 million E-Commerce users in Argentina, with an additional 3.1 million users to be shopping online by 2021. These 19.9 million E-Commerce users will represent 58% of the total population. The average user spends US\$ 353 online, which is estimated to grow to US\$ 492 by 2021.

A number of Latin America's most successful startups which base their selling online also come from Argentina. These include "Mercado Libre", the largest E-Commerce company in Latin America; "Despegar.com", the largest online travel agency in the region, software leader "Globant", and "Satellogic", a pioneer in nano-satellites.

Since the year 2015, when the current President arrived in office, the government reopened the country's E-Commerce market to foreign business and investors, therefore, we can find political drivers behind Argentina's E-commerce explosion.

Even though there is no specific regulation in Argentina on digital economy, there are different legal instrument that contain dispositions that are referred to E-Commerce:

The Law 25.506 from the year 2001 on digital signature; Law 25.922 from the year 2013, which created a Software Industry Promotion Regime; and we find that in the new Civil Code which entered into force in the year 2015, electronic contracts are contemplated in some of its dispositions. There are dispositions about the relation between consumers or final users, including E-Commerce in the category of contracts concluded remotely.

The three major problems that we find in Argentina regarding E-Commerce that need to be solved in order to evolve alongside this sector's development are in: logistics, infrastructure and connectivity.

There are barriers such as access to local payment methods, potential payment fraud and complex regulatory requirements that make digital economy be less trustworthy, which leads to a decrease in its use for sales. Over the past year, payment methods have been developed, but the ways of delivering are still a big challenge in this region.

The most used payment method in Argentina when it comes to online sales is credit card, used in over 68.3% of sales. In that sense, there is a breach for other payment methods, like non-banking payments, or payments from mobile phones.

In terms of connectivity, the Head of CACE (Cámara Argentina de Comercio Electrónico) has said that broadband speed in Argentina is half than it is in the rest of the world, and it is a problem that is trying to be solved. He also sustains that a good way of accelerating and enhancing this business is by taking advantage of physical retail spaces.

There is a need for public policies on this issues that help develop new technologies and services regarding payment methods and connectivity, in order to provide more security and trust in electronic trade within the country.

CENTRAL ASIA – FOCUS ON UZBEKISTAN

In February 2017, the Government adopted and began implementing its Strategy of Actions for the Development of Uzbekistan for 2017–2021, which outlined its political, economic, and social priorities, including measures to liberalize the economy.

Within this plan, the Ministry started the implementation of “Digital Central Asia – South Asia” (CASA) project for development of information technologies and communications of the Republic of Uzbekistan. This project is aimed at creating a cross-border broadband telecommunications network, which will link the countries of Central and South Asia into a single information space. It is expected that this project will improve access to the Internet for landlocked countries.

Uzbekistan has declared 2018 the “Year of Proactive Entrepreneurship, Innovative Ideas and Technologies”, and a special state program was adopted. This program is “Digital Agenda in the Age of Globalization.”, and it has had advances like the creation of an innovation center, developing electronic government, and citizens being provided with a lot of interactive services through a single portal of public services. It consists on components such as the development of digital infrastructure, e-government, digital economy, etc., and it is a project in progress.

SUB-SAHARAN AFRICA REGION

Africa in general has been undergoing a digital revolution for the last 15 years and is gradually achieving the standards of the most advanced nations.

There are a good number of countries in Africa which are emerging from this type of economy with a lead of South Africa, followed by Kenya, Nigeria and lastly Ethiopia. Telecom companies play a vital role of investment by

connecting metropolitan areas in most major economies with fibre plus building regional and national fibre backbones that connect cities and towns to the Internet.

Considering also the issue of connectivity costs, they seem to fall by a factor of ten and the quality of the Internet experience has considerably improved across the continent. According to the World Bank, there are many countries in Sub-Saharan Africa with less than 2.5 Internet users per 100 people. Taking an example on the performance in some Sub-Saharan African countries; Kenya has 43 Internet users per 100 people and South Africa has 49 per 100.

Within this context, and bearing in mind that there is no regulation on E-Commerce in this region, we find that Sub-Saharan African has many challenges to face in terms of E-Commerce, considering that connectivity still trails behind the world at 21% in Sub-Saharan African countries, compared to 43% achieved elsewhere. Hence the immediate need to provide all citizens with access to online tools and content for learning and doing business.

One of the challenges on digital economy in Africa lies on building global fibre networks to connect towns and cities with each other, as well as to neighbouring countries and undersea cables because of the sheer cost and long payback period involved.

Now, considering other several challenges facing digital economy in Africa, the following may be taken as the way forward to some of the issues:

- Governments should set an overall strategy for digital infrastructure and manage key tradeoffs so that to accelerate economic growth in their countries.
- It is advised also that governments should put a lot of emphasis on broadband and govern it as a utility like the way they consider highways and railway lines.
- Governments should ensure innovation in digital infrastructures by encouraging

competition among private sectors and promoting it among the local municipalities and colleges.

- For those regulatory approaches that only address challenges on an individual sector or national basis are likely to be suboptimal and so governments will be supposed to get a comprehensive understanding of those issues and further core risks involved and then finding better ways to alleviate them in order to ensure that the digital economy reaches its potential.

C. Micro, Small and Medium Enterprises (MSMEs) in Developing Countries

In many countries of Sub-Saharan region, it has been observed that there was a strong shift towards high and determined growth of MSMEs during the last decade. Most important drivers behind this shift argued to be increased public and private investments, attributed by an improved business environment, which also boosts MSME activity.

China and India have gradually become important investors and trading partners for these countries, adding to already increased export demand from OECD countries. Many countries in Sub-Saharan Africa actually have a large number of MSMEs relative to the size of the economy. However, these MSMEs are almost exclusively micro companies and they are often not part of the formal economy. That is why most of MSMEs in Sub-Saharan share the same challenge, such as poor management skills and competencies, shortage of capital, power shortage, corruption and inadequate information, financial constraints, red tape, and being severely disadvantaged by a weakly developed business environment.

By considering the case study of Tanzania, their government is trying to give support with regards to capacity building, information provision and even better business environment to the MSMEs. In Tanzania, the government

has introduced Small Industries Development Organization (SIDO) in order to promote the development of small-scale industries in Tanzania.

Recently however, in direct response to growing demand from clients, donors and Government, SIDO progressively engaged itself in supporting micro businesses particularly in the informal sector. So, generally SIDO is responsible for planning, co-ordinating, promoting and offering technical, economic and management services to small industries both existing and prospective. Also it offers and assisting marketing support, technology transfer, women entrepreneurs and disabled groups. The organization owns 14 industrial Estates, 4 Training Cum Production Centers (TPCs) and Small Industries Consultancy and Training Assistance (SICATA). This organization was established under The Small Industries Development Organization Act, 1973. .

Other developing countries like Argentina and Indonesia have better conditions for the growth of MSMEs. The governments have support their MSMEs by creating a better business environment, including financial support, simplified licenses, and stipulating relevant regulation.

In Indonesia, to improve capital access for MSMEs, the government seeks to remove financial barriers by simplifying the requirements given to businesses through micro credit loans (Kredit Usaha Rakyat/KUR). Until 31 December 2017, Rp. 95.56 billion have been distributed to 4,408,925 debtor through 36 financial institutions. (Source: Ministry of Cooperatives and SMEs). Besides, government of Indonesia stipulated three regulations to support MSMEs as follows:- (1) President Regulation No. 98/2014 on License of Micro and Small Enterprises. This regulation aims to make it easier for SMEs to get license by allowing them to get license from the subdistrict office.(2)President Regulation No.44/2016

on List of Business Fields that are Closed to and Business Fields that are Open with Conditions to Investment. E-commerce is 100% open to foreign capital ownership but have to do partnership with SMEs. (3) President Regulation No. 74/2017 on Roadmap for the National Electronic Commerce System for 2017-2019. This roadmap is ultimately expected to result in the emergence of around 1000 so-called “technopreneurs” and approximately USD 10 billion worth of business value and ecommerce transaction of USD 130 billion in 2020. To increase digital-literate among MSMEs, Indonesia’s government gives intensive training to MSMEs on how to effectively use Internet for trading and promotion.

Considering Argentina, the regulations regarding MSMEs can be found in the following laws:

- (1) Law 24.467 for MSMEs regulations,
- (2) Law 25.300 for Promotion for Micro, Small and Medium Enterprises (partly modified by Law 27.264),
- (3) Law 27.349 (Ley de Emprendedores) for Entrepreneur Capital Support.

The main objective of these regulations is to strengthen MSMEs competitiveness. Therefore, these regulations above will not be applied to MSMEs that are linked or controlled by large enterprises or economic groups, since they are not legally considered an MSME.

Argentina’s government recently passed the “Ley de Emprendedores” to allow entrepreneurs to do an online registration. That process previously took 26 days to complete. This fast-track company registration allows entrepreneurs to register a simplified business entity (SAS), bank account, identification number, and a business temporary address.

Secondly, is the absence of financial support to start project. To overcome this problem, there are some different government mechanisms to help MSMEs in registration, as well as evolution and financial support, which include:

FONAPyME (a national fund for MSMEs development), Defensoría PYME (to help MSMEs in their way of formation, action and in case they have any sort of problems) and Secretaría de Emprendedores PYMES (a Secretary from de Ministry of Production in charge of the development of MSMEs).

Furthermore, Argentina’s government made policies to decrease taxes (which improves their competitiveness), giving financial support as incentive for the growth of MSMEs, and allowed companies to import goods without import licenses.

Despite of the better conditions compared to countries like Zambia and Tanzania, Indonesia and Argentina face other challenges. In Indonesia, the ratio of entrepreneurship of 3.1% is still low if compared to some of Asia’s countries like Malaysia (5%), China (10%), Singapore (7%), Japan (11%). In the future, it is estimated that the ratio of MSMEs in Indonesia will be increased, particularly in the sector of tourism. However, the ratio of entrepreneurship in trade and industrial sector seems to have decreased due to the slowdown of the retail market in Indonesia.

Besides credit, MSMEs viability can also be threatened by a lack of access to other risk-management tools as savings and insurance. MSMEs need to be provided with better business environment and few incentives to become active in the formal part of the economy. Without being a formal enterprise, access to finance, new markets opportunities and public sector services is severely hampered. Policy improvement on areas such as property rights, regulations on bankruptcy and energy market reform need to be observed by the governments in developing countries.

Conclusion

For a large number of developing countries, agriculture remains the single most important sector. Climate change has the potential to damage irrevocably the natural resource base

on which agriculture depends, with grave consequences for food security. However, agriculture is the sector that has the potential to transcend from being a problem to becoming an essential part of the solution to climate change provided there is a more holistic vision of food security, agricultural mitigation, climate-change adaptation and agriculture's pro-poor development contribution. What is required is a rapid and significant shift from conventional, industrial, monoculture-based and high-external-input dependent production towards mosaics of sustainable production systems that also considerably improve the productivity of small-scale farmers. The required transformation is much more profound than simply change the existing industrial agricultural systems. However, the sheer scale at which modified production methods would have to be adopted, the significant governance and market-structure challenges at national and international level and the considerable difficulties involved in measuring, reporting and verifying reductions in GHG emissions cause considerable challenges.

Digital economy is a very fundamental aspect to be considered by the developing countries as for shaping the future of their global trade and investment. One aspect of the adoption of digital technology by global exporters and importers is the purchase and sale of goods and services online, which is part of what is broadly understood as "e-commerce". The use of automated data exchange systems, cloud computing, big data and open source operating systems can help businesses run international supply chain management more efficiently.

The G20 have also considered digital economy as a significant issue and they agreed on some common principles to promote the development of and cooperation in the digital economy which include innovation; partnership; synergy; flexibility; inclusion; open and enabling business environment; flow of information for economic growth, trust and security. They also agreed on some key

areas like expanding broadband access and improve quality, Promoting investment in the ICT Sector, Supporting entrepreneurship and promote digital transformation, Encouraging e-commerce cooperation, Enhancing digital inclusion and Promoting development of MSMEs. While in the policy support, they consider aspect of open and secure environment, intellectual property, support the development and use of international standards. So, developing countries need to consider this as a new venture for their economic development.

SMEs have an important role in terms of their economic share in developed and developing economies though there are different definitions of SME among various organizations and countries. For the case of developing countries in today's era, instead of large-scale industries, MSMEs have gained more importance among the countries. They become advantageous being economic enterprises having the capability of quick adaptation, working with less capital but more intense labor and having low cost of management and thus having cheap production. Although SMEs have some weaknesses, they are less affected from economic crises due to its flexibility and abilities which keep up with changed conditions. SMEs are vital actors for enhancing innovation, competitiveness, entrepreneurship and the establishment of an effective innovation system for developing countries.

Improving the investment climate for SMEs, and strengthening their capacities to respond to trade and investment opportunities, does strengthen the economic performance of SMEs and this in turn has a positive impact on growth and poverty reduction in developing countries. SMEs, observing the market closely, understanding the requirements of customers better and having intimate relations with its employee, have more elasticity than the large ones in terms of manufacturing, marketing and service. As this elasticity enables harmony with the changes in outside in time and on-

site, SMEs pass over many troubles lightly with less damage. Although SMEs have some weaknesses, they are less affected from economic crises due to its flexibility and abilities which keep up with changed conditions. SMEs are vital actors for enhancing innovation, competitiveness, entrepreneurship and the establishment of an effective innovation system for developing countries.

Again, it is important to stress that SMEs are generally defenceless in times of crisis for many reasons among which are weaker financial structure, lower or no credit rating, fewer financing options and highly depending on credit and difficult for them to downsize as they are already small.

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III

Indian Diplomacy and Contribution to Global Governance

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The Doctrine of Multilateral Diplomacy of India

India since Independence has increasingly shifted toward multi-polarization, and its international relations are becoming normalized and institutionalized due to economic globalization and regional integration. This has positioned India to have relevance in the international community and become a cornerstone of international relations; hence, multilateral diplomacy has become major part of India's foreign strategy, and the country is engaged supportively in the construction of multilateral systems.

India has developed interest in advancing exchanges and cooperations with developing countries within multilateral mechanisms. This is deepening regional integration and globalization, it is enabling promptness for the regional economic integration and for other multilateral organizations. In 2007, at the 14th SAARC Summit, held in New Delhi, India forced the summit to approve a series of agreements and measures aimed at strengthening cooperation among member-states and beyond. The theme of the 2011 Maldives SAARC Summit was "building bridges", reflected the desire of all South Asian nations, including India, to expand mutual understanding and multifaceted cooperation within the region as well as between the SAARC and Africa.

India has always prioritized its relations with the Southeast Asian countries. The ASEAN serves as a bridge connecting Asia-Pacific region, and the Africa's strengthening multilateral cooperation with the ASEAN is helping to promote Indian economy engagement with the world economy and also in establishing a secure maritime trade route. To this end, India strives to implement the "Look East" strategy to enhance political and economic relations with the ASEAN. In November 2002, India established the Leaders' Meeting mechanism with the ASEAN. India

and the ASEAN celebrated 25 years of their Dialogue Partnership, 15 years of Summit-Level interaction and 5 years of Strategic Partnership in 2017-18.

India has also augmented its cooperation with the African Union and other regional multilateral organizations. India's long-term support for African countries in their anti-colonial and national liberation movements has earned it a great appreciation. In the recent years, India has attached more importance to Africa, and has conducted comprehensive economic cooperation with African countries through multilateral organizations such as the African Union, the East African Community, the Indian Ocean Rim Association for Regional Cooperation, and the India - Brazil - South Africa Initiative.

Also India is actively engaged in reforming multilateral cooperation mechanisms such as the G 77 and the Non-Aligned Movement. Although these mechanisms have been since long in existence, the cooperation concept, developmental direction and working style of these mechanisms require appropriate amendment and adjustment. To this effect, India is playing a significant role in improving these mechanisms.

India's participation at International Financial Institutions

India has demonstrated, within different international fora, a will to strengthen the voice of emerging countries while ensuring checking on of its own interests. It is lately a key player in international economic and financial negotiations, focusing, in particular, on issues of infrastructure financing and fight against money laundering.

International Monetary Fund

Being a member of the IMF since its Independence, India has observed its institutional weight strengthened significantly by quota reform, which came into force on 26 January 2016;

increasing emerging market share of the Fund by more than six percentage points. India's voting rights have thus increased from 2.3 percent to 2.6 percent and has allowed it to join, as in Brazil, the Fund's ten largest contributors, surpassing Canada and Saudi Arabia. A long-time supporter of the use of capital controls, India has welcomed Fund's change in doctrine since the financial crisis. However, it appeared more reserved about the IMF's willingness to encourage the definition of capital control rules on a multilateral basis; stressing for the occasion that such an arrangement would tend to weaken the position in the Fund of the least influential countries.

The Indian authorities insist, moreover, that the IMF maintain a mode of financing based on the contributions of the States and not on the borrowed resources. Finally, they hope that the IMF's dialogue with the regional financial institutions would be more regular to optimally define financial stability mechanisms while calling on the Financial Stability Board to "stick to its main mandate".

The IMF conducts an annual review of the Indian economy under the Article IV procedure, and has a permanent representation in New Delhi [the meeting was twice held in India (1981-82 and 1991-93)], and more recently it has provided technical assistance services targeted at developing capital markets, liberalizing foreign exchange, developing statistical monitoring, and more tax administration. Since 2016, it has also established a regional technical assistance centre, **the first in Asia**, to which, the Indian authorities contributed half of the financing costs.

World Bank

A member of this bank since its creation, India has historically represented its first country of intervention with cumulative loans of \$ 102 billion over the period from 1947 to 2015, far ahead of Brazil (\$ 59 billion) and China (56 billion USD). Of this amount, \$ 52.7 billion was provided by the International Development

Association and \$ 49.4 billion was under IBRD interventions. The Bank's commitments totaled to \$ 3.8 billion in 2016 through all instruments (\$ 3.8 billion in 2015 and \$ 5.2 billion in 2014).

As a result, the Bank may not be able to meet its intervention objectives, let alone meet the demand of the Indian authorities, which hope to strengthen Bank's participation in infrastructure financing. However, development of the International Finance Corporation is growing, which is supporting nearly 250 projects in India as well as MIGA collateral interventions.

The World Bank is targeting the poorest Indian states as a priority in its 2014-2018 country strategy. At the same time, it has decided to strengthen its commitments in several priority areas (transport - particularly urban transport, investment in low-income population, access to water, protection of the environment), notably through support from the Modi government's major national programmes. Among the latest projects announced by the two parties are: an agreement worth USD 650 million for financing a dedicated freight corridor of nearly 2,000 km in the Eastern States, and loans and funding of USD 200 million for a programme in February 2017 to strengthen quality of education.

Asian Development Bank

India has also been a major country of intervention since 1986 for the Asian Development Bank (ADB), dominated by Japan. It provides for year 2017, interventions up to 3 billion USD. The ADB 2013-2017 Strategy was based on following key sectors – infrastructure (including energy, transportation), human development (education, health), public sector support, and water resources management. Of the \$ 36.8 billion in loans granted since India became a country of operations (of which \$ 4.6 billion was non-sovereign), 12 were earmarked for energy and transport sectors.

The Bank plans to continue to support over the period 2017-19, major government initiatives by articulating its interventions around the

themes of inclusive growth, sustainable development and regional integration. In this perspective, the Bank has granted a loan of \$ 390 million in mid-January 2017 for the development of renewable energies.

Asian Infrastructure Investment Bank

India participated in the creation of the Asian Infrastructure Investment Bank(AIIB), of which it has become the second largest shareholder with 8.52 percent of shares and 7.5 percent of shares voting rights. After hosting of the second negotiators' summit in Mumbai in January 2015, it announced on 18 November 2015 ratification of the Bank's statutes.

The Indian authorities hope to obtain low-cost funds from the AIIB; with initial capital of USD 100 billion for projects outside traditional multilateral donor funding area. This appears to the Indian authorities all the more beneficial as the World Bank's Global Infrastructure Financing Facility (GIF) is, for the time being, struggling to materialize. Represented by Deputy Secretary of Finance ,Dinesh Sharma, India has received a permanent chair on the Board of Directors of the AIIB. His candidate, D.J. Pandian, is also one of five Vice-Presidents; he has been appointed Director of Investments of the Multilateral Institution.

The Indian Finance Minister announced in June 2016 that India is preparing to submit projects totaling 2 to 3 billion \$ in urban development sectors (including the Smart Cities and Transport program, energy, rail and river transport and water supply).

India's position at other Multilateral Fora

G 20

India is advocating within G 20 for stronger multi-lateral investment in infrastructure, particularly, in emerging markets. In this regard, it's to be appreciated for the creation of a dedicated structure, the Global Infrastructure

Hub (GIH), during the meeting of the G20 in Brisbane, which could unlock nearly USD 2000 billion for investments in this area by 2030. The Indian authorities have also supported priorities of the Turkish Presidency, which has also taken up the theme of infrastructural investments. India has also appeared very active in fighting against tax evasion. After successfully supporting for automatic information exchange system at the Brisbane Summit, India backed the Turkish Presidency in the implementation of the Base Erosion and Profit Shifting Project (BEPS) and reinforced more generally anti-corruption and money-laundering provisions.

Indian Prime Minister Narendra Modi called for a comprehensive campaign to combating corruption and tax havens, and called on developing countries to have a stronger place in the process of defining global financial architecture by calling for acceleration on the fifteenth general review of quotas. Mr Modi also recalled India's commitment to fight against terrorism and urged international community to join forces to fight against organizations financing and supporting terrorism.

BRICS

India occupies a prominent and growing place in the BRICS. In the annual summit in Goa in October 2016, many bilateral agreements were signed between India and other countries that make up the BRICS, and more particularly Russia (16 bilateral agreements in the areas ranging from energy to development of Smart Cities) without, for as much, completely dispelling uncertainties about the future of the group.

To attract new donors to finance its infrastructure, India pushed for creation of a New Development Bank (or BRICS Bank) in 2010, and finally established the Bank in Durban in 2013. Equal distribution of capital was decided at the Fortaleza Summit in 2014 in accordance with the Indian position,. The subscribed capital was set at USD 50 billion (for

an authorized capital of USD 100 billion), and each country contributed up to EUR 10 billion USD. India has also won the presidency of the bank for six years (1 year transition period, then an effective term of 5 years). Two sovereign loans were granted to India in 2016, one of \$ 250 million for the public sector Canara bank for the development of renewable energy projects, guaranteed by the Indian government, and a second of \$ 350 million granted to Madhya Pradesh for upgradation of 1,500 km of roads; thus 40 percent of the funds granted in 2016 by the bank were destined for India.

The creation of the Bank, which last year approved loans totaling USD 1.5 billion, was accompanied by the establishment of a foreign exchange reserve fund to which India's contribution should be of \$ 18 billion, and equally from Brazil and Russia; and it would be able to draw in proportion to its contribution. During the Goa Summit, the governor of the Indian Central Bank stressed that the major emerging economies did not yet have sufficient absorptive capacity to direct incoming capital flows to productive investment. He pointed out that the risks posed by the volatility of short-term capital flows were exacerbated by low yields in the industrialized economies, and , by contrast attractiveness of emerging economies in the eyes of investors, which made them vulnerable to risk of a reversal of markets.

Climate change

India fully supported the doctrine of climate justice. The multilateral diplomacy of India believes that if the developing countries should contribute to the success of the climate universal policies, the industrialized countries must provide necessary financial assistance corresponding to their degree of causing pollution. India demands also that this international climate policy must be inclusive and harmonious with the traditions and rights of the most vulnerable people. India, which ratified the Paris climate change agreement on 2 October 2016, has

demanded, during the negotiations, adoption by the international community of an agenda of positive solutions like the renewable energies, the green development, and lute against the desertification. As a member, funding the world solar alliance, India is making now a significant effort to generate this clean energy in the country. Delhi has fixed an objective of producing clean energy to more than 40 per cent of its global energy in 2030.

India's Diplomatic Relations with Developing Countries

India has shifted from two decades diplomacy of Look East Policy to Act East Policy in the Asia Continent to broaden strong and comprehensive development relation and strengthening of the strategic partnership. In context of the diplomacy mechanism to the developing countries in Asia, India has embarked on to extensive diplomatic outreach, state visits, bilateral and multilateral MoU, Inter and Intra Countries Submit, Regional Integration and Submit and other more, starting from neighbouring countries to non-sharing border countries.

The Neighborhood First Policy

The Neighborhood approach is connected to four main purposes – The first is New Delhi's commitment to give political and diplomatic priority to its immediate neighbours and the Indian Ocean island states; The second is to be the first leading powerful country responding to the neighbours' needs and emergency in term of assistance, resources, equipment and capacity development programme; The third is the greater connectivity and integration to support the free flow of goods, people, energy, capital and information; and The fourth is to promote a model of India-led regionalism to partnering countries.

In Bhutan, Indian government has expanded in developing partnership by the support on the implementation of 10,000 MW Hydro-electric Projects (HEP) among the four ongoing HEPs.

In Bangladesh, both countries have ratified the land boundary agreement for the smooth transit and connectivity and other practical cooperation in power, security and capacity development. In Myanmar, development partnership agenda are being discussed between the new government and the Indian government. There are sequential visits of Myanmar President and state counsellors in India. There is a beginning of cross-border cooperation, focusing on power and energy supply. In Nepal, both the governments have signed on the cross-border transmission line. India has become the first country to launch the largest relief operation for the post-earthquake assistance and reconstruction. Pakistan and Indian governments have been on a firm response to cross-border terrorism. In Sri Lanka, both governments have tied with MoU for cooperation in Economic Projects, outlined on energy and infrastructure agenda.

From Look East Policy to Act East Policy:

The Indian Government's "Act East Policy" has been launched by Prime Minister, Narendra Modi, at the East Asia and the 12th India-Association of Southeast Asian Nations (ASEAN) summits at Nay Pyi Taw, Myanmar, in November 2014, saying: "The ASEAN-India strategic partnership owes its strength to the fact that our 'Look East' to ASEAN meets your 'Look West' towards India". The ASEAN Countries have become the main pillar in India's Act East Policy. Indian government has been proactively engaged in different official state visits, bilateral and multilateral agreements, and participated in East Asian Summit and ASEAN-India Summit. The ASEAN leaders were invited to India on many state visits, and on India's Republic Day celebrations in 2018 to commemorate 25 years of Dialogue Partnership, 15 years of Summit Level interaction and 5 years of Strategic Partnership.

Recently, the Prime Minister, Narendra Modi, underscored his development agenda and policies to African leaders at the 52nd annual meeting of the African Development Bank (AfDB) Group. According to him, multilateral diplomacy would be the key in promoting

International Cooperation between Africa and India to achieve mutually beneficial goals. He stated further that while India and Africa face similar challenges concerning upliftment of farmers, addressing issues on poverty, women empowerment, rural development and infrastructure, India may have a solution to Africa problems. India as a matter of urgency has embarked on capacity- building of the African youth and women in the area of solar panels, which is yielding socio-economic development. The current Administration agenda has significantly improved the macro-economic conditions of African countries

India at United Nations (UN)

To support and actively participate in the working of the United Nations" has been a fundamental principal of Indian foreign policy. India has always tried to uphold the spirit of the UN Charter and its character as an International Organization working for the preservation of international peace and security. The Indian foreign policy supports and regards the United Nations as an agency for securing world peace and as a global organization for promoting spirit of friendship and cooperation among the members of the international community. It also regards the United Nations as an agency for international conflict resolution through peaceful means. There is perfect compatibility between the 'peace through peaceful means' a dictum of Indian foreign policy and 'the maintenance of international peace and security' as the fundamental aim of the United Nations. India stands for world peace and prosperity and accepts the United Nations as an important instrument for securing both these objectives. In all treaties, declarations and agreements made by India in other countries, a firm faith in the UN Charter has always been reaffirmed. Tashkent Declaration, Indo-Soviet Treaty for Peace, Friendship and cooperation, the Indo-Bangladesh Friendship Treaty, the Shimla Agreement etc, all contain specific provisions which reaffirm resolve to expect aims and objectives of the UN Charter as well as for following peaceful means for the

India-Cambodia Relations

The relationship between Cambodia and India began since 1st century AD when Hindu and Buddhist religious and cultural influences had spread out of India to many parts of the South-East Asia. The structures at Angkor Wat temple and other religious historical sites in Cambodia are the examples of the influence of Hinduism, Buddhism and Indian architecture.

Indian and Cambodian Government signed a number of bilateral cooperations on security and defense. India recognized the new Cambodian government, and re-opened the embassy in Phnom Penh after the collapse of civil war. Indian government was involved in Paris Peace Accords in 1991, the military and non-military personnel for the UNTAC-sponsored elections in 1993, and other exchanges of high-level visits from Indian government.

Indian government has supported Cambodian government and given aids to projects such as the restoration project of the historical temples, ITEC training programme and scholarship, Concessional loans and grants, MGC (Mekong-Ganga Cooperation), Asian Traditional Textiles Museum and Quick Impact Project under the MGC Initiatives and Contribution to the ECCC (the Extraordinary Chambers in the Courts of Cambodia).

Cambodian and Indian governments have strengthened cooperation when the Cambodian Prime Minister, Hun Sen, had an official state visit in New Delhi in January this year. As the result of his state visit, there are new hopes and commitments to enhance bilateral development cooperation between the countries and among people-to-people. There was a joint statement regarding peace, safety and security of navigation in the Indo-Pacific Region. Additionally, the four agreements were signed on the prevention of human trafficking, mutual legal assistance on criminal matters, cultural exchanges and credit line agreement for the water-resource development project. Indian government supports an establishment of a Center for Excellence in Information Technology in Cambodia for the capacity empowerment of Cambodian entrepreneurs and students. India has played an important role in Information Technology and digital infrastructure development in Cambodia and is a potential market for Cambodia's agricultural products.

settlement of their disputes and problems. In the post-Cold War, Post - USSR, and post-Socialist Era of contemporary relations, India, as one of the non-permanent members (January 1991-December 1992) of UN Security Council got the opportunity to observe closely and participate actively in the process of high decision-making. Historically, India gained Independence two years after the creation of the United Nations, yet it is one among its 51 founding members. The ideals of world peace and global solidarity based on sovereign equality, mutual respect, and universal tolerance were immensely attractive to Independent India. Today, India is a nuclear power, has achieved impressive economic growth for over a decade, is a powerhouse in information technology, and is regularly visited by senior world leaders. Among the largest contributors in terms of numbers of

missions, force commanders, and personnel, India is currently the third highest contributor, with 9,332 Indian soldiers and police on UN duty overseas. The U.N. deployed a contingent of 103 Indian police officers in Liberia as its first-ever all woman peacekeeping unit, whose performance won widespread praise and acclaim in 2007. The most pressing and of immediate national benefit is the restructuring of the Security Council and reforming its workings. A second, probably more easily attained, is reestablishing the General Assembly as the primary organ. The third and most important is reclaiming organization overall as the forum, voice and servant of the poorer and weaker majority instead of a tool of domination by rich and powerful minority. In conclusion, India has played a great role and has contributed effectively in the formulation of the Sustainable Development Goals (SDGs) at the United Nations.

IV

Financing for Development – Improving Access to Finance among SMEs in Developing Countries

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Introduction

The final review of the implementation of the Millennium Development Goals (MDGs) has revealed that many developing countries have been observed facing challenges to reach the required level of socio-economic development. Despite many countries in Africa having achieved high levels of economic growth, poverty remained pervasive. Income inequality has remained relatively high especially in peri-urban or rural and more pronounced in women. According to the United Nations (2015), 'millions of people are being left behind, especially the poorest and those disadvantaged because of their sex, age, disability, ethnicity or geographic location'. In such conditions, the implementation of the ambitious 2030 Agenda for Sustainable Development Goals would require addressing all critical issues for reducing poverty and improving income levels of the developing world.

The UNDP and the UNRIS (2017) consider 'finance as one of the vital means of implementation for the 2030 Agenda for Sustainable Development along with capacity-building, technology, trade, partnerships, policy and institutional coherence'. The major challenge is to enhance the impact of available resources, while catalyzing additional sources of financing into investments for sustainable development. In this regard, other than enforcement in the domestic resource mobilization efforts by developing countries, development partners should prioritize resources towards main drivers of development, let alone infrastructure development. This would ensure allocation efficiency, and also good value for money to achieve the much required SDGs.

The role of Small and Medium Enterprises (SMEs) in economic growth and social development has largely been demonstrated. The World Bank for example highlighted their substantial contribution to job -creation and economic growth and subsequent poverty reduction. For the United Nations (UN),

SMEs' role is important in achieving the 2030 Agenda as they constitute about 90 percent of all businesses and are considered vital in promoting innovation, creativity and decent work for all. In this regard, the 27 June has been designated by the UN General Assembly as an annual Micro, Small and Medium-sized Enterprises (MSMEs) Day, as a recognition of the importance of these enterprises in achieving the SDGs.

The ability of SMEs to develop, grow and be sustainable relies heavily on their capacity to access and manage finance. However, they often encounter some difficulties in accessing finances, as shown by the World Bank, which has indicated that there are more than 180 million MSMEs, which do not have a loan or overdraft, but are in need of one, or do have a loan but still find access to finance as a major financial constraint. Financing constraints are also magnified for informal firms, which are estimated to account for 74 per cent of all MSMEs in the world, and around 77 per cent of all MSMEs in developing countries. In developing countries, for the World Economic Forum (2015), 'limited access to finance is already the second-most cited obstacle for businesses, right after unstable electricity'.

The paper aims at reflecting on appropriate means for financing SMEs in developing countries, given that access to and cost of finance are deterrent factors to SMEs growth. It intends, in particular, to identify the kind of financing suitable to allow SMEs to achieve development goals in the developing countries. To this extend, the section I starts by defining the main concepts related to the topic and exposing the conceptual framework, including different sources of financing SMEs in developing countries. Section II presents the case of Japan which has succeeded in addressing the issue of financing SMEs, with an emphasis on the strategies implemented. In section III, based on the findings of the previous presentation, case studies of two African countries, Malawi and Egypt, have been studied to appreciate

importance and scope of financing of SMEs. Section IV highlights the way forward and recommendations for strengthening financial support to SMEs.

Definitions and conceptual framework

This section presents definitions of the concepts of 'Financing for Development' as well as 'Small and Medium Enterprises' (SMEs), before describing conceptual framework needed for performing required analysis.

Definitions

Financing for Development

The Financing for Development is related to means and ways to ensure financing for development. According to Sida (1) (2017), this concept was first adopted at the United Nations conference in Mexico in 2002. Current development financing is concerned primarily with the financing of the Global Goals for Sustainable Development in low-income countries. When working with these goals, development financing would play a far more important role than with the previous one, the Millennium Development Goals.

Small and Medium Enterprise (SME)

The SME definitions differ from country to country and even among various entities, including banks and other financial institutions. According to the United Nations, the choice of definition would depend on many factors, such as business culture, size of country's population, industry and the level of international economic integration. Muiruri Muriithi (2017) stressed that the most used definitions are generally quantitative in nature, focusing mostly on number of employees, assets, size and revenue. Nevertheless, the most recently agreed definition from numerous researches define SMEs as the ones with less than 250 employees although very small businesses may have less than 50 employees while micro-enterprises have between 5 and 10 workers. For the purpose of this paper, we will use the definitions of

SMEs adopted, respectively, by Egypt and Malawi, the two countries, which will be the case studies undertaken.

Conceptual framework

Any country would aim at fostering its development needs to gather needful resources to invest enough to increase its level of productivity. In the context of developing countries where many countries can't afford to reduce their level of consumption to increase their level of savings, several options exist to raise required financial capital at the national and the international levels and from public or private sources. At the national level, the public resources can be collected through taxes and non-tax revenues, whereas the private resources can be drawn from savings. At the international level, financial resources could be collected by developing countries in the framework of bilateral, multilateral or south-south cooperation agreements or through other private channels. Guido Schmidt-Traub and Jeffrey D. Sachs (2015) have described well the main sources of financing for development. They showed that 'Official Development Assistance (ODA) describes concessional international finance whereas other Official Flows (OOF) denotes non-concessional international public flows, namely primarily loans by Multilateral Development Banks (MDBs), Development Finance Institutions (DFIs), as well as public guarantees, insurance, and trade credits.' They added that the development finance flows from non-OECD countries are often referred to as South-South Cooperation. They separated private financing into two categories – (i) Private Funds Mobilized (PFM) through DBR, ODA, and/or OOF that support sustainable development, and (ii) commercial finance, such as foreign direct investment, that does not rely on public co-financing and may not target sustainable development per se. They finally emphasized that many projects and programmes involve a mix of public, private, and social investors, and of public and private

sources of financing. Often the project design entails a formal partnership of the public and private sectors, or a Public Private Partnership (PPP)'.

It comes out from the review of the literature that the main sources of SMEs financing are as follows – i) the banking sector through the credit guarantee schemes, public and private credit bureaus or registries and financial statements and collateral registries; ii) the non-bank financial institutions and the capital markets (NBFIs) through the microfinance institutions, factoring and venture capital firms; iii) capital markets through SME stock markets and SME bond markets. However, according to the UNIDO, when launching a new business, most small businesses, which often start as microenterprises, cannot obtain loans or other forms of financing from formal institutions. They start their own business by investing their own savings and / or using funds obtained from relatives or friends, which they can supplement with loans from informal lenders or credits accepted by equipment suppliers.

The WEF (2015), shows that 'turning to a bank to apply for a loan is the natural step for most small businesses in search of funding.' However, lending by banks is often limited because understanding small businesses requires more time and expertise than the more standardized consumer business. At

the same time, the traditional relationship-based corporate banking model is costly to operate in dealing with small business, given the smaller loan size'. Faced with the difficulties encountered to access the commercial banks, SMEs often turn towards microfinance institutions where they generally fail to obtain high level of funds needed for their expansion. This incapacity for SMEs not only to access the commercial banks but also to collect a critical mass of financial capital from Microfinance institutions is called the 'missing middle'. This hampers SMEs to expand and develop, and then to deliver their full potential to drive the economic and social development in the developing countries.

At the international level, the International Financial Institutions (IFIs) could be an option to address the issue of missing middle. The Multilateral development banks and bilateral development finance institutions can for example improve access to finance for SMEs in developing countries through the following channels – i) credit lines which are loans to intermediary banks and financing institutions which in turn pass on the loans to local SMEs in support of their investment projects; ii) financing to private equity funds whose managers can acquire a share of ownership of the SME's business, and, by making additional capital available to them, enable them to grow and expand their economic activity.

Table 1: Number of workers and enterprises by size of enterprises in Japan

	Small enterprises			Medium enterprises			Large enterprises		
	Num of enterprises	Num of workers	Num of workers per enterprises	Num of enterprises	Num of workers	Num of workers per enterprises	Num of enterprises	Num of workers	Num of workers per enterprises
2009	12,000	14,890,000	1,248	536,000	20,330,000	37.93	665,000	12,820,000	3.5
2014	11,000	14,330,000	1,289	557,000	22,340,000	40.13	252,000	11,270,000	3.46
change	1,000	-560,000	+41	+21,000	2,010,000	+2.2	-413,000	-1,550,000	-0.04
Rate of change	-6.8 percent	-3.8 percent	+3.3 percent	+3.9 percent	+9.9 percent	+5.8 percent	-11.3 percent	-12.1 percent	-0.9 percent

Source: National Association of Trade Promotion for Small and Medium Enterprises.

Financing SMEs: The successful experience of Japan

The SMEs play an important role in the Japanese economy, as about 99 percent of total number of enterprises account for 70 percent of national employment, compared to 60 percent for the OECD area. Also SMEs generate slightly more than 50 percent of national value-added. The number of small enterprises marked a significant decline from 2009 to 2014 and the number of medium enterprises increased over the same period (Table 1).

The adoption of a set of sound financing measures as well as SME support policies helped to achieve those results.

Regarding the financing measures, as SMEs have few assets and weak financial foundations, it was difficult for them to procure capital from the stock market; so securing a smooth supply of funds was one of their key challenges. Accordingly, government affiliated financial institutions have been established to create a system to provide SMEs with long-term funds at lower rate of interest. There are limits to the funding that can be provided by public financial institutions alone, so a system of credit enhancement has also been introduced. This enables SMEs to make use of funds from private sector financial institutions. In order to facilitate the supply of finance required by SMEs, which lack credit-worthiness and adequate collateral, credit guarantee corporations provide private sector financial institutions with guarantees for the debt obligations of the SMEs. If the guaranteed debt is not repaid, the credit

guarantee corporation repays it in subrogation. Japan established in 2001 its Credit Risk Database (CRD), led by the Japanese Ministry of Economy, Trade and Industry and the Small and Medium Enterprise Agency (SMEA). The CRD provides credit risk scoring, data sampling, statistical information and related services. The database, therefore, does not only facilitate SMEs' direct access to the banking sector, but also results in smooth access to the debt market by enabling securitization of their claims. To support efforts to improve the management of micro enterprises, which have few management resources and low productivity even compared with other SMEs, unsecured low interest loans are provided by the Japan Finance Corporation, without a guarantor.

Moreover, several major SME support policies have been adopted in the sectors of management, commerce and tax system.

Regarding the management support, the following policies have been undertaken—i) assist those planning to start a business or venture owners trying to improve their operations in financing and obtaining relevant information; ii) assist SMEs undergoing business innovation in financing, handling taxes and cultivating markets; iii) support collaboration among SMEs to enter new areas of business by providing subsidies, advice and financing assistance; iv) provide information and advice to help SMEs to move production to overseas or find markets abroad; v) assist SMEs in maintaining stable operations by supporting them for bankruptcy, pandemic new influenza,

Table 2: Corporate tax in Japan in 2013

	Category	Tax rate
Large		30 percent
SMEs	Portion of annual revenue up to ¥8 million	15 percent
	Portion of annual revenue over ¥8 million	19 percent

Source: Japan's Policy on Small and Medium Enterprises (SMEs) and Micro Enterprises, Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry.

and earthquakes and other natural disasters, as well as by leading them to develop a business continuity plan ; vi) dispatch experts to assist SMEs in addressing difficult or specialized business challenges (e.g., launch of new operations, business succession) and otherwise helps SMEs directly or via support institutions.

In terms of commerce and regional support, the actions adopted are as follows – i) support efforts to improve attractiveness of small and medium merchants, shopping districts and city centres ; ii) invigorate regional industries, such as locally based industries and traditional handicrafts industries by providing subsidies and low-interest loans; iii) comprehensively assist business activities conducted by organic partnerships between SMEs and those engaged in agriculture/forestry/fisheries through effective use of their business resources ; and iv) aggressively increase publicity of attractive regional products.

Finally, regarding the fiscal support, Japan has chosen to lower corporation tax rate (called the “reduced tax rate”) than that for large corporations; which is applied to SMEs.

Case studies of Egypt and Malawi

EGYPT

Importance of SMEs in the economy

SMEs are a very important sector and major contributor to the economic growth, employment, innovation and for achieving better value for money in Egypt. They constitute more than 90 percent of the total business activities, and contribute for about 80 percent of total value addition and attract 47 percent of total investments. It is also worth noting that the importance of SMEs in Egypt stems from the fact that they provide affordable goods and services that suit lower and lower middle income groups accounting for 57 percent of the population, besides being highly interrelated to the informal economy. In addition, SMEs represent over 80 percent of the operating private non-agricultural

enterprises in Egypt (African Development Bank, 2009). Egypt Human Development Report 2008 highlighted that SMEs accounted for 75 percent of employment and around 80 percent of GDP in 2006.

Figure 1 shows the most important local government institutions and international agencies concerned with the SMEs sector in Egypt.

According to “National SME Consensus”, that analyzed the SMEs landscape in Egypt, 58.2 percent of SMEs had adopted legal form of sole proprietorship. Joint liability form was the second most common form, accounting for 19.2

Figure 1: Main SMEs stakeholders in Egypt



percent of SMEs, while joint stock accounted for only 7.3 percent. Results showed that 82.6 percent of the total SMEs in Egypt were of capital below 250,000 LE ; only 7.6 percent were between 250,000 to EGP 1 million, and only 2 percent of the SMEs capital value was more than EGP 15 million. It was found that nearly 85.4 percent of the SMEs were with less than 20 employees and 6.3 percent were with more than 50 employees. More than 50 percent of the SMEs in Egypt had less than EGP 500,000 sales turnover, limited to domestic market.

Access to finance

The financial institutions provide financing services for SME's are as following – i) Public and Private banks regulated by the CBE and operating under Banking Law No. 88 of 2003, ii) NGOs regulated by the Ministry of Insurance and Social Affairs (MISA), and governed under Law No. 84 of 2002, iii) Microfinance Companies regulated by the Financial Supervisory Authority and governed under Law No. 141 of 2015.

Figure 2 indicates various sources used to finance enterprises in Egypt, such as: internal sources, banks, inputs' supplier credit, or other sources, including nonbank financial institutions or personal networks.

The data -set displays two indicators of the use of financial services by private firms – the percentage of firms with a checking or savings account, and the percentage of firms with a bank loan. The former indicator measures use of deposit mobilization services which help firms to manage their liquidity and payments.

The second indicator measures use of financial services on the credit side. Availability of credit permits funding projects that otherwise would be constrained by each firm's limited pool of funds.

Challenges

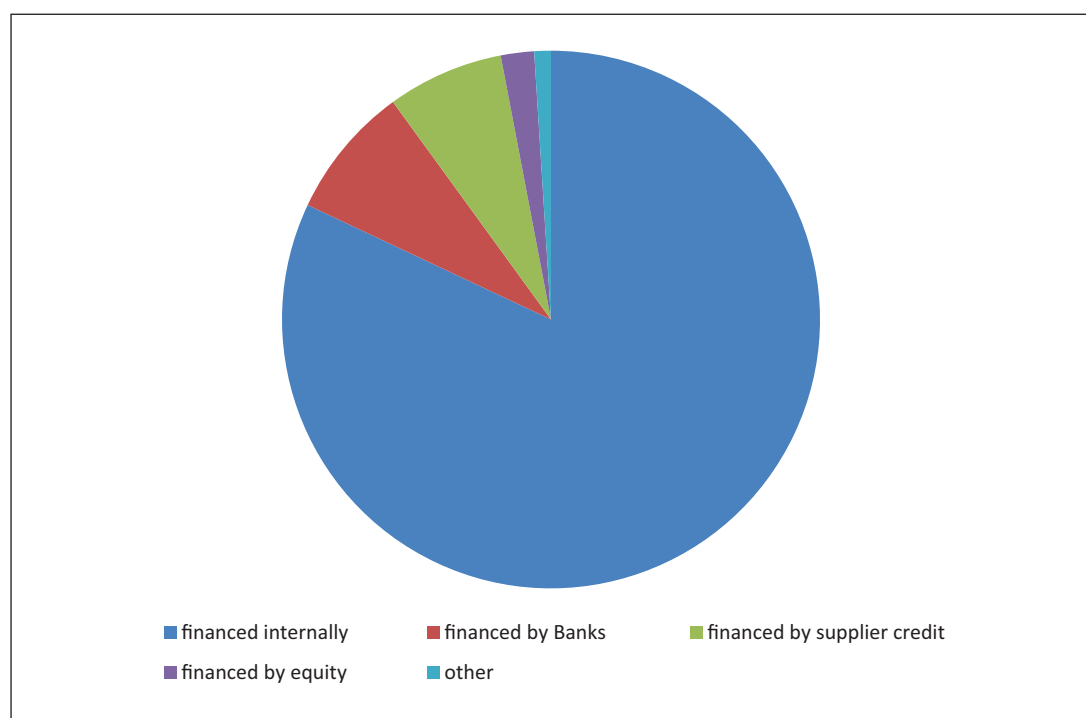
Among the issues to be addressed for improving the financing of SMEs in Egypt are: i) poor quality of financial intermediation reflected in high transaction costs, large non-performing loans, and still limited access for small firms and households to financial services ; ii) banks are slow to modernize and innovate, and the volume and scope of products and services they offer have been limited ; iii) Lending terms are unfavourable with very high collateral requirements, and slow response times to set up credit lines.

MALAWI

Importance of SMEs in the economy

The financial sector plays a critical role in

Figure 2: Sources of financing for purchases of fixed assets



mobilizing and channelizing financial resources for long- term investment and economic development of any country, including in Malawi. The sector is critical for achieving economic growth envisaged in any development strategy as it will support the attainment of the objectives of the key priority areas through mobilization of both domestic and international resources. To meet the financing needs of the country’s growing economy, the financial system needs to be efficient, stable, deep and inclusive.

In Malawi, the findings by the comprehensive 2012 Fin Scope MSME survey that 1,050,320 people were employed by around 41 percent of the country’s MSMEs also attest to the pivotal role of the SMEs in our domestic economy. The contribution of small and medium scale businesses to socio-economic growth and development of nations takes many forms, including boosting public revenue collections through various forms of taxation, provision of goods and services to the general public and, more importantly, poverty alleviation through creation of employment and economic empowerment of citizens.

Access to finance

Malawi’s financial sector has limited out-reach and is relatively small and concentrated. Banks dominate financial system, accounting for

about 80 percent of total financial sector assets. Concentration is high, two banks hold slightly more than half of the banking industry’s total assets and deposits. The financial sector offers a limited range of financial services and products. While the financial sector has witnessed a rapid growth in the recent years, supported by innovation, access to financial services remains limited. Only 19 percent of the population have access to banking services, while a mere 3 percent use any insurance product apart from the ones offered by the Government on a subsidy basis.

As a result of this, access to financial services in Malawi has remained low, below the regional average. Many people still do not have savings accounts; they do not receive credit from formal credit providers; they do not have insurance to manage their risks; and rarely make or receive payments through the formal channels, thereby increasing their financial vulnerability. Fin Scope 2014 indicated that more than half of the adult population in Malawi (51 per cent) was without access to any type of formal or informal financial service. The focus of MGDS III in the area of financial services would, therefore, be financial inclusion, which is effective access by citizens to a range of quality financial services.

Sadly, financing has been identified as one single factor that challenges survival and growth of the MSMEs, not only in Malawi, but also in

Table 3: Use of financial services by private firms in Egypt

	Egypt 2016	Small firms	Medium firms	Large firms	Lower Middle Income
Per cent of firms with a checking or savings account	68.9	58.3	87.5	93.9	82.5
Per cent of firms with a bank loan/line of credit	6.6	4.7	7.8	18.1	28.8
Proportion of investment financed internally (percent)	82.1	77.5	84.9	90.9	70.9
Proportion of investment financed by banks (percent)	7.9	10.1	6.4	4	12.6
Proportion of investment financed by supplier credit (percent)	7.3	9.7	6.9	0.5	4.8
Proportion of investment financed by equity or stock sales (percent)	1.8	1.5	1.3	3.9	5.2

Source: World Bank

parts of both the developed and developing world, albeit with varying magnitudes. The Fin Scope study revealed that '59 percent of MSMEs were excluded from financial services, as opposed to 31 percent that were formally served by some sort of financial system, with the balance relying on informal services. Over three quarters do not borrow funds, primarily because they doubt their ability to repay loans. Of those, who borrow, informal credit systems tend to be the primary source of credit'. Growth in MSMEs has retarded largely on account poor transportation due to underdeveloped infrastructure, inadequately educated workforce due to high illiteracy rates specially among women, unreliable power supply due to over-reliance on hydro- electric power with limited generation capacity of 351 Megawatts.

Access to and cost of financing are among the host of factors inhibiting growth and survival of SMEs in Malawi. The Malawi's financial system is still in developmental stage. Although it is considered sound and functioning well, the sector is still facing several challenges, which are affecting the overall performance of the economy.

Malawi government continued to implement tight monetary policy during the medium term to stabilize prices in the country. Inflation remained persistently high at an annual average of around 21.8 per cent at the end 2016 compared to the SADC region. Similarly, the policy rate (the rate at which commercial banks access funds from the Reserve Bank of Malawi), which is one of the main instruments to control inflation in the country, has been maintained at 22 per cent, which is considerably high for commercial banks. As a result, Private sector credit and SMEs credit have declined due to high cost of borrowing. In the medium term, government is committed to ensure that the commercial borrowing rate is affordable by both the private sector and SMEs to induce higher levels of investment. With tight monetary policy, the country is expected to contain inflation to single digit levels during

the MGDS III implementation. In the next five years, the inflation rate is projected to average 7.1 percent if the proposed policy intervention is adopted.

Challenges

Major challenges facing the sector include: i) underdeveloped capital markets that remain narrow and illiquid, thereby limiting access to long-term financing and hindering country's capacity for local debt and equity financing; ii) lack of innovative financial instruments, notably those geared towards Micro, Small and Medium Enterprise (MSMEs), which constitute a majority of the businesses in Malawi but remain too often confined to the informal sector due to inadequate financial services; iii) lack of national identification system which makes it difficult for financial institutions to identify customers ; iv) low financial literacy affecting uptake of financial services and products; v) high interest rates that is causing challenges to financial intermediation.

Way Forward and Recommendations

In its intent to identify which kind of financing is suitable to allow the SMEs to achieve the development goals in developing countries, the present paper has confirmed, through case studies of Malawi and Egypt, that the strengthening of the banking system is a critical and necessary condition for insuring an adequate financing of SMEs in developing countries. Limited access to finance impedes creation and development of sound and competitive SMEs, which could inhibit inclusive economic growth in this country.

In a context of low development of capital markets and Non-Bank Financial Intermediaries (NBFIs) as recommended by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) for Asian countries, it is important to overcome the constraint of bank lending for SMEs and to diversify financing modalities as an alternative channel for providing growth capital with more sophisticated and innovative institutional arrangements.

The additional measures for enhancing SMEs financial access to the banking sector include:

- Limiting the costs of default, a bank usually requires a certain amount of collateral to cover the loan value. The availability of such collateral is a key determinant for a loan approval decision by the bank. In such a case, offering bank guarantees for the SMEs loans through mutual guarantee fund or establishing competent institution offering such guarantee, or by cooperating with third parties such as SME representative organizations (e.g. business associations, chambers of commerce) would be beneficial. Here, guarantees institution could be financed by the government or banks themselves.
- Enhancing SMEs knowledge in the area of documentation. Here a crucial role should be done by the organization responsible for supervising this sector, by executing training courses designed for SMEs, especially in producing financial reports (cash flow – budget).
- Reducing information asymmetry of SMEs. Banks face the problem of lack of reliable financial information, which lead to high operational cost. This problem could be solved by establishing competent institutions offering such external rating.
- Designing programmes to support interest rate. Here, government or other agencies can run programmes to reduce SMEs cost of production, by subsidising portion of the interest rate required by banks.
- Facilitating and encouraging specialized banks for SME credit financing.

Endnotes

1. Sida is a government agency working on behalf of the Swedish parliament and government, with the mission to reduce poverty in the world.

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Understanding “Leavening No One Behind” Agenda of SDGs: Strengthening Statistical Data

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Introduction

*“As we embark on this great collective journey, we pledge that **no one will be left behind**. Recognizing that the dignity of the human person is fundamental, we wish to see the goals and targets met for all nations and peoples and for **all segments of society**. And we will endeavor to reach the **furthest behind first**.”¹*

“Leave no one behind” is a core principle of the SDGs endorsed by 193 countries. It emphasizes that **everyone** should be included and benefited in the progresses achieved by nations. More specifically, the rate of change for people currently left out of progress must be better than the average if they are not to find themselves left even further behind.

While the SDGs focused on the “**WHAT**” dimension, i.e. the outcomes that should be delivered, the “Leave no one Behind” focuses on the “**WHO**” - who has benefitted and who has been left out.

The commitment is to ensure that ‘Every person counts and will be counted; Every person has a fair opportunity in life no matter who or where they are, and People who are furthest behind, who have least opportunity and who are the most excluded, will be prioritized.

Some of the rationalities of the “leave no one behind agenda” include:

- It is literally impossible to achieve the SDGs without ensuring no one is left behind.
- Some SDGs have ‘zero- targets’ which require, for instance, the eradication of extreme poverty (1.1), the end of hunger (2.1) or universal access to electricity (7.1). It is not possible to reach a universal or zero-target whilst leaving anyone behind.
- Some goals and targets are about inclusion and equity in their own right. All of Goal 10 is about reducing inequalities and many targets mention aspects of *inclusion* and *equity*.
- No goal can be considered as met, unless *met for everyone* and therefore the Leave

no one behind imperative applies to all 17 goals.

Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDGs), also known as *Agenda 2030*, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The SDG are comprised of 17 goals and set ambitious targets for all countries, to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no *one is left behind* by the year 2030. The total number of SDG targets is 169. The SDGs cover a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment and social justice.

The SDGs replaced the Millennium Development Goals (MDGs), eight anti-poverty targets that the world committed to achieving by 2015. Unlike the MDGs, the SDG framework does not distinguish between “developed” and “developing” nations. Instead, the goals apply to all countries. The new SDGs, and the broader sustainability agenda, go much further than the MDGs, addressing the *root causes of poverty* and the universal need for development that works for all people.

The relevance of the to Leave No One Behind Agenda

Since 1990, reduction in extreme poverty has been extraordinary with many developing countries scoring impressive and sustained levels of economic growth. However, over this same period, the gap between the incomes of *the poorest 20percent of the world's people* and everyone else has widened.²

Extreme inequality is becoming far more acute, and those in the bottom income brackets have made the least progress against key development outcomes. Multiple and intersecting deprivations and inequalities lead to persistent exclusion of these poor people.

SUSTAINABLE DEVELOPMENT GOALS



While the rest of the society as a whole get better off, the poor are left behind. Without a concerted focus on the poorest people and the poorest countries, the most vulnerable will be left even further behind beyond 2015. Hence Improvement in their lives is crucial for the attainment of Agenda 2030.

‘Leaving no one behind’ agenda entails ending extreme poverty in all its forms, and reducing inequalities among individuals and groups. Some of the justifications for the agenda include:-

Key to ‘leave no one behind’ is the prioritization and fast-tracking of actions for the poorest and most marginalized people. If instead, policy is implemented among better-off groups first and worst-off groups later, the existing gap between them is likely to increase.

‘Leave no one behind’ goes well beyond being just an anti-discrimination agenda; it is a recognition that expectations of *trickle-down progress* are naïve, and that explicit and pro-active attempts are needed to ensure populations at risk of being left behind are included from the start.

Eradicating poverty cannot be achieved without reaching the most vulnerable groups. Hence empowering vulnerable groups is critical to ending poverty for everyone everywhere.

Due to age, socioeconomic status, gender, ethnicity and geography, vulnerable groups tend to be excluded from access to good education, health care, electricity, safe water and other critical services.

More gender focus to address the Leave no one behind agenda:

Poverty is severe to women than men. Girls and women in the poorest countries suffer a double hardship, of being both born in a poor country and being born female. The percentage of working women in vulnerable employment is 86.2percent in LDCs, three times higher than in non-LDCs. Almost half (45percent) of the world’s maternal deaths occur amongst the 13percent of the world’s women living in LDCs. In LDCs, girls are far more likely to miss out on vital education. In Ethiopia, for instance, the number of girls of primary age currently missing out on schooling is the same as the total number of girls in school in the UK. Focusing on girls and women is a crucial prerequisite for ending poverty.

The roles of Governments and Development Partners to address the Leave no one behind agenda

To reach the poorest and most marginalized people, governments must commit to a minimum level of spending to deliver basic

services, including health and education, to the poorest people in the poorest countries, while also increasing productive investments to boost growth and jobs. National governments are required to set out feasible national plans to deliver a guaranteed minimum level of spending on basic services such as health, education and water & sanitation.

Development partners should *well-target development assistance* to assist the efforts poverty improving welfare and broadening the reach of economic growth. In doing so, the most vulnerable people and the poorest countries can join in global progress over the SDG implementation years. To this end, development partners of developed nations are required to maintain their official development assistance (ODA) promises, including **0.7percent ODA/GNI**.

The need to improve Global Statistical System to track SDGs Progress

In order to realize the Leave no one behind agenda, there is a need to move beyond existing statistics that track *national averages* and move towards more and *better data disaggregated* down to the level of individuals. In other words, we need to count people, not averages.

National averages often mask wide disparities among population groups. The identification of people suffering from deprivation therefore requires *sufficiently detailed data across multiple dimensions*, including age, sex, geography and disability status, among others. Any global or national statistical system must ensure that the coverage and level of data disaggregation for the follow-up and review of the 2030 Agenda leaves no one behind.

National Statistical Systems (NSSs) need to *invest in the technology* and *skills* necessary to *collect and integrate data* from multiple sources, including integration of geospatial information with statistics and other data. This may imply making better use of traditional statistical surveys, censuses and administrative records. It also means harnessing the power of technology to leverage *new sources of*

data, such as from cell phone records, Earth observations, other sensors and social media. More citizen-generated data are also being used to monitor the needs and progress of vulnerable groups. However, new methodologies need to be developed to ensure the quality and reliability of such data.

Hence, strong statistical systems across the world are required to measure and incentivize progress across the SDG goals. It is estimated that a total of US\$1 billion per annum will be required to enable 77 of the world's lower-income countries to *catch-up* and put in place statistical systems capable of supporting and measuring the SDGs (SDSN, 2015).

Statistical data to Leave no one behind

To track SDGs targets and ensure the agenda of leave no one behind, it requires the use of *multiple types of data*, both what is in hand (traditional national accounts, household surveys and routine administrative data) and new sources of data outside the national statistical system, namely Earth observation and geospatial information, and Big Data, in general. Hence countries may possibly face huge gaps in terms of data collection, the open availability of data and analysis for evidenced-based decision-making. With rapid improvement of technologies, a greater volume and a wider range of data is increasingly available. In order to achieve the SDGs and leave no one behind agenda, the *National Statistical Systems* of countries must **lead the initiative** and assist in **producing the data for monitoring and evaluation of the SDGs and leave no one behind agenda**.

Statistical data for the Leave no one behind agenda comes from Censuses, Surveys and Administrative data. In conducting censuses, since it addresses all population (everyone), it surely addresses the leave no one behind agenda. However, censuses in practice consume a lot of budget. Besides, the longer time taken to complete a census usually compromises in addressing the leave no one behind agenda. Human skill improvement, more budget

allocation from governments to conduct census should be prioritized to address these gaps.

Surveys on the other hand consume less budget and time. However, by their nature, surveys took samples of populations and hence “will leave some people behind”. In order to take full advantages of surveys to address the “leave no one behind” agenda, the results of surveys should be presented in detailed (e.g. data disaggregation by age, gender, geography, etc.).

Administrative data plays a vital role in completing the statistical information system and it has to be one of official statistics. Data produced from administrative statistics is rich and it provides strategic information for decision making as it is produced continuously by the day to day activities of a given agency. The big challenge of administrative data is quality and synergy between agencies that produce the administrative data. Such data produced in one agency may not be open to others. In order to harvest the best of administrative data, countries should invest in improving quality of data and cooperation between agencies that produce the administrative data and those that use it.

Institutes can effectively use technology to better use administrative data. Manual data capture may miss detail information, but using computers for the purpose will ensure required data is captured. It also minimizes the time required to capture the data. Storage and central access is more efficient if computers are used instead of manual data entry and management.

Nations should encourage making their data open for the public. Once data is collected analyzed, it should be disseminated to the public in an accessible way. To this end, statistical data should be open to the general public. In order to address the issues associated with data dissemination and confidentiality, nations should develop and put in place a data dissemination policy.

The other challenge in getting proper statistical data is that statistical law in several countries is either weak or not reinforced for

implementation. For example, in Indonesia, in National Household Survey conducted every year, some households are not willing to give required data. The statistical law/act requires them to do so, but the challenge is that, the law does not apply to penalize such households. In addition, this problem is reflected in the process of Civil Registration and Vital Statistics (CRVS) of Indonesia.

While disaggregation is an important principle, it is also necessary to ensure that data is being collected on the right issues. Numerous data gaps remain in areas that are specific to women and girls and the challenges that are unique to their experiences. Most major surveys provide little information on gender identity or sexual orientation and little on people over the age of 49.

There are many people who are uncounted - especially those who are excluded. These include children without parental care, migrants and displaced people, people hidden within households - often people with disabilities, children who are not part of the biological family, and older people. Clearly population and civil registration data needs to become more comprehensive. But while this is happening, delivering and measuring results on leave no one behind requires at least awareness of the people who are likely to be missing from the data.

Measuring who has been left out of progress

Both disaggregated data and comprehensive population data are absent in many places across Least Developed Countries (LDCs) which are priorities for Leave no one behind. One of the effective strategy to address this challenge is supporting *technically and financially the National Statistical Offices (NSOs)* to provide SDG and leave no one behind relevant data.

National Strategies for the Development of Statistics (NSDS) provide a country with a strategy for developing statistical capacity across the entire national statistical system (NSS). The NSDS will provide a vision for where the NSS should be in five to ten years and will

set milestones for getting there. It will present a comprehensive and unified framework for continual assessment of evolving user needs and priorities for statistics and for building the capacity needed to meet these needs in a more coordinated, synergistic and efficient manner. It will also provide a framework for mobilizing, harnessing, and leveraging resources (both national and international) and a basis for effective and results-oriented strategic management of the NSS.

NSO and development partners should also emphasize to support increased access to and other existing sources of data and information, including administrative data. The use of models and estimates often mask the poor quality of the underlying data and hence more needs to be done for data capacity at the country level.

To build a better Leave no one behind information base, it is vital to:

- Assess the *state of data and information* on who is left behind. This includes documenting internal and external sources, so that there is good information on the availability of *disaggregated data*;
- Contribute to *organizational standards and processes* which are more likely to lead to inclusion. One such would be a standard that requires the timeframe over which results are expected to be achieved to be explicit. Timeframe is more significant for the poorest,- not only because of lower life expectancy or deprivations, like stunting, with life -long or even intergenerational consequences - but also because the rates of return are better from earlier investment. 'Later can mean never' for poorer people.

Where disaggregated data is available it is possible to see which groups are missing out. For instance, when UNESCO looked at access to education in Nigeria, they saw that the richest children have 9.7 years of schooling - the poorest 3.5. But within that they document substantial differences between rural and urban children and girls and boys. Most striking is the number of years of schooling received by

Hausa girls at 0.3 years - ten times less than the average for poor children and over thirty times less than richer children.

Improving statistical data for achieving the Leave no one behind agenda

How statistical data to measure the Leave no one behind agenda can be improved?

- *No more reliance on averages:* - data on averages inevitably masks the situation of the poor and excluded. Leave no one behind requires getting *beyond averages* and the need to count *every individual*.
- *Distributional analysis and disaggregated data:* - The leave no one behind requires that data is needed on relative progress between *different groups of people*, i.e. disaggregated data. The UN has already endorsed the principle of data disaggregated by income, gender, age, race, ethnicity, migratory status, disability and geographic location. People left behind must make faster progress than the rest of the population - if they don't they will be left further behind. This requires different data and different benchmarks of progress. Data needs to be disaggregated to show how different parts of the population are faring. Benchmarks cannot rest on a specified line or target, they have to measure the extent to which different people are being included in the rate of progress.
- *Counting people:* - *Getting to zero* demands a move away from prevalence data which tells about the probability of a result, to *population based data* - counting people and therefore investments in civil registration and vital statistics and censuses are required.
- *Timeframe:* - it's not only the *what* and the *who* that matters, it's also the *when*. There is an important *timescale aspect to the Leave no one behind imperative* - failure to address an issue now will mean that people remain even further behind in the future: if babies are born stunted, they will never fully recover. If children leave school illiterate, they may not get a second chance.

- **Solve data problems:** - by identifying specific needs of people and then convening governments, the *private sector and civil society* to meet those needs together. This approach has already placed weather data, financial services and other critical information in the hands of some of the world's poorest people. It should also ensure specific commitments to data transparency, e.g. open budgets, open contracting, geospatial data, etc.
- **Fill funding gaps:** - It is estimated that \$100–200 million each year is needed to allow 77 lower-income countries to effectively monitor the Global Goals. A trust fund, backed by donor funding in support of national-level plans, could help to deliver this.
- **Strengthen National Statistical Offices and data ecosystems:** - National Statistical Offices are the primary entity mandated at national level to produce, compile and report data for SDG monitoring. The greater data needs of the SDGs will significantly increase the burden on already over-stretched and under-resourced NSOs in many countries. NSOs are now being called upon to assume even greater responsibility in the SDG era as *coordinators* of broader data ecosystems including official as well as non-official stakeholders. NSOs need to acquire the *skills* to engage with stakeholders beyond the technical statistical community, including civil society, private sector, and development stakeholders now paying greater attention to the importance of data. On the other hand, such stakeholders require support to acquire the *data literacy skills* needed to use statistics and to produce data to meet their specific needs, in compliance with international statistical norms and standards.

IMPROVING STATISTICAL DATA IN VENEZUELA

The origin of the current National Institute of Statistics of the Bolivarian Republic of Venezuela goes back to 1871 when it was established as the

General Directorate of Statistics under the Ministry of Public Works. The country was then experiencing a knowledge gap in agriculture, livestock and trade as driving factors for the welfare of the country.

The statistical law in Venezuela remained unchanged between 1944 and 2001, which reflect the fact that development of statistical system was stagnant during most of the twentieth century. However, in 1997, the new National Statistics and Census Law was initiated with support of the United Nations Development Program. The law defines and regulates the statistical function in general and the operational relations of the State with the private sector in the area of statistics. It also defines the scope of the National Institute of Statistics, the technical director of the statistical activities of public order; as well as the National Statistical System (NSS). It mandates production of official statistics aimed at national planning and the exercise of popular power in public management.

The statistical act is based on:

- Law on Public Function of Statistics;
- Internal Regulations of the National Institute of Statistics;
- Official Gazette No. 40,604 dated February 19, 2015, Decree No. 1,613 whereby it names Raul Ernesto Pacheco Salazar as President of the National Institute of Statistics (INE);
- Organizational Manual of the National Institute of Statistics;
- Comments of the Organic Law of Administrative Procedures;
- General Regulation of the Public Function of Statistics;
- Official Gazette 40,443 dated 06-30-2014, Decree No. 1,077, through which the National Institute of Statistics (INE) is attached to the Ministry of Popular Power of Planning.

The program is based on international standards that fulfil the requirements of statistical operations relating to censuses, surveys and administrative registers of the INE; providing users with all the information

about existing data, their collection, processing and evaluation processes that are used in the generation and access. As a result, users can identify, locate and consult according to information needs. The metadata contribute to the users to link the statistical data in information related to the statistical process.

In this regard, the World Bank Data Group created the Microdata Management Toolkit at the request of the International Household Survey Network (IHSN), which was designed to address the technical problems faced by producers of data.

In this way, INE Venezuela joined the global Data Documentation Initiative (DDI) to strengthen the generation and documentation of statistical operations and metadata.

The imperative need for improvement of national statistical activity is not only tied to legal scope and standardization of the methodologies, but also related to updation of the data.

INE developed Institutional Strategic Plan for the period 2014-2019 (PEI 2014-2019) to guide and lead statistics management. The design and formulation of the plan started with scrutiny of the results of the previous plan (2009-2013). Significant progress was made during that previous plan. Therefore, this new plan seeks to give continuity to the course of action that have been developed, deepening the progress made in the last four years, in addition to the incorporation of new areas and topics associated with national statistical development.

The strategic plan is integrated with the Nation's Economic and Social Development Plan (2013 - 2019) and hence contributes towards monitoring and managing national projects in the country.

In addition, modernization of Statistics mainly by improving technology and infrastructure of statistical processes improves the measurement of social, demographic and economic variables. Besides the plan enabled national and international compatibility. In the NSS of Venezuela (SEN), harmonization of statistics, using statistical methodologies,

development of information system and collaboration of information improved the data management system.

Conclusion

- The SDGs cannot be achieved without achieving the Leave no one behind. Several SDGs have zero targets and overall, the goals are only achieved, if achieved for everyone. Development Cooperation therefore has to take this into account.
- Leave no one behind means that people must be included in progress - and at a rate which, at a minimum, does not widen the gap between them and everyone else.
- Averages and generalized progress are not enough because they do not reveal who is missing. Leave no one behind puts as much emphasis on WHO benefits as on WHAT has been delivered.
- Supporting and strengthening of the National Statistical System, mainly on building and implementing country relevant National Strategy for the Development of Statistics (NSDS) is crucial to ensure nations collect, process and disseminate quality statistical data.
- Modernization of management of administrative data mainly using technology is crucial for the improvement of data utilization to address the leave no one behind agenda.

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VI

Global Governance and Terrorism– A R2P Approach From The South

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i. Introduction

Violent extremism is one of the current serious challenges of the international community. The fight against terrorism has been a central point in the international security agenda since the last year. In discussing the rationale of terrorism, while suicide attacks are by nature-irrational or fanatical, the leadership groups that direct them are not. In terms of strategy, suicide terrorism follows a strategic logic rather than a religious fanaticism, specifically designed to coerce modern liberal democracies into making significant territorial concessions, and that is why terrorism is predictable.

The essence of Demonstrative Terrorism (DT) is about gaining publicity to recruit people and/or attention of the international community. The foundation of DT follows the guideline of “terrorists want a lot of people watching, not a lot of people dead”. Addressing of the recruitment process is a critical issue when preventive policies are to be formulated. “Middle powers” have been pushed for a foreign policy to promote international norms and mediate international disputes. One of those emerging international norms is the Responsibility to Protect (R2P) doctrine. The R2P concept was born almost at the same time of the Third Generation of Violent Extremism, after the New York attack in 2001. The R2P principle would be our theoretical framework for this study, and its three pillars would be described in the following section.

Middle powers are supposed to play a more significant role as responsible contributors to the world peace and progress. If middle powers adopt passive foreign policies, their credibility would be damaged within the international community. Unless those countries consistently uphold international norms and principles, they would encounter setbacks in finding international support when dealing with national and regional conflicts. It may incur short-term costs. Middle powers

policies would serve long-term national interests by winning international support and trust for achieving a peaceful live.

The international community should treat terrorism as a global issue. Hence, it is essential that, in a multilateral context, countries take action decisively. The first effort of the international community should be focused on establishing a precise definition of terrorism that does not allow extensive interpretations.

Since the beginning of the fight against terrorism, it has not been devoid of excesses by its addressers. This occurs as a consequence of the ambiguity and the relative recent emergence of the third generation of global terrorism. The ambiguity in the concept of terrorism and its consequent relativism is something that happens with increasing frequency.

The struggle against terrorism and the Countering Violent Extremism (CVE), by its noble cause, must be part of the actions taken under the international law. International humanitarian law must be taken into account to avoid a major catastrophe, in which civilians, who mainly motivate interventions, end up to be the most affected. The fight against violent extremism is perhaps the first issue in the international arena and it affects whole world. Therefore, several actors are being involved, and each country has a different agenda in foreign policy and geo-strategy.

Terrorism is a scourge today; of which no nation is immune. The numerous attacks that have occurred in the recent years in different parts of the world attest this. It is a phenomenon that is growing and becoming entrenched in a growing number of countries despite national, regional and international efforts to get rid of it permanently. It poses a serious threat not only to the security of people and their property, but also to the security, stability and cohesion of countries, and even more so to the universal values, uniting humanity, namely tolerance, dialogue, respect for others and coexistence in diversity.

Terrorism is equally a serious threat to organizational models of human societies in their wide variety. History shows that this scourge is not related to any religion, culture or civilization, but has always been fuelled by extremist thinking and violent rejection of difference. Fighting this threat is a challenge that challenges countries with strength individually and collectively. It requires them to inevitably record their responses to this scourge in a long run.

Terrorism has developed a strong capacity for survival, resurgence, adaptation, evolution and mobility, and disappears where it is effectively combated and spreads where conditions are favourable, that is to say in situations of chaos, of lawlessness or facing weak or failing states.

It is at the international level that this struggle can be fought through global governance, which can provide concrete answers to the situation by promoting bilateral, regional and international multi-sectoral cooperations, responding to real needs of the common struggle, and necessarily against terrorism;

by effective and unconditional mobilization of capacity-building resources, where they are most lacking in confronting this scourge; by economic, trade and financial relations driven by promotion of truly shared prosperity and not by unfair power struggles, national egoisms and / or blocs, and a greater democratization of international relations; and by strengthening multilateralism instead of unilateralism and the great risks it poses for peace, security and international cooperation.

The strengthening and consolidation of democracy and democratic spaces, both internally and internationally, must be the primary concern of the States and the international community and the primary response to extremist ideologies and attacks on terrorism.

ii. Theoretical Framework

According to the former United Nations Secretary-General, Ban Ki-Moon, the R2P principle entails three mutually-reinforcing 'pillars' that stipulate that:

- Each State bears the primary responsibility to protect its population from genocide, war crimes, crimes against humanity and ethnic cleansing.
- The international community has a responsibility to assist States in fulfilling this responsibility.
- The international community has the responsibility to use appropriate diplomatic, humanitarian and other peaceful means to protect population from these crimes. Should peaceful means be inadequate and national authorities manifestly fail to protect their population, the international community is prepared to take timely and decisive action, including use of enforcement measures, authorized by the United Nations Security Council, to protect populations.

iii. Country Experiences

ALGERIA

It firmly believes that prevention and fight against terrorism still requires a high level of vigilance, mobilization and multi-faceted cooperation at the national, regional and international levels. It is in this context that Algeria has worked to improve regional and international cooperation

Algeria was designated as the coordinator of Africa for fight against terrorism and extremism by creating a working group on counter-terrorism capacity-building in the Sahel region. Within the Maghreb, in full respect of the universal principles of State sovereignty and non-interference in the internal affairs of other countries, Algeria has committed itself to the United Nations as part of the consolidation of efforts for the exchange of expertise in this

area and by strengthening cooperation at the bilateral, regional and international levels.

It is clear that this battle cannot be limited exclusively to the repressive dimension, but must deploy, upstream and downstream, a coherent political strategy.

Therefore, the Algerian authorities have adopted a strategy of struggle aiming to put society at large, and each citizen, away from any influence or manipulation by the proponents of violent extremism and terrorism. This strategy is available on several levels. It is based on the continuous deepening of participatory democracy, the rule of law and social justice as well as the promotion of development, which offers equal opportunities for every citizen.

ECUADOR

It has no experience of terrorist attacks since almost thirty years. However, on 27 January 2018, at least 23 police officers were wounded by a car-bomb that exploded after midnight Friday outside the police station in Ecuador. The powerful blast occurred in the border town of San Lorenzo near Colombia. It also ripped a three-storey police station and destroyed several adjacent homes. Ecuadorian President Lenin Moreno condemned the attack on Twitter and instructed police to investigate the incident. The president defined the attack as a “terrorist incident” linked with drug traffickers and declared a state of emergency in that region, vowing to take all “necessary measures” to combat gang crimes.

The Ecuadorian Secretary of Intelligence is following the established procedure with the cooperation of its counterparts in Colombia and the U.S.

INDONESIA

Southeast Asian countries have been struggling with issues related to radicalism and terrorism. In the aftermath of 9/11 tragedy, the U.S. made a global declaration against terrorism and the region of the Southeast Asia is an important

front in this agenda. The Southeast Asia is notably vulnerable to transnational nature of contemporary terrorism. Terrorism occupies an important part of the security discourses of the region countries, where the Association of Southeast Asian Nations (ASEAN) plays a significant role.

The ASEAN countries responded fast to counter evolution of the terrorist groups. Members of the ASEAN signed on 5 November 2001 the Declaration on Joint Action to Counter Terrorism (DJACT) (Christopher M. Dent, 2016). The ASEAN leaders agreed to follow-up on the implementation action to fight terrorism with some practical measures such as to strengthen national mechanism to combat terrorism, to strengthen cooperation and coordination, to develop regional capacity-building programmes to enhance existing capabilities of ASEAN member-countries and other tactics.

Afterwards, ASEAN reached for a response from the other regions to various criminal acts of terrorism in Southeast Asia. The trilateral relations, which prevent the movement of Islamic jihadists in the region, have existed till late. For example last year in 2017, Indonesia, Malaysia and Philippines also vowed to work on enhancing intelligence and information sharing; stopping flow of terrorist financing; containing spread of terrorism and terrorism-related content in cyberspace, particularly social media; and preventing and suppressing exploitation of technology and dissemination of terrorist messages.

Indonesia is a founding member of the recently launched Global Counter-Terrorism Forum (GCTF), and presently co-chairs Southeast Asia working group with Australia. In the ASEAN, Indonesia has taken the initiative of military cooperation as an action to counter terrorism. This has received limited response owing to member-states’ sensitivities and national sovereignty concerns (Chezter Cabalza; the Diplomat).

The ASEAN value of non-interference is a vital principle. This unique emphasis could be considered for addressing transnational crimes, like terrorism. Terrorism remains a sensitive topic, since it hinges on sovereignty issues. Thus, a coordinated action was difficult as countries in the Southeast Asia, such as Malaysia, Indonesia and the Philippines share strong geographical bonds and are affected by extremism to a similar degree; thus, increasing cooperation to tackle transnational movement of terrorists between them is an obvious priority. However, it is unclear whether other member-states would benefit to the same extent. For example, countries such as Laos or Cambodia may face economic difficulties in complying with stricter counter-terrorism rules dictated by the ASEAN, both due to budget constraints and to the likely extensive legislative changes that such a strategy would entail (Chezter Cabalza; the Diplomat). Combating terrorism requires a thorough analysis and assessment from counter- terrorism agencies, inter-agency coordination, intelligence sharing, improved institutions, and enhanced military capabilities. Any war on terrorism must be comprehensive in its approach; cooperation is especially important in combating threats.

iv. Counter-Terrorist Financing Measures

Effective fight against terrorism is impossible without reliable information on overlapping of sources of its financing. Thus, one of the key components of an integrated and comprehensive approach to combating terrorism is counter-terrorist financing measures.

In 1999, the International Convention for the Suppression of the Financing of Terrorism was adopted¹. According to Art. 8 of the Convention, “each State shall, for the purpose of possible confiscation, apply, in accordance with the principles of internal law, measures to identify, detect, block or arrest any funds used or allocated for the purpose of committing offenses within the scope of the Convention,

as well as money received as a result of such crimes”.

Within the framework of the Convention, practical steps have been developed to create an effective system for monitoring financial flows both at the international level and national level. The priority of such a trend of international cooperation in combating terrorism was established by Resolution 1373, adopted by the UN Security Council on 28 September 2001² at the 4385th meeting, which, among the main counter-terrorism measures, identified joint actions to liquidate its financial flows. It states that “all States have:

- a) To prevent and stop financing terrorist acts;
- b) Criminalize intentional transfer or collection of funds by any means, directly or indirectly, by their citizens or on their territory for use (or with the intent to use) to commit terrorist acts;
- c) Immediately block funds or other financial assets or economic resources of persons who commit or attempt to commit terrorist acts or participate in or contribute to the commission of terrorist acts; of organizations directly or indirectly owned or controlled by such persons, as well as persons and organizations acting on behalf of or at the direction of such persons and organizations, including funds received or acquired through ownership that are directly or indirectly owned or under the control of such persons and persons and organizations associated with them;
- d) To prohibit its nationals or any persons or entities in its territory from providing any funds, financial assets, economic resources or financial and other related services directly or indirectly for use in the interests of persons who commit or attempt to commit terrorist acts , or take part in committing terrorist acts or facilitate their commission; and organizations directly or indirectly owned or controlled by such persons, as well as persons and

organizations acting on behalf or at the direction of such persons”.

Most countries, observing the norms of international law, adopted national (domestic) legislation on the problem of combating terrorism. It is necessary to extend this practice globally.

The important role in combating terrorism is played by the Financial Action Task Force (on Money Laundering) (FATF), also known by its French name, Groupe d’action financière (GAFI)³. The FATF is an intergovernmental organization founded in 1989 by the Ministers of its Member jurisdictions on the initiative of the G7 to combat growing problem of money laundering. In 2001, its mandate expanded to include terrorism financing. At the time of its formation, FATF had 16 members, and presently comprises 35 member jurisdictions and 2 regional organisations, representing most major financial centres in all parts of the globe.

The FATF has developed a series of Recommendations, which are recognised as the international standards for combating money laundering and financing of terrorism and proliferation of weapons of mass destruction. The recommendations form the basis for a co-ordinated response to these threats to the integrity of the financial system and help ensure a level playing field. First issued in 1990, the FATF Recommendations were revised in 1996, 2001, 2003, and most recently in 2012, to ensure that they remain up-to-date and relevant, and they are intended to be of universal application.

The FATF monitors progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting international financial system from misuse.

At present, FATF’s work focuses on the following areas, set out in detail in a FATF Consolidated Strategy on Combating Terrorist Financing .

- Improve and update the understanding of terrorist financing risks- Ensure that the FATF Standards provide up-to-date and effective tools to identify and disrupt terrorist financing activity;
- Ensure countries are appropriately and effectively applying the tools, including UN Targeted Financial Sanctions, to identify and disrupt terrorist financing activity;
- Identify and take measures in relation to any countries with strategic deficiencies for terrorist financing;
- Promote more effective domestic coordination and international cooperation to combat the financing of terrorism.

An important aspect of the FATF’s work is to identify and research the most prevalent trends as well as new terrorist financing sources and the methods that terrorist use to manage their assets, and to raise awareness with countries and financial institutions. Understanding how a terrorist organization raises, moves and uses its funds is critical to choking of the funds and for disrupting their atrocities.

The FATF’s key reports include: Financing of Recruitment for Terrorist Purposes, January 2018 ⁴; Terrorist Financing in Central and West Africa, October 2016 ⁵; Emerging Terrorist Financing Risks, October 2015 ⁶; Financing of the Terrorist Organization Islamic State in Iraq and the Levant, February 2015 ⁷ and other typologies reports.

The new risks appeared with the globalization trend, with the spreading of free trade agreements and customs unions, which assist to liberalization of movement of goods, services and people. These allow criminals and their money to move easily from one jurisdiction to another, as they seek less regulated areas of the world to hide.

Introducing effective mechanisms to counteract such a movement currently, which should include information sharing, technology and training, is one of the most pressing challenges. With increasing global threats, it's more important than ever for law enforcement, regulatory agencies and the banking industry to collaborate. And, vast massive of data make it hard to anticipate, protect and combat criminal activity. So, utilizing more statistics and ensuring that statistics used is robust would be a common trend.

In December 2016, the European Commission presented a set of measures to combat financing of terrorism, strengthen border control, and improve Schengen Information System (SIS). The specified complex provides for increased control over the transportation of cash and gold at the time of crossing the EU borders. Suspects should be thoroughly checked, even if they import less than 10,000 euros in the EU. In order to increase the effectiveness of cash controls and bank cards sent by post, more powers would be gained by the customs authorities. The European Commission also proposes the introduction of general rules on combating money laundering and elimination of funding sources for extremist organizations.

As from 1st January 2018, the new regulations have come into force within the European Union, implementing the relevant provisions on beneficial ownership information under the Fourth *AntiMoney* Laundering Directive, which aims to boost tax transparency, fight tax evasion, prevent money laundering and the financing of terrorism by identifying any natural person who exercises ownership and control over a legal entity, express trust, foundations or associations⁹.

The Fourth Anti-Money Laundering Directive imposed the requirement on EU member- states to ensure that companies and other legal entities or arrangements incorporated in their territory hold adequate, accurate and current information on their

beneficial ownership. This information should also be maintained in a central register in each member- state.

The basic requirements ushered through by the Regulations can be categorised into three – (i) the establishment of an internal register of beneficial ownership to be maintained by the legal entity; (ii) reporting obligations; and (iii) the establishment of a central register of beneficial ownership to be maintained by the Registrar of Companies.

So, as from the 1st January 2018, a company shall be obliged to gather and keep adequate, accurate and current information on its beneficial owners and shall be required to incorporate this in a Beneficial Owner Register to be kept at its registered office. Such information shall include at least the following – Name; Date of birth; Nationality; Country of residence; Official identification document number indicating type of document and country of issue; Nature and extent of beneficial interest held. A company shall be obliged to record any changes to the nature and extent of the beneficial interest as well as the effective date on which natural person becomes or ceases to be a beneficial owner or has increased or reduced his beneficial interest in the company.

Disclosure of certain information on its beneficial owners to the Beneficial Owner Register is an important step towards reducing the risks and threats of financing the terrorism. At the same time, in the world practice, there is still no example of an effective mechanism for verifying accuracy of information about beneficial owners. The development of such a mechanism obviously would require free access to information from different countries.

Initiatives by Ukraine

Ukraine actively participates in the international activities in the field of prevention and counteraction to the legalization (laundering) of proceeds from crime, terrorist financing and financing of the proliferation of weapons

of mass destruction, carried out within the framework of the FATF, the Committee experts of the Council of Europe for the Evaluation of Measures against Money Laundering and Terrorist Financing (MONEYVAL), the European Union, the Council of Europe, the World Bank, the International Monetary Fund, the Egmont Group and financial intelligence units, and other international organizations and institutions.

Ukraine has created a profile law as well as a single state system of prevention, response and termination of terrorist acts and minimization of their consequences, and has defined the decision-making procedure in the relevant sphere. This is a necessary basis for ensuring a successful counter-terrorism. To implement updated FATF Recommendations, the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime, Terrorist Financing and Financing of the Proliferation of Weapons of Mass Destruction" was adopted by the Parliament in 2014. This Law aims at protecting the rights and legitimate interests of citizens, society and the state, ensuring national security through the definition of a legal mechanism for counteraction to the legalization (laundering) of proceeds from crime, the financing of terrorism and financing of the proliferation of weapons of mass destruction, as well as creation of a nationwide multi-source analytical database to provide law enforcement agencies of Ukraine and foreign countries with the opportunity to detect, verify and investigate crimes related to laundering funds and other illegal financial transactions.

The Government of Ukraine together with the National Bank approves annually a plan of measures for preventing and counteracting the legalization (laundering) of proceeds from crime, financing of terrorism and financing of the proliferation of weapons of mass destruction, which defines measures aimed at ensuring effective functioning of the national anti-money laundering system (legalization), the proceeds

from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, as well as the introduction of social legislation Recommendations FATF.

The plan also includes measures aimed at preventing creation of conditions for legalization (laundering) of proceeds from crime, financing of terrorism and financing of the proliferation of weapons of mass destruction, thus minimizing the risks of using the financial system for the purpose of legalization (laundering) of proceeds from crime, financing of terrorism and financing of the proliferation of weapons of mass destruction, and increasing efficiency of law enforcement and other authorized state authorities and development international cooperation.

In 2015, the Ukrainian Government adopted the Strategy for the Development of the System of Prevention and Counteraction to Legalisation of the Proceeds from Crime, Terrorist Financing and Financing the Proliferation of Weapons of Mass Destruction for the period up to 2020.

The purpose of this Strategy is legislative, organizational and institutional improvement and ensuring stable functioning of the national system for prevention and counteraction of the legalisation (laundering) of the proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction.

Among other measures, the Strategy includes the following – creation of conditions and possibilities for the establishment of final beneficiary owners (controllers); development of the audit legislation in accordance with Regulation (EC) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements for the statutory audit of public interest entities that cancels Decision Commission 2005/909 / EC; Implementation in national legislation of the European Parliament and Council Directive 2006/8 / EC of the European Parliament and of the Council on the prevention of money

laundering and the fight against terrorism, which amends Regulation (EC) No 648/2012 of the European Parliament and of the Council and repeals Directive 2005/60 / EC of the European Parliament and of the Council and Directive 2006/70 / EC of the Council and Commission; further implementation of the FATF Recommendations, the United Nations Convention against Corruption, the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and the Financing of Terrorism, as well as other international instruments.

In August 2017, Ukraine has opened the data on beneficiaries of Ukrainian companies. The data from State Register records all basic information and makes this available to the public online, on the Unified State Portal of Open Data (data.gov.ua). Also Ukraine has become the first country in the world to join the Global Register of Beneficiary Owners (register.openownership.org). The register is being created by leading transparency and anti-corruption organisations, and would enable governments to crack down on crime, would allow companies to verify who they are really doing business with and would empower civil society to investigate and campaign against injustice. By linking beneficial ownership data from worldwide corporate registries and other sources, and allowing a clear, consistent mechanism for data collection, the *Open Ownership* Register would provide that solution. Alongside the Register, *Open Ownership* is developing a universal and open data standard for beneficial ownership, which would provide a solid conceptual and practical foundation for collecting and publishing beneficial ownership data.

This new approach is under development now and requires further efforts and involvement of countries all- over the world. One of the most important, crucial and open issues for the present scenario relates to implementing systems and controls to ensure that the local entity is kept updated with changes

to beneficial owners and can hence comply with its obligation to maintain internal registers, which are adequate, accurate and current. But effective solutions to these challenges would contribute to operating system on financing terrorism offences.

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