UNCITRAL Colloquium on Contractual Networks

The Role of MSMEs & Entrepreneurship in Achieving the SDGs

Chantal Line Carpentier, Ph.D
Chief of UNCTAD New York Office
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Outline

• Role of SMEs and entrepreneurship in achieving the SDGS
• Major constraints
• Role of UNCTAD
Importance of SMEs

- SMEs are main engine of employment: 60-70% of formal employment in developing countries and 80% in SSA
- Direct contribution to Agenda 2030 particularly on SDG1 and SDG8, SDG9, SDG11, & SDG12
- One of best levers to address challenge of creating 600 million new jobs by 2030 (mostly for youth)
- Can enhance MSMEs contribution, by helping them provide sustainable & inclusive goods and services
Entrepreneurship for development and the SDGs:

4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
Transformational entrepreneurs create new products and business models; they offer dignified employment; their success leads to broader improvements in the quality of life and even bolsters fiscal sustainability.
Major Constraints
Constraints to harnessing MSMEs potential

- Lack of competitiveness
  - Lack of affordable reliable electricity
- Increasing difficulty in joining regional and global value chains
- Huge financing gap
- Informality
- Digital divide
42% of LDC firms identify electricity as a major constraint.

3/4 experience an average of 10 outages per month, lasting 5 hours each.

7% revenue lost due to outages.

Electricity generation capacity per person in LDCs is 1/12 of that in other developing countries (ODCs) and 1/50 of that in developed countries.
Local entrepreneurs face severe constraints in completing process of upgrading within GVCs

**Agricultural** VCs: short, limited processing, mostly domestic

**Clothing** GVCs: Mostly low value-added segments with limited prospects for local entrepreneurs
Trade Financing GAP, required by 80% of trade, $1.5T gap
60% of SMES requests rejected,

**Figure 14: Number of active correspondent banks in each region, 2011-2017**
(index, 2011 = 100)

Source: FSB
Note: Correspondents are counted multiple times across corridors, but not across message types and months.
Constraints on LDC Entrepreneurship

Registration costs are disproportionately high...

→ Many firms test the waters by starting off informal
Regional average values in UNCTAD B2C E-Commerce Index 2016

- Developed economies
- Western Asia
- World
- Transition economies
- Latin America and the Caribbean
- South, East and South-East developing Asia
- Africa

Source: UNCTAD
UNCTAD Role

1. Entrepreneurship Policy Framework (EPF)
2. Policy Guide on Youth Entrepreneurship
3. Policy Guide on Entrepreneurship for Migrants and Refugees
4. Empretec
5. Business Linkages Programme
6. Business Facilitation
UNCTAD’s Policy Work on Entrepreneurship and MSMEs

H.E. Mr. Alan Kyerematen, Minister of Trade and Industry, Ghana, and Dr. Mukhisa Kituyi, Secretary General of UNCTAD at the World Investment Forum 2019
UNCTAD Entrepreneurship Policy Framework

Key components of an entrepreneurship policy framework

1. Formulating National Entrepreneurship Strategy
2. Optimizing the Regulatory Environment
3. Enhancing Entrepreneurship Education and Skills Development
4. Facilitating Technology Exchange and Innovation
5. Improving Access to Finance
6. Promoting Awareness and Networking
Empretec

- UN capacity building programme coordinated by UNCTAD
- To promote the creation of sustainable and competitive SMEs, enhance their absorptive capacity for investment & facilitate their trade-related opportunities
UNCTAD’s Empretec programme

Programme starts in Argentina

1988

2019

470,000+ graduates
50 countries
30 years of success
15 pending requests
MEANS OF EMPRETEC FACILITATION

1. Empretec centers installations and organization of Empretec workshops (ETWs); including a pilot ETW
2. Integration of Empretec into the SME supplier development programmes
3. Empretec Women in Business Award initiative
4. Promotion through UNCTAD intergovernmental discussions and policy advise activities
UNCTAD’s Business Linkages Programme

- SME-MNE business linkages serve as catalysts for SME suppliers’ upgrade and their integration into Global Value Chains (GVC)
- Programme active in Argentina, Benin, Brazil, Mozambique, Peru, Uganda, Tanzania and Zambia
- Facilitates the adoption of environmental and labor standards
- Inclusion of the poorest segments of the population, especially in rural settings
- With Empretec as key component
- Entrepreneurship policies integrated with industrial, rural and STI policies
Before/after intervention comparison of gross margin per farmer and average gross margin per hectare on a group of beneficiaries (2014/15 harvest: before intervention; 2015/16 harvest: after intervention)
UNCTAD Business Facilitation Program

- Started in 2005
- Aims to help governments improve the enabling environment for business by streamlining administrative processes and mobilizing technology.
- 68 Systems implemented in 37 Countries,
- 2993 procedures online, 80% reduction of steps, forms and documents
The BioTrade Initiative of UNCTAD – launched in 1996 – aims to promote trade and investment in biodiversity derived products and services to further sustainable development.

**What is BioTrade?** Activities of collection, production, transformation, and commercialization of products & services derived from **native biodiversity** under the **criteria of environmental, social, and economic sustainability**.

**BioTrade Principles**

- P1. Conservation
- P2. Sustainable use
- P3. Equitable benefit-sharing
- P4. Socio-economic sustainability
- P5. Legal compliance
- P6. Respect for actors’ rights
- P7. Clear land tenure & resources access

**Methodology to develop and strengthen biodiversity-based value chains**

1. **Identification of sectors with potential**
   - Verification of BT P&C, Formulation & implementation of VC/company work plans

2. **Selection of sectors/value chains**

3. **Participatory assessment of the sectors/value chains**

4. **Formulation of the sector strategy**

5. **Implementation, M&E and redefining the strategy**
Examples of Support Provided

- **Production/collection**: Post-harvesting, Processing, Commercial, Consumption

- **National and international policy frameworks**: incentives, identify/address barriers: gaps or duplicity, NTMs, emerging issues: Nagoya Protocol, CITES traceability, immigration, circular economy...

- **Market access**: e.g. B2B programmes, market intelligence, trade fairs & commercial missions, market differentiation, documentation(traceability)

- **Supply chain management**: processing and quality improvements, GAPs, management plans, resource assessments, ABS

- **Enhance business capacity of SMEs**: organization, business plans, coaching & training on business skills

- **Funding**: credits, factoring, PPPs, grants
BioTrade is implemented by partners – government, companies, associations, NGOs, academia…

- 20+ countries implementing BioTrade in Africa, Asia, LAC... and Europe
- €4.4 bn in sales of BT companies/associations
- 3,500 value chains supported
- Around 5 mil beneficiaries (producers/farmers, collectors/hunters, workers)
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5. Business Linkages Programme
6. Business Facilitation
8. STI Policy Reviews
   ▪ Co-chair of STI Forum with DESA
9. Jack Ma, special advisor on youth entrepreneurship, $10M African Young Entrepreneur Fund