

# SMEs and Sustainable Development: Challenges & Opportunities

UNCITRAL Panel on “Challenges faces by MSMEs in the  
modern economy: selected reasons behind networks of MSMEs

A presentation to:  
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# ITC' SME Competitiveness Outlook (SMECO)

## Themes:

- 2015 : Connect, compete and change for inclusive growth
- 2016: Meeting the standard for trade
- 2017: The region: A door to global trade
- 2018: Business Ecosystems for the Digital Age
- 2019: being produced





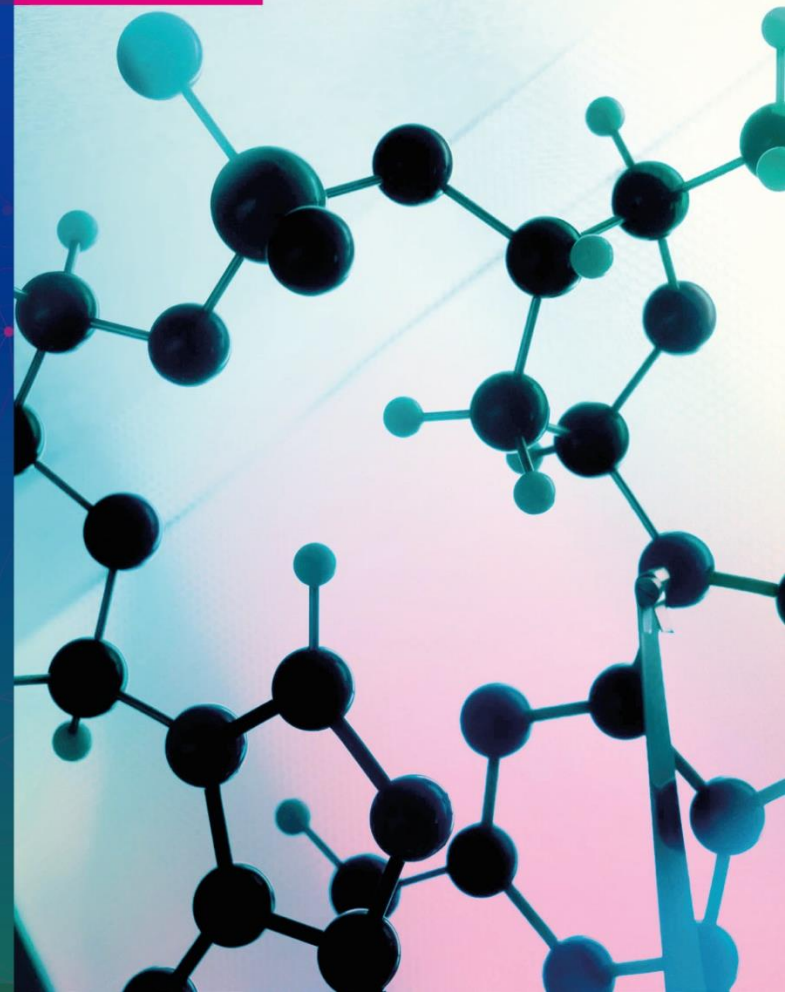
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## SME COMPETITIVENESS OUTLOOK

2015

**Connect, compete  
and change for  
inclusive growth**



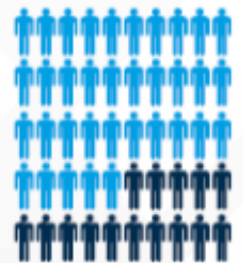
# Why SMEs are important? What matters for SMEs, matters for your people

Productivity increases of SMEs can contribute to growth and to inclusiveness at the same time



**SMEs** represent  
**95%** of **FIRMS**  
in the world

& nearly **70%**  
of **EMPLOYMENT**  
in the world



# SME characteristics: Productivity and wages

- SMEs are generally less productive than large firms
- The gap is larger in developing countries
- A similar pattern is observed in wages



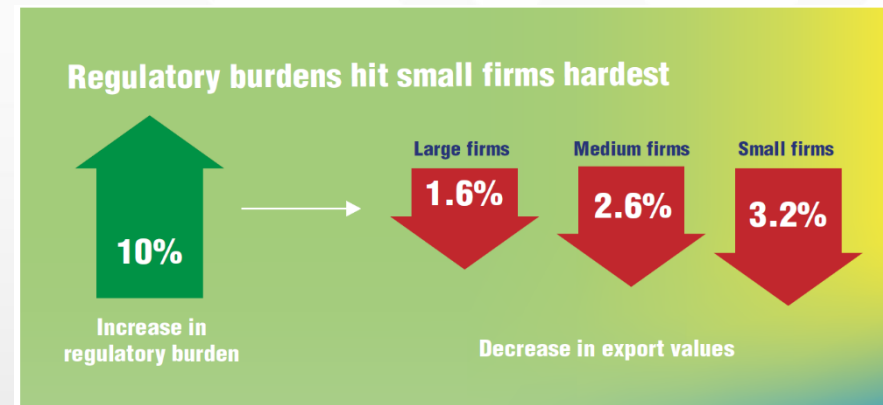
Source: OECD-UN-ECLA C (2013)



# SMEs face challenges directly related to their size (i)

- SMEs struggle to gain **access to information on export opportunities**...
- ...adding to other challenges to meet **mandatory and voluntary standards**...
- ...calling for stakeholders to facilitate SME implementation and verification of standards

**INFOGRAPHIC** When asked, SMEs express a strong desire for information about export opportunities.



# SMEs face challenges directly related to their size (il)

- SMEs still suffer from a **lack of funding for working capital and investment needs**.
- SMEs struggle to attract high quality workers due to inadequate market supply...
- ... as well as their own **limited ability to train their own employees**
- Technology adoption and scope for innovation are often weak among SMEs...
- ...**logistics costs** relative to sales are significantly higher for SMEs than for large firms

# Pooling resources to overcome challenges (i)

- Due to small sizes, SMEs have limited political bargaining power...
- ...for which they can compensate by working with **trade and investment support institutions**...
- ...**regional networks** also provide support



## Regional networks boost national institutions through:

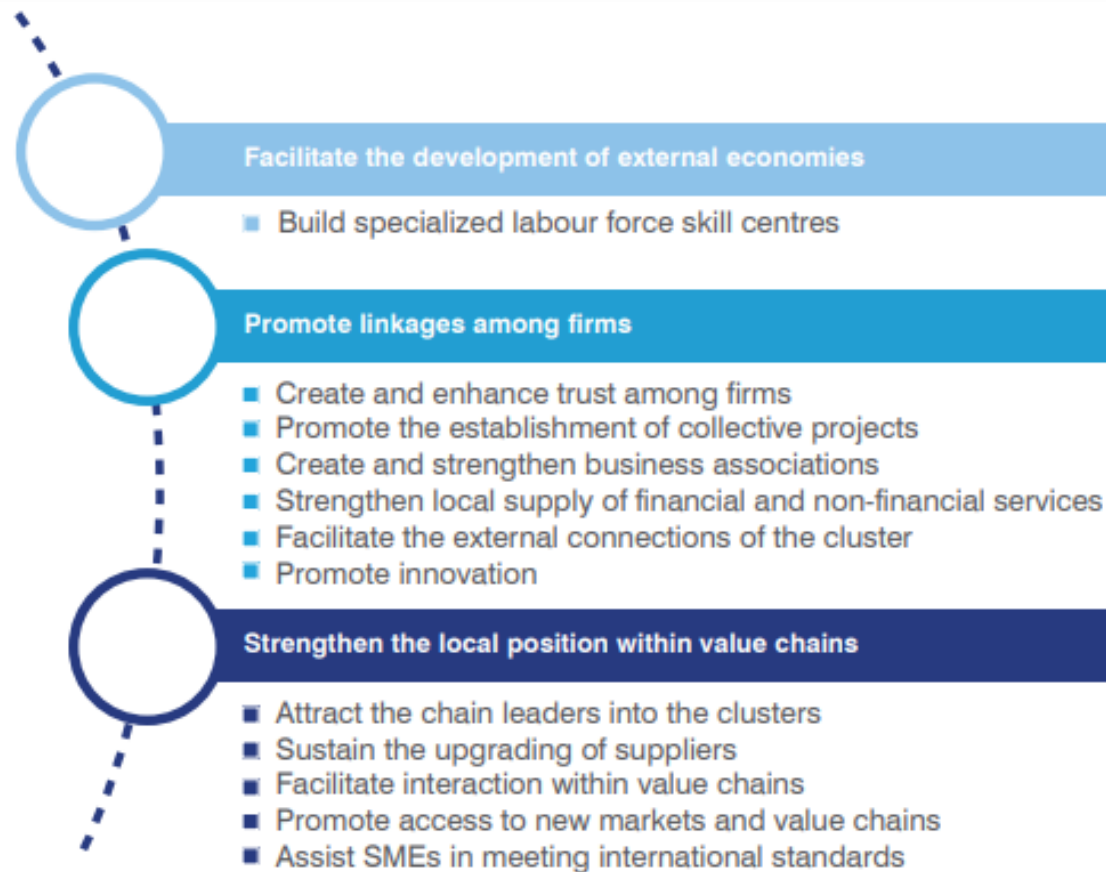
	Regional information exchange
	Joint value chain and branding strategies
	Coherence between national and regional policies
	Joint capacity building
	Joint trade and investment promotion



# Pooling resources to overcome challenges (ii)

- ...or by **forming clusters** ...
- Clusters can help SMEs to improve their **productivity, innovation and overall competitiveness**. What makes clusters potentially beneficial to SME competitiveness are the opportunities of '**collective efficiency**', derived from both positive external economies and joint actions.
- Clusters can **facilitate innovation spillovers** ... cluster development policies can help to develop local competitive factors and strengthen linkages.

# A menu for cluster development (SMECO 2015)



Source: Pietrobelli, Carlo and Roberta Rabellotti (2006).

# Firms connected to international markets are more productive and create more employment

In Tunisia, being connected to international markets ...

- boosts firms' **productivity by 143%**
- raises firms' **profitability by 196%**
- increases firms' contribution to **job creation by 16%**

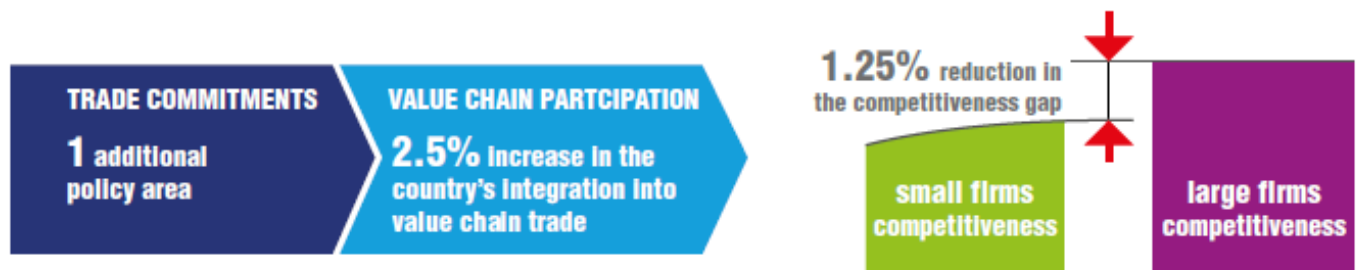


Source: Baghdadi (2015)

## SME competitiveness matters for inclusive growth

# Deep integration: part of the toolkit for inclusive growth

## Reducing the competitiveness gap

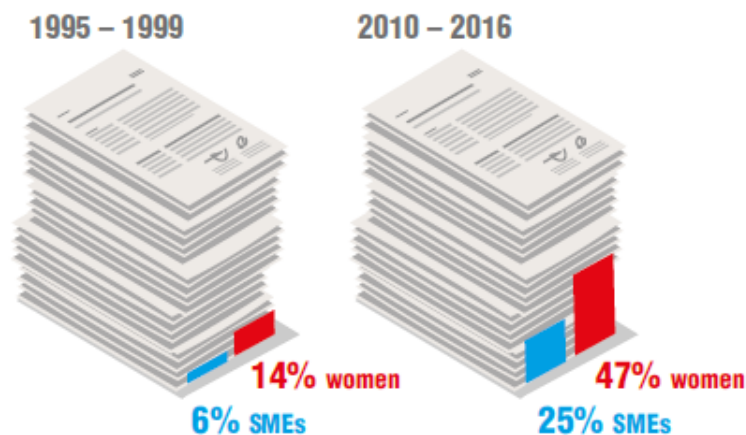


**For example, deepening Ecuador's commitments by one policy area can reduce the competitiveness gap, making it comparable to that of Slovakia.**

# How much coherence on inclusiveness policies?

## Women, SMEs now get more attention in trade agreements

In recent trade agreements, gender equality references and SME provisions have more than tripled.



## Taxation? Not really

# Coherent policies benefit everyone

**Infrastructure:  
not just an  
afterthought**

**Supply chain  
managers look at  
trade, investment  
and taxation as one  
package**

**For the widest benefits,  
economic and inclusiveness  
policies should be  
developed in coherence.**

**economic  
policies**

trade, services,  
investment and  
infrastructure



**inclusiveness  
policies**

taxation,  
gender equality  
and SMEs

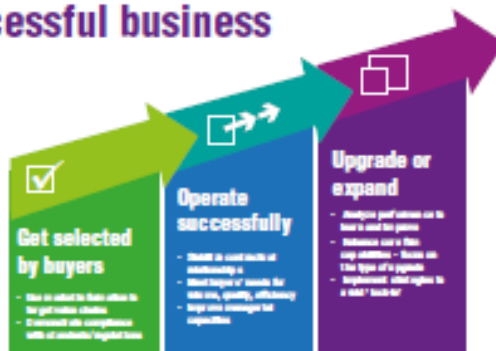


# An SME Guide to Value Chains

## How to grow a successful business

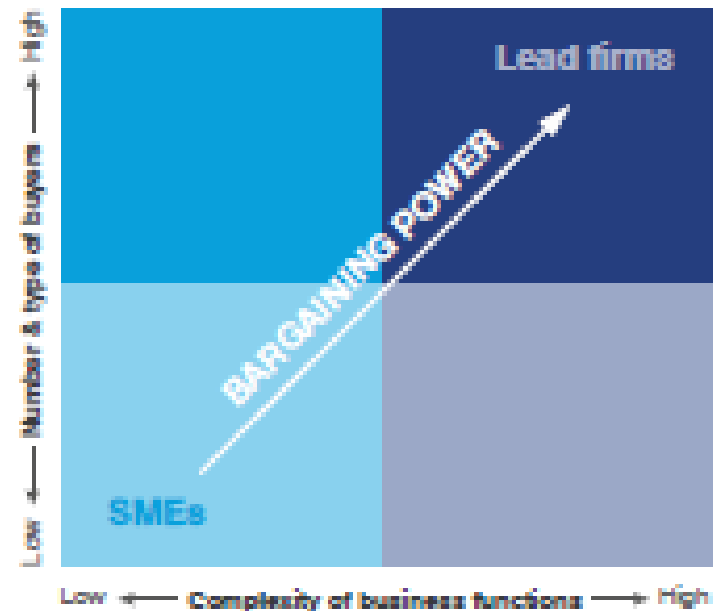
Enter, operate and upgrade within value chains.

See the SME Competitiveness Outlook 2017 chapter 'SME guide to value chains'.



Looking through the lens of a supply chain manager

Tailored advice



# Competitive SMEs can help realise the SDGs (forthcoming SMECO 2019)



**Note:** SME business practices and sectorial focus can impact multiple SDGs, the most important ones are included in this figure.

Source: ITC

# How to put SMEs under the radar of investors?

- => ITC' Supplier Capacity Profiles
- This profile complements the wealth of market intelligence on the readiness of a country for investment with firm-level information on key sectors.
- It provides a snapshot of the investment context in the country's firms grounded in unique survey data.
- A sectoral analysis highlights tangible investment opportunities for achieving the Sustainable Development Goals in the country.

# ITC' Supplier Capacity Profiles

## Filling a gap



### ❖ How to bring investment to SMEs?

- Change the information provided to investors!

### ❖ SMECS data to fill the gap:

- SMECS Supplier Capacity Profiles provide a snapshot of the investment context grounded in **unique survey data** from the firms themselves.
- SMECS Supplier Capacity Profiles are **complementary** to existing market intelligence.

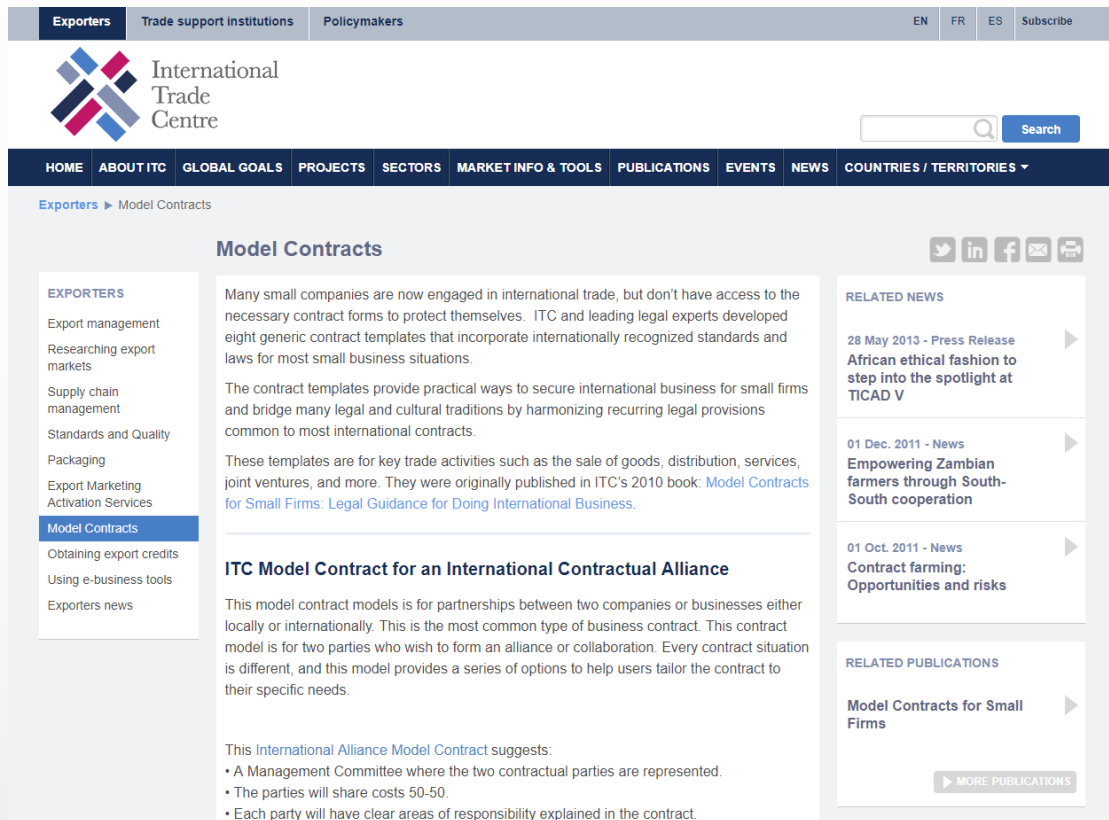
# Supplier Capacity Profile

## Structure:

- i. Two pages introducing the country performance (macro) and link to the SDGs: Text (A) and Visuals (B)
- ii. Two pages - per sector - drawing evidence from firm level data collected (micro): Text (C) and Visuals (D)



# ITC work on model contracts for small firms



The screenshot shows the ITC website's 'Model Contracts' page. The header includes navigation links for 'Exporters', 'Trade support institutions', and 'Policymakers', along with language options (EN, FR, ES) and a 'Subscribe' button. The ITC logo is prominently displayed. A search bar is located on the right. The main navigation menu includes 'HOME', 'ABOUT ITC', 'GLOBAL GOALS', 'PROJECTS', 'SECTORS', 'MARKET INFO & TOOLS', 'PUBLICATIONS', 'EVENTS', 'NEWS', and 'COUNTRIES / TERRITORIES'. The 'Exporters' section is expanded, showing 'Model Contracts' as a sub-option. The main content area is titled 'Model Contracts' and contains three paragraphs of text. The first paragraph states that many small companies are engaged in international trade but lack access to necessary contract forms. The second paragraph explains that ITC and legal experts have developed eight generic contract templates. The third paragraph notes that these templates provide practical ways to secure international business for small firms. A sidebar on the left lists various export-related services, with 'Model Contracts' highlighted. A right sidebar features 'RELATED NEWS' and 'RELATED PUBLICATIONS' sections, each with a list of recent articles and a 'MORE PUBLICATIONS' link.

**Exporters** Trade support institutions Policymakers EN FR ES Subscribe

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Exporters ► Model Contracts

## Model Contracts

EXPORTERS

- Export management
- Researching export markets
- Supply chain management
- Standards and Quality
- Packaging
- Export Marketing Activation Services
- Model Contracts**
- Obtaining export credits
- Using e-business tools
- Exporters news

Many small companies are now engaged in international trade, but don't have access to the necessary contract forms to protect themselves. ITC and leading legal experts developed eight generic contract templates that incorporate internationally recognized standards and laws for most small business situations.

The contract templates provide practical ways to secure international business for small firms and bridge many legal and cultural traditions by harmonizing recurring legal provisions common to most international contracts.

These templates are for key trade activities such as the sale of goods, distribution, services, joint ventures, and more. They were originally published in ITC's 2010 book: [Model Contracts for Small Firms: Legal Guidance for Doing International Business](#).

### ITC Model Contract for an International Contractual Alliance

This model contract models is for partnerships between two companies or businesses either locally or internationally. This is the most common type of business contract. This contract model is for two parties who wish to form an alliance or collaboration. Every contract situation is different, and this model provides a series of options to help users tailor the contract to their specific needs.

This [International Alliance Model Contract](#) suggests:

- A Management Committee where the two contractual parties are represented.
- The parties will share costs 50-50.
- Each party will have clear areas of responsibility explained in the contract.

RELATED NEWS

- 28 May 2013 - Press Release [African ethical fashion to step into the spotlight at TICAD V](#)
- 01 Dec. 2011 - News [Empowering Zambian farmers through South-South cooperation](#)
- 01 Oct. 2011 - News [Contract farming: Opportunities and risks](#)

RELATED PUBLICATIONS

- [Model Contracts for Small Firms](#)

► MORE PUBLICATIONS

## MODEL CONTRACTS FOR SMALL FIRMS

### LEGAL GUIDANCE FOR DOING INTERNATIONAL BUSINESS



EXPORT IMPACT FOR GOOD



# Thank you!

For more information:

<http://www.intracen.org/SMEOutlook/>

<http://www.intracen.org/SMEBenchmarking>