WTO Public Forum 2016
SME Participation in GVCs: Best Practices for Capacity Building

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The WBG ecosystem approach

Building an Ecosystem for Productive Growth of Ventures at Various Stages of the life cycle

- **FIRM CAPABILITY**
  - Access to Skilled Labor & Talent (STEM)
  - Professional Training
  - Advisory for Fund Managers
  - Linkages to knowledge diaspora - Mentorship
  - Quality & Standards
  - Access to Tech / R&D
  - Access to Global Managerial skills
  - Business Dev. Services

- **MARKETS**
  - Competitive Markets
  - Trade Logistics
  - Linkages to GVCs
  - Access to regional/global markets
  - Gov. Procurement

- **FINANCE**
  - Seed Grants
  - Angel Investors Networks
  - Venture capital
  - Crowdfunding Platforms
  - Debt/Credit Facilitation, SME funds, Early stage VC
  - Emerging market PE funds
  - Seed/startup funds
  - Incubators & Accelerators

- **ENVIRONMENT**
  - Entrepreneurial Universities
  - Competitive Trade regime
  - Bi/multilateral Trade agreements
  - Skilled Work Force
  - Functioning IPR regime
  - Adequate R&D capacity
  - Functioning hard/soft infra.
  - Active university-industry linkages
  - Dynamic Innovation and Entrepreneurship Ecosystems and Enabling Policies
Key issues: **number and quality of jobs** in Global (and local) Value Chains

SMEs: biggest share of employment, but typically 3-6th tier suppliers

Key programs: M4P/VCD (ilo.org/valuechains), SCORE (ilo.org/score) STED (ilo.org/sted)
Value Chain Alliances for Action
Opportunities and challenges for SMEs in GVCs

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<th>Opportunities</th>
<th>Challenges</th>
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<tr>
<td>• Fragmentation: specialisation and scale</td>
<td>• Fixed market entry costs in GVCs:</td>
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<td>• Direct provision of intermediate products</td>
<td>✓ Information about markets &amp; partners</td>
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<tr>
<td>• Indirect provision of intermediate products (e.g. through lead firms)</td>
<td>✓ Compliance with border regulations (e.g. customs procedures, RoO, NTMs)</td>
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<td>• Access to better and cheaper inputs</td>
<td>✓ Meeting standards (public and private)</td>
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<td>• Access to technology and knowledge</td>
<td>✓ Timeliness and stability over time (access to finance and other resources)</td>
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Implications for capacity building

• **Facilitating linkages with lead firms and maximising associated spillovers:**
  ✓ Information, stable finance, access to skills, trade-related services and technology, capacity to meet standards and regulations
Key 1: do your analysis first! Growth potential? What are the underlying constraints to job creation/competitiveness? Who in the market system has incentives to solve them? Where are the SMEs and what drives them?

Key 2: Sustainable solutions at scale (www.ilo.org/valuechains)

Key 3: M&E and results measurement: the DCED standard (www.ilo.org/thelab)

Tools: VCD, SIYB (ilo.org/siyb), WED, SCORE, TVET support; MMW, etc.

Rattan value chain

- Local Harvesters (8000)
- Imported Rattan, mainly from Laos
- Collectors
- Factories (3000)
- Exporters
- Subcontractors
- Artisans
- Local wholesale
- Local retail
- Export Market: 90% of production
- Local End Market: 10% of production
- Raw material depletion and cost increase
- Labour turnover
- Village level craft shops (3-5000)
- Working Capital short

- Key 1: do your analysis first! Growth potential? What are the underlying constraints to job creation/competitiveness? Who in the market system has incentives to solve them? Where are the SMEs and what drives them?
- Key 2: Sustainable solutions at scale (www.ilo.org/valuechains)
- Key 3: M&E and results measurement: the DCED standard (www.ilo.org/thelab)
- Tools: VCD, SIYB (ilo.org/siyb), WED, SCORE, TVET support; MMW, etc.
Who is the alliance?

A network between

- Private Sector
  - Farmers
  - Traders
  - Processors (AGI)
  - Exporters (FAGE and GROCTEU and for Cocoa)
  - Standards
  - International buyers

- Public sector
  - MOTI
  - MOFA
  - MOGCSP
  - CSIR (CRI, FRI, SARI)

ITC coordinates the partnerships and provides methodology, VC Technical Support, Market and Value Chain Data for decision making, Transparency and linkages.
Capacity building for SMEs in GVCs: Aid for Trade as a co-ordinating platform?

- Aid for *building productive capacity (BPC)* more than doubled since 2006 and accounted for 44.5% of total AfT

- SMEs are the key focus of aid for BPC, e.g.:
  - improving access for SMEs to financial services by strengthening local banks
  - help with meeting standards and obtaining certificates

- At 14% of ODA, aid for BPC is lower than in the early 2000s

- Private sector driven trade-related capacity building is on the rise and has been judged positive

- Expanding partnerships with the private sector to leverage aid for private sector development through:
  - Soliciting views on obstacles
  - Sharing best practices from past programmes
  - Join forces to scale up actions and maximise the impact
  - Soliciting evidence of success or failure

- Conclusion: AfT can help co-ordinate integration of SMEs into GVCs but SMEs and MNEs in GVCs can also help co-ordinate AfT