Promoting SME competitiveness in Indonesia and Kenya: Efficient certification key to export success

Surveys of women-owned firms in Indonesia and Kenya highlight the importance of efficient and accessible quality infrastructure and institutions, which are key to SMEs’ export success.

Quality institutions provide services in standardization, metrology, accreditation and conformity assessment (inspection, testing and product certification). These attest that products and services meet defined requirements imposed by authorities or requested by buyers.

The surveys, of 200 women-owned firms in the services sector of both countries, also illustrate that firm-level data can help identify areas of improvement. Challenges may lie in firms’ internal capacity to meet standards or in the availability and performance of quality infrastructure near the firm.

The SME Competitiveness Surveys, carried out in 2016 in Indonesia and Kenya, asked firms owned or operated by women about the capacities of their firms and the business ecosystem in which they operate (local infrastructure, institutions, buyers and suppliers).

**Share of certified firms**

<table>
<thead>
<tr>
<th>Domestic quality certificate</th>
<th>International quality certificate</th>
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</thead>
<tbody>
<tr>
<td><strong>Indonesia</strong></td>
<td><strong>Kenya</strong></td>
</tr>
<tr>
<td>62%</td>
<td>73%</td>
</tr>
<tr>
<td>38%</td>
<td>47%</td>
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</tbody>
</table>

**Note:** Figures show the share of certified firms among surveyed firms.

**Source:** ITC SME competitiveness surveys, under SheTrades project in Indonesia and Kenya 2016.

The surveys were part of the ITC SheTrades initiative, which aims to connect three million women entrepreneurs to markets by the end of 2020. The focus on women-owned businesses recognizes women’s role in overall development, as well as the need for targeted support.

**Firms adhere to standards, obtain certification**

Most surveyed women entrepreneurs in Indonesia and Kenya reported that their companies adhere to one or more domestic standard. International certification is much less prevalent, however, with the share of certified firms ranging from 38% in Indonesia to 47% in Kenya.

A reason for this level is the complexity of the conformity assessment process for SMEs. Firms must wade through and choose from dozens of quality standards if they want to become certified. Identifying which standard brings the most value is difficult. Therefore, firms need assistance from their business ecosystem, specifically quality infrastructure and institutions.

**Efficient certification bodies are crucial**

Questions focusing on the business ecosystem evaluated the availability and quality of information about standards, the efficiency of certification bodies, and the quality of services they provide. Respondents from both countries reported significant difficulties finding information on standards and certificates.
Under 33% of firms in Indonesia and Kenya reported receiving good or excellent information from their business ecosystem. Moreover, firms rated the efficiency of certification bodies in Indonesia and Kenya as quite low. They gave such bodies an overall score of 51 out of 100 in Indonesia and 45 out of 100 in Kenya, and less than 20% rated these organizations to be good or excellent.

**Promoting international standards**

Increasing the prevalence of international certification is a key objective for Kenya’s food processing industry, as standards are especially important for the sector, particularly for exports. To increase trade between India and Africa, the ITC Supporting Indian Trade and Investment for Africa (SITA) Programme tackles the issue of certification through workshops for Kenyan SMEs operating in the food industry. In particular, the workshops inform SMEs about Hazard Analysis and Critical Control Points (HACCP) and train them on the technical requirements for implementation.

In Indonesia, the Ministry of Cooperatives and SMEs together with the Ministry of Communications and Informatics introduced the ‘SMEs Go Online’ programme in November 2017, aimed at making MSMEs digital-savvy by helping them join online market platforms.

There are linked supporting programmes run by various government agencies, such as the Certification, Copyright, and Trademarks Registration Facilitation programme. This seeks to ensure that operational activities and products produced by MSMEs comply with applicable standards, through standardization and certification facilities. The facilities include ISO 9001:2008, SNI, HACCP, Intellectual Property Rights (Copyright and Brand Right), and Halal. These efforts are part of a drive to improve SME competitiveness and expand their markets by adhering to international standards.

To ensure export success, firms and certification bodies should act in tandem. Competitiveness depends on the capacity of firms to comply with standards and the efficiency and accessibility of quality infrastructure, including certification bodies. Together these can bring quality upgrading, higher trust from consumers and better market access.

**Source**: ITC SME competitiveness surveys, under SheTrades project – Economic Empowerment of Women in the Indian Ocean Rim Association in Indonesia (2016) and Kenya (2016), website of Association of Southeast Asian Nations.

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**Perceived quality of certification institutions services**

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<tr>
<th>Service</th>
<th>Indonesia</th>
<th>Kenya</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of information on standards</td>
<td>56</td>
<td>51</td>
</tr>
<tr>
<td>Efficiency of certification bodies</td>
<td>51</td>
<td>45</td>
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</tbody>
</table>

Note: Figures show the scores based on the perception of surveyed firms, with 100 being the best.

**Source**: ITC SME competitiveness surveys, under SheTrades project in Indonesia and Kenya 2016

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**ITC SME Competitiveness Benchmarking**

ITC has developed an SME Competitiveness Benchmarking survey allowing countries to assess the health of their enterprises by identifying their strengths and weaknesses. To meet this objective, the survey captures a wide range of factors which determine firm competitiveness: