

# MAURITIUS

## NATIONAL EXPORT STRATEGY

### SME INTERNATIONALIZATION

#### CROSS-SECTOR

2017-2021



Republic of Mauritius



International  
Trade  
Centre

This National Export Strategy (NES) is an official document of the Government of Mauritius. The NES was developed on the basis of the process, methodology and technical assistance of the International Trade Centre (ITC) within the framework of its Trade Development Strategy programme.

ITC is the joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Export Strategy section offers a suite of trade-related strategy solutions to maximize the development payoffs from trade. ITC-facilitated trade development strategies and road maps are oriented to the trade objectives of a country or region and can be tailored to high-level economic goals, specific development targets or particular sectors, allowing policymakers to choose their preferred level of engagement.

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## ACRONYMS

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AMM	Association of Mauritian Manufacturers	MRA	Mauritius Revenue Authority
BOI	Board of Investment	MSB	Mauritius Standards Bureau
CCM	Competition Commission of Mauritius	NCB	National Computer Board
CEA	Census of Economic Activities	NEF	National Empowerment Foundation
DARE	Directorate of Agricultural Research and Extension	NICE	National Institute for Co-operative Entrepreneurship
DBM	Development Bank of Mauritius	NSDC	National SME Development Council
EM	Enterprise Mauritius	NWEC	National Women Entrepreneur Council
EM	Enterprise Mauritius	OECD	Organization for Economic Cooperation and Development
FARC	Food and Agricultural Research Council	SEZ	Special Economic Zones
FAREI	Food and Agricultural Research and Extension Institute	SIC	State Investment Corporation
HRDC	Human Resource Development Council	SMEDA	Small and Medium Enterprises Development Authority
IFA	Investment fund account	SMEs	Small and medium-sized enterprises
JEC	Joint Economic Council	SMIDO	Small and Medium Industries Development Organization
K-SMEs	Knowledge-based SMEs	SUCCESS	Support and Consultation Centre for SMEs
LEMS	Leasing Equipment Modernisation Scheme	TDS	Tax Deduction at Source
LIDCs	low-income developing countries	TID	Trade and Industry Department
MCCI	Mauritius Chamber of Commerce and Industry	TVET	Technical and Vocational Education and Training
MEF	Mauritius Employers' Federation		
MEXA	Mauritius Export Association		

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# INTRODUCTION

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## KEY MESSAGES: SME integration

The contribution of small and medium-sized enterprises (SMEs) to Mauritius' economy is significant and has been growing to reach one quarter of its economic output. The majority of SME units are concentrated in retail trade and have relatively low levels of productivity, as well as little outward orientation towards export markets

Export-oriented enterprises went through a phase of consolidation after the end of the Multi Fibre Agreement and resulted in a contraction of enterprises and of employment. This has nevertheless started to rebound with a higher degree of exports per enterprise in recent years, although the sector remains very concentrated on garment exports to the European Union and United States America under preferential conditions of market access.

The integration of small units into a more competitive business model which also taps into international markets and supply chains will strengthen further the sector's contribution to employment and would be expected to generate the strongest gains in terms of poverty reduction.

For SMEs to be part of value chains dominated by large global players, SMEs need a sound business environment, ready access to finance, and institutional support to sustain their export relationships over time, move up the value chain and reach new markets. The NES supports the efforts of Mauritius' Small and Medium Enterprise Development Authority's Corporate Strategic Plan 2016-2018.

A vision has been developed for the SME sector in Mauritius under the NES, namely to become **“a vibrant export-oriented SME sector to be the economic backbone of Mauritius' sustainable growth in international markets”**. The vision will be achieved through three key strategic objectives.

The first strategic objective is to promote entrepreneurship and the creation of SMEs, focus on creating an environment that is conducive to entrepreneurship, including mentoring programmes, matchmaking SMEs with foreign investors, improving knowledge on the sector and a number of activities which facilitate access to finance and investment for SMEs.

The second strategic objective aims to ensure high survival rates and sustainable growth of SMEs, through an analysis of the existing quality-related gaps affecting SMEs, with the required capacity building in response, in such areas as quality management, logistics, and production standards. To support the SME sector further, an improvement in available skills is required by assessing the need on a medium term for ex-patriot skills, a review of the existing Technical and Vocational Education and Training (TVET) curriculums in the country, taking into account best practices from countries such as Singapore, Hong Kong, and Malaysia, and the promotion of R&D investment and clustering among SMEs will be promoted to ensure further growth and sustainability.

The third strategic objective will promote the internationalization of SMEs, through ensuring the participation of the SME sector in international trade and through their increased integration in global value chains. This strategic objective addresses the need for timely, transparent and simplified dissemination of trade-related information, strengthening Enterprise Mauritius (EM) and Board of Investment's (BOI) advisory service capabilities to address the specific needs of SMEs in such issues as business intelligence, logistics and transportation support, trade finance, international contracts and cross-border alliances. The capacity building programme “Go Export”, between EM and Mauritius Chamber of Commerce and Industry (MCCI) should continue, but measures may need to be taken to ensure it facilitates SME export-oriented operations. Commercial attachés in embassies or BOI offices abroad will be trained to deliver advisory and support services.

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## DEFINITION OF THE SME SECTOR

While there is no uniform definition of SMEs, a number of Government departments in Mauritius define it. The one adopted for the purpose of the NES is taken from the SMEDA Act 2019, as amended in 2015, which distinguishes between, micro, small and medium enterprises:

- A Microenterprise is defined as an enterprise with an annual turnover of not more than MUR 2 million;
- A Small Enterprise is defined as an enterprise which has an annual turnover of not more than MUR 10 million;
- A Medium Enterprise is defined as an enterprise which has an annual turnover of more than MUR 10 million but not more than MUR 50 million.

## CHARACTERISTIC OF THE SME SECTOR

Mauritius comprises some 108,000 SMEs accounting for 40% of GDP and 50% of employment. With more than 125,500 small production units operating in Mauritius in 2013, the SME sector plays a key role in the Mauritian economy and economic structure through its contribution to output, export and employment. The 2013 Census of Economic Activities (CEA) results indicate that the total value of goods and services, or gross output, produced by those small units amounted to MUR 131,390 million, representing 62% of gross output in 2013, almost doubling the value attained in 2007. Activities that contributed most to the total value added generated by the small units were “Wholesale and retail trade; repair of motor vehicles and motor cycles”

and motor cycles”, “Construction”, “Transportation and storage”, and “Manufacturing” (Figure 1).

Overall, small production units contributed to 25% to the economy in 2013, compared with 20% in 2007, reflecting the growing importance of the sector in Mauritius. Particular attention should therefore be paid to small production units when designing the NES, taking into consideration the number of people employed in the different sectors and the value added generated by these sectors as indicated in Figure 2.

Looking at employment levels, it appears that the total number of people engaged in those small units has continuously increased from 211,600 in 2007 to an estimated 283,000 in 2013<sup>1</sup>. Women are largely underrepresented in those units, accounting for only 30% of the people engaged.

Small production units are mainly concentrated in the “Wholesale and retail trade; repair of motor vehicles and motor cycles” is the most important activity group among the small units, with 37% of the small units operating in the sector and employing 35 per cent of the total workforce of the small units. To a lesser extent, the transportation, manufacturing and construction sectors are also of significant importance. Finally, looking at the size of SMEs in Mauritius, it appears that, out of the 125,500 units, 53% were operated by two to five persons, 41 per cent were run by self-employed persons, and 6 per cent engaged five to nine people. On average, the number of people engaged per unit equals 2.3.

1. From the Census of Economic Activity (CEA) 2013

Figure 1: Value added by industry group

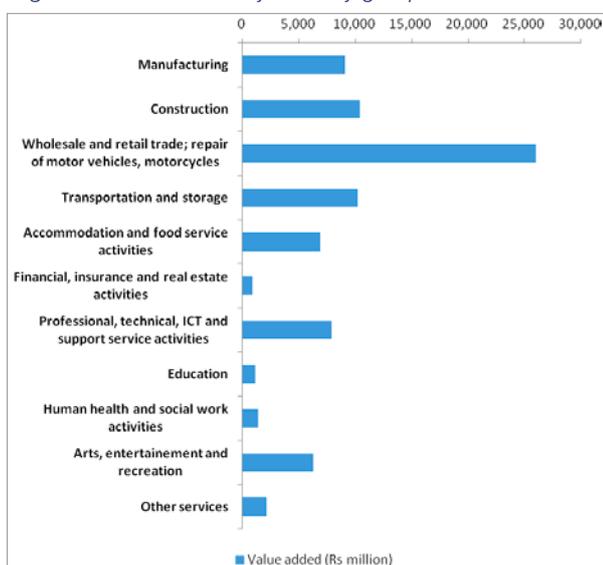
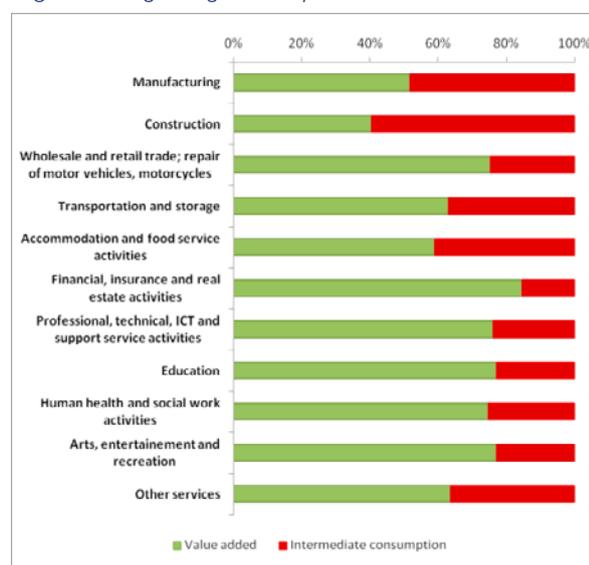


Figure 2: Origin of gross output



Source: Census of Economic Activities, 2013

There is an alarming trend in the decreasing of the number of Export-Oriented Enterprises in Mauritius, with 311 EOE operating in 2014 compared with 518 units in 2000<sup>2</sup>. This decrease was the result of the end of the Multi Fibre Agreement, after which a consolidation of manufacturers took place. The number fell further to 304 by the end of March 2015. The very low level of participation of small production units (i.e. fewer than 10 employees) in exports activities should be emphasized, with the latter representing only 22% of the EOE, or 68 enterprises, in March 2015.

EOE exports (f.o.b) during 2015 amounted to MUR 48.7 billion, an increase of 45% over exports a decade ago. Despite the decreasing number of EOE operating in Mauritius, the average exports have increased dramatically among EOE, reaching MUR 171 billion in 2015, from MUR 76 billion a decade ago (Figure 4). Articles of

apparel and clothing are by far the most exported commodities, accounting for 49.1% of EOE total exports in 2015, followed by fish and fish preparations, notably 19.6%.

A direct consequence of the contraction in the number of EOE is the sharp decrease in the number of people engaged in those units, from more than 90,000 workers in 2000 to about 53,888 in the third quarter of 2015.

Employment is almost exclusively concentrated in medium to large scale companies. Small production units of fewer than 10 employees only account for 0.4% of the employment of the sector. It is also to be noted that more than 40% of the people engaged in EOE are expatriates. In contrast to the national trend, female employment is higher than male employment in this sector, 53% of the people engaged in EOE being women. Finally, the sector that employs the most workers is the manufacturing of wearing apparel (65%).

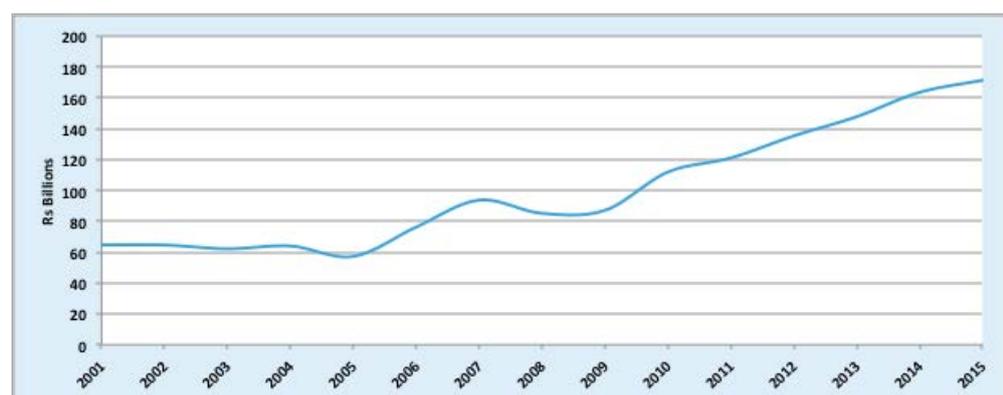
2. In Mauritius, EOE consist of enterprises previously operating with an EPZ certificate as well as those manufacturing goods for exports and holding a registration certificate issued by the Board of Investment

Figure 3: Evolution of the number of EOE (left) and employment in EOE sector, 2000-2014



Source: Export Oriented Enterprises, 3rd Quarter 2015

Figure 4: Average exports per EOE, f.o.b.



Source: Statistics Mauritius, Export Oriented Enterprises 4thQuarter, March 2016



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# ROLE OF SMES IN INTERNATIONAL TRADE AND GLOBAL VALUE CHAINS

## GLOBAL PERSPECTIVES ON SMES

SMEs are regarded as the backbone of the economy across the globe, in developing countries, as well as in Europe, the US and India.<sup>3</sup> With 95% of global enterprises comprising SMEs, they account for more than half of all formal employment worldwide.<sup>4</sup> In Organization for Economic Cooperation and Development (OECD) countries, SMEs on average, account for 60% of total turnover.<sup>5</sup> SMEs are a diverse group that typically operate in the services, trade, agri-business, and manufacturing sectors. In looking at Mauritius, the picture is fairly consistent with MSMEs mainly engaged in the following industry groups:

Groups	Percentage
Wholesale and retail trade; repairs of motor vehicles, motorcycles	37.3
Transportation and storage	17.1
Manufacturing	12.1
Construction	10.3

3. SME Post, 'SMEs backbone of economy: Bandaru Dattareya, Labour and Employment Minister,' (January 2016), available at: <http://smepost.com/2015/12/29/smes-backbone-of-economy/>

4. A.Gonzalez, ITC Executive Director, in a speech (March 2014. See: <http://www.intracen.org/news/SMEs-drive-world-trade-and-economic-growth/>; IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction, International Finance Corporation (IFC) (January 2013), p11, available at: [http://www.ifc.org/wps/wcm/connect/0fe6e2804e2c0a8f8d3bad7a9dd66321/IFC\\_FULL+JOB+STUDY+REPORT\\_JAN2013\\_FINAL.pdf?MOD=AJPERES](http://www.ifc.org/wps/wcm/connect/0fe6e2804e2c0a8f8d3bad7a9dd66321/IFC_FULL+JOB+STUDY+REPORT_JAN2013_FINAL.pdf?MOD=AJPERES)

5. OECD (2015), Entrepreneurship at a Glance 2015, OECD Publishing, Paris, p36, available at: [http://dx.doi.org/10.1787/entrepreneur\\_aag-2015-en](http://dx.doi.org/10.1787/entrepreneur_aag-2015-en)

Groups	Percentage
Accommodation and food service activities	8.5
Professional, technical and support service activities	3.2
Art, entertainment and recreation	2.7
Education	1.5
Human health and social work activities	1.4
Real estate activities	0.5
Information and communication	0.4
Financial and insurance activities	0.1
Other services	4.9

**Source:** SMEDA, Corporate Strategic Plan 2016-2018 (November 2015), p19

The World Bank estimates that formal SMEs contribute up to 45% of employment and up to 33% of GDP in emerging economies.<sup>6</sup> This figures rise significantly if the informal SME sector is included, with a World Bank study suggesting that 'there are between 365-445 million MSMEs in emerging markets: 25-30 million are formal SMEs; 55-70 million are formal micro enterprises; and 285-345 million are informal enterprises'.<sup>7</sup>

6. Small and Medium Enterprises Finance, World Bank (September 2015), available at: <http://www.worldbank.org/en/topic/financialsector/brief/smes-finance>

7. Ibid.

SMEs are often classified by the number of employees and by the value of their assets. The size classification varies within regions and across countries, relative to the size of the economy. The European Commission defines SMEs as having fewer than 250 employees, and an annual turnover up to EUR 50 million, or a balance sheet total of no more than EUR 43 million (Commission Recommendation of 6 May 2003).<sup>8</sup> In Mauritius, SMEDA defines small enterprises as those that have an annual turnover of not more than MUR 10 million, and medium ones with an annual turnover of more than MUR 10 million but less than MUR 50 million.

## SMES IN THE GLOBAL VALUE CHAIN

SMEs in low-income developing countries (LIDCs) predominantly operate in the informal economy, with their participation in global value chains concentrated in the agricultural sector and labour-intensive, very low value added manufacturing and services activities, where entry costs are lower and less capital intensive. SMEs in middle and higher income countries operate in both the low value added end of the spectrum, as well as in the high-skilled and specialised niches.

Most SMEs in developed economies are well integrated into global value chains indirectly as domestic suppliers to exporters. However, SMEs are vastly underrepresented when looking at direct exports, a situation that is also true in Mauritius. The direct export participation of SMEs in the goods sector is limited, based on evidence from both OECD countries and LIDCs.<sup>9</sup> However, in contrast to USA, SMEs are responsible for around a third of export, a sharp increase from 10 years ago when they accounted for 22%.<sup>10</sup>

8. SMEs, Eurostat, available at: [http://ec.europa.eu/eurostat/web/structural-business-statistics/structural-business-statistics/sme?p\\_p\\_id=NavTreeportletprod\\_WAR\\_NavTreeportletprod\\_INSTANCE\\_vxlB58HY09rg&p\\_p\\_lifecycle=0&p\\_p\\_state=normal&p\\_p\\_mode=view&p\\_p\\_col\\_id=column-2&p\\_p\\_col\\_pos=1&p\\_p\\_col\\_count=4](http://ec.europa.eu/eurostat/web/structural-business-statistics/structural-business-statistics/sme?p_p_id=NavTreeportletprod_WAR_NavTreeportletprod_INSTANCE_vxlB58HY09rg&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-2&p_p_col_pos=1&p_p_col_count=4)

9. Inclusive Global Value Chains: Policy options in trade and complementary areas for GVC Integration by small and medium enterprises and low-income developing countries, OECD and World Bank Group (October 2015), p24, available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2\\_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf)

10. C. Ip et al., Insights into the dynamics of new trade flows in McKinsey on Payments (May 2014), p20, available at: [www.mckinsey.com](http://www.mckinsey.com)

SMEs typically export disproportionately more to neighbouring countries than larger firms, and exporting SMEs are significantly underrepresented in capital-intensive sectors, but compare favourably not only in the services sector (where fixed costs of entry are lower), but also in heterogeneous manufacturing sectors where specialization and branding may be of more importance.<sup>11</sup> In fact in many OECD countries, SMEs are the main exporters of business services.<sup>12</sup> However, overall it appears that services firms are less involved in international trade than manufacturing ones, with the exception of business, R&D, and IT services, where the share of internationally active services firms is not much below the average for manufacturing.<sup>13</sup>

## JOB CREATION

According to World Bank estimates, around 600 million jobs will need to be created in the coming decade, particularly in Asia and Sub-Saharan Africa.<sup>14</sup> In turn, in emerging markets, most new formal jobs are with SMEs, which create four out of five new positions.<sup>15</sup> A study of 49,370 firms in 104 countries found that while SMEs (< 100 employees) have a comparable share of aggregate employment as larger firms, they have the larger share of job creation and growth.<sup>16</sup>

11. Inclusive Global Value Chains: Policy options in trade and complementary areas for GVC Integration by small and medium enterprises and low-income developing countries, OECD and World Bank Group (October 2015), p24, available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2\\_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf)

12. Inclusive Global Value Chains: Policy options in trade and complementary areas for GVC Integration by small and medium enterprises and low-income developing countries, OECD and World Bank Group (October 2015), p35, available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2\\_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf)

13. H. Hollenstein, 'Patterns and determinants of international activities: are SMEs different? An empirical analysis based on firm-level data for the Swiss business sector. Swiss Federal Institute of Technology, Institute for Business Cycle Research (2001), pp. 3-4, available at <http://dx.doi.org/10.3929/ethz-a-004296386>

14. Jobs and Development, World Bank, available at <http://www.worldbank.org/en/topic/jobsanddevelopment/overview>

15. Ibid.

16. Ayyagari et al. 2014 in Inclusive Global Value Chains: Policy options in trade and complementary areas for GVC Integration by small and medium enterprises and low-income developing countries, OECD and World Bank Group (October 2015), p20, available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2\\_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf)



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## CONSTRAINTS

SMEs are marked by a lack of access to finance, lack of ICT capacity (particularly in LIDCs), and informality (again most common in LIDCs).<sup>17</sup> SMEs are often unable to take advantage of market opportunities requiring large or regular production volumes, or a wide product range, and lack the information and marketing skills that would allow them to compete with larger firms.<sup>18</sup>

The lack of access to finance, and associated constraints prevents SMEs' growth, or their entry into global markets and value chains, instead resulting in their stagnation or collapse. Many SMEs struggle to secure bank loans compared with larger firms, instead relying upon personal funds or credit to launch and initially run the enterprise. In a survey polling some 482 banks from 112 countries, the International Chamber of Commerce's Banking Commission found that 'whereas 79% of large corporations have their trade finance transactions accepted, the equivalent figure for small businesses is just 53%'.<sup>19</sup> Half – 50% – of formal SMEs do not have access to formal credit globally, while the financing gap becomes even larger when micro and informal enterprises are taken

into account.<sup>20</sup> In emerging markets, around 70% of all MSMEs lack access to credit, with the gap being particularly notable in Africa and Asia. The current credit gap for formal SMEs is about US\$ 1.2 trillion; while the total credit gap for both formal and informal SMEs is as high as US\$ 2.6 trillion.<sup>21</sup>

Therefore, there is a need to address NTBs to trade and real market access for SMEs. Moving informal SMEs into the formal sector can have considerable advantages for them, in the form of improved access to credit and government services, as well as to the overall economy, through increased tax revenues and better regulation. Creating a national trade promotion office is another route that is useful in supporting the development of SMEs, providing all necessary resources, including creating a single window for expediency.<sup>22</sup> In addition clustering, or creating consortiums or associations can be of enormous benefit to SMEs wishing to compete at the global level.<sup>23</sup> Such activity allows them to take advantage of information sharing, joint marketing, skills upgrading and certification, and shared facilities, such as storage and packing houses, thus reducing the cost of entry and strengthening their capacity and ability for innovation. The latter has been proven to have a strong correlation with successful entry to the global export market.<sup>24</sup>

17. Inclusive Global Value Chains: Policy options in trade and complementary areas for GVC Integration by small and medium enterprises and low -income developing countries, OECD and World Bank Group (October 2015), p84, available at: [http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2\\_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf](http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf)

18. UNIDO, Approaches to SMEs Networking for Market Access (January 2007), p3

19. F. Bermingham, 'SMEs hit by trade finance gap,' in the Global Trade Review (September 2015), available at: <http://www.gtreview.com/news/global/smes-hit-by-trade-finance-gap/>

20. Small and Medium Enterprises Finance, World Bank (September 2015), available at:

<http://www.worldbank.org/en/topic/financialsector/brief/smes-finance>

21. Small and Medium Enterprises Finance, World Bank (September 2015), available at:

<http://www.worldbank.org/en/topic/financialsector/brief/smes-finance>

22. Dr J. Fedorowicz, 'International Experience in M/SME Export Development: Executive Summary,' (December 2002), p 2

23. UNIDO, Approaches to SMEs Networking for Market Access (January 2007), pp6-7

24. J. Love and S. Roper, 'SME Innovation, Exporting and Growth: ERC White Paper No. 5,' (April 2013)



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# GLOBAL LESSONS ON SMES' INTERNATIONALIZATION

## INCREASING SME VALUE ADDITION IN NICHE MARKETS

SMEs are currently less integrated in the export sector, although opportunities do exist to exploit high value added niches in the global value chain, particularly in market segments where the input costs are lower. Organic agricultural production is one such example that can be seen as successful in a diverse number of countries, including India, Bangladesh and Uganda among others.<sup>25</sup> The organic market has existed for decades, but can really be seen to take off in the 1980s, particularly in USA and Europe. It is an industry driven by both high demand and high premiums, particularly when compared with conventionally grown produce.

A study by Farnworth and Hutchings (2009) that surveyed organic production in Bangladesh found that firms in this segment had greater decision power over buyers, improved positions within the value chain, and greater access to inputs and markets for organic products than for traditional products.<sup>26</sup> The non-use of pesticides decreases input costs, and the ability to produce on small plots reduces access constraints. Therefore, converting to organic is an effective way to supply high-value produce, using available resources to this ever-growing market segment.

Such evidence is seen again in Sao Tomé and Príncipe, where cocoa sales represent 90% of the country's export earnings. Extreme price volatility in the years up to 2000 had forced many producers to abandon their farms. Therefore, in 2000, IFAD commissioned Kaoka, the organic branch of a large French chocolate producer, to implement a pilot project where farmers produced 100 tonnes of certified organic cocoa. This sold for two-and-a-half times the price of common cocoa. During the first phase of the project alone, farmers had doubled their incomes and created social funds.<sup>27</sup>

Additionally, earlier this year India declared its first 'organic state,' in the small north western state of Sikkim, which has become home to a number of start-ups that are harnessing the power of organic production.<sup>28</sup> The Chief Minister of the region wants to transform 'Sikkim's agrarian agriculture into a high value enterprise by converting it into a fully organic state'.<sup>29</sup> Organic agriculture has a tendency to grow plant species that are local and thus more adapted to local climate conditions. The production and harvests are somehow less vulnerable and more "sure," which creates for a more stable environment even for subsistence farming.<sup>30</sup>

25. Staritz and Reis (2013) in Inclusive Global Value Chains: Policy options in trade and complementary areas for GVC Integration by small and medium enterprises and low-income developing countries, OECD and World Bank Group (October 2015), p31, available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2\\_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf)

26. C. Farnworth and J. Hutchings, 'Organic Agriculture and Womens' Empowerment,' IFOAM, (April 2009), pp52-52, available at: <http://community.eldis.org/?2333@@.59c4cb31!enclosure=.59c4cb32&ad=1>

27. C. Farnworth and J. Hutchings, 'Organic Agriculture and Womens' Empowerment,' IFOAM, (April 2009), p69, available at: <http://community.eldis.org/?2333@@.59c4cb31!enclosure=.59c4cb32&ad=1>

28. SME Post, 'Young entrepreneurs showcase organic power in Sikkim,' (January 2016), available at: <http://smepost.com/2016/01/20/young-entrepreneurs-showcase-organic-power-in-sikkim/>

29. Ibid.

30. C. Farnworth and J. Hutchings, 'Organic Agriculture and Womens' Empowerment,' IFOAM, (April 2009), p65, available at: <http://community.eldis.org/?2333@@.59c4cb31!enclosure=.59c4cb32&ad=1>

## THE LINK BETWEEN ACCESS TO FINANCE AND SME INTERNATIONALIZATION

The positive link between access to finance and the participation of SMEs in export markets has been proven in parts of South America, where postal services have been used to facilitate trade for SMEs in relatively poor municipalities located in the peri-urban and rural areas.<sup>31</sup> The *Exporta Fácil* programme operating in Brazil, Peru, Uruguay, and Colombia was based on an initiative of Brazil's public postal operator in the early 2000s, which facilitated a series of measures by the Brazilian Government aimed at fostering SME exports. Using the postal network's 8,000 outlets, SMEs were able to export goods at a much lower cost and with less bureaucracy, as the postal service also acted as a precursor to a single-window system.<sup>32</sup>

The impact on export volume has been very positive. In Brazil, export volumes using the *Exporta Fácil* programme grew from US\$ 160,000 in 1999 to around US\$ 250 million in 2010, while in Peru, export volumes using the programme grew from US\$ 72,500 in 2007 to US\$ 718,000 in 2010. In Brazil, *Exporta Fácil* raised SMEs' competitiveness and facilitated their access to international trade. Between 2002 and 2008, overall about 10,000 businesses that had never exported before were able to engage in international trade, and one in 10 Brazilian exporters would have been unable to export without the programme in 2005.<sup>33</sup>

The *Exporta Fácil* programme demonstrates that for SMEs, costs and administrative burdens are the main impediments to trade, along with the need for easier export solutions and a joint approach by all stakeholders. Capacity development that only targets SMEs is insufficient. Instead, customs administration and logistics companies also require support in providing solutions.

31. UNCTAD, 'Services: New Frontier For Sustainable Development, (2014), p1, available at: [http://unctad.org/en/PublicationsLibrary/ditctnecd2013d4\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ditctnecd2013d4_en.pdf)

32. Inclusive Global Value Chains: Policy options in trade and complementary areas for GVC Integration by small and medium enterprises and low-income developing countries, OECD and World Bank Group (October 2015), pp70-71, available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2\\_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/12/11/090224b083c499d8/2_0/Rendered/PDF/Inclusive0glob0developing0countries.pdf)

33. Ibid.

## CAPACITY BUILDING AND SUPPORT FRAMEWORK TO SMES IN MALAYSIA

In Malaysia SMEs are divided into two sub-categories – that of manufacturing and that of services – each with its own definition of what comprises an SME based on employees and turnover.<sup>34</sup> Such clear definitions have been central in allowing the Government to address the unexploited potential of SMEs best, and support them in becoming more competitive and stronger in the demanding global economy. In June 2004 the Government established the National SME Development Council (NSDC), which acts as the highest body in formulating strategies, providing direction and coordinating SME development. The NSDC is chaired by the Prime Minister and comprises 16 members of Cabinet and the heads of three agencies who are involved in SME development. Overall, it encompasses policies and programmes across more than 15 ministries and 60 agencies.<sup>35</sup> This paves the way for a centralized and comprehensive strategy to support the SME sector.

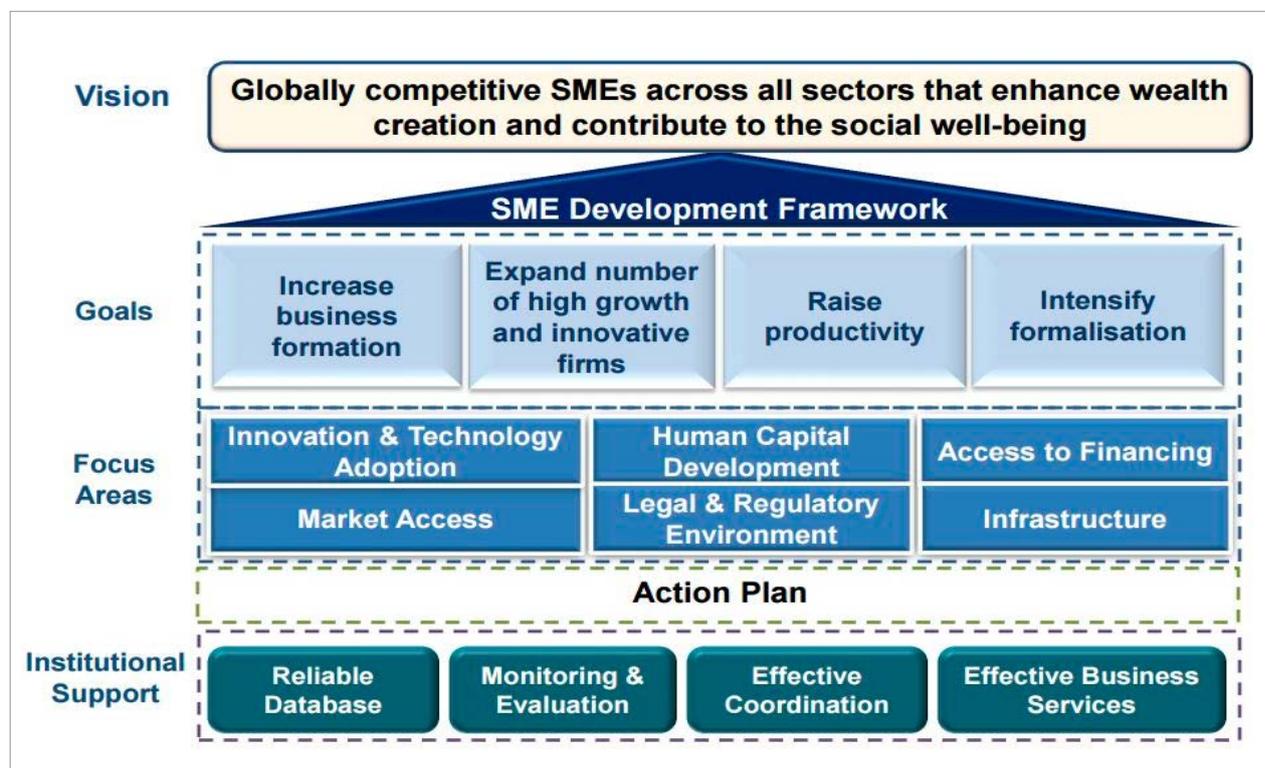
The NSDC is currently working to move SMEs towards higher value-added industries by encouraging the development of knowledge-based SMEs (K-SMEs). K-SMEs are defined as companies with more than 20% of their staff as knowledge workers; using ICT and technology in business processes or for product improvement; that adopt innovation and R&D in business processes or for product development; and that provide systematic training and learning of technical skills to their employees. SMEs that achieve K-SME status will gain fiscal incentives, access to technology funds, capital and financing, quicker intellectual property and patent registration, as well as priority access to government procurement.<sup>36</sup>

34. The first relates to SMEs involved in manufacturing, manufacturing-related services and agro-based industries, and defines SMEs as those enterprises that employ a full-time staff of less than 150 people, or annual sales turnover not above €5 million. The second category applies to SMEs in services, primary agriculture, and ICT, and defines SMEs as enterprises with no more than 50 full-time employees, or an annual sales turnover beyond €1 million. Development Finance and Enterprise Department, 'Circular on New Definition of SMEs' (2013) p2, [http://www.bnm.gov.my/files/2013/sme\\_cir\\_028\\_1\\_new.pdf](http://www.bnm.gov.my/files/2013/sme_cir_028_1_new.pdf)

35. SME Corp, <http://www.smecorp.gov.my/index.php/en/about/2015-12-21-08-40-32/nsdc>

36. M. Muhammad, 'SMEs Competing in the Global Business Environment: A Case of Malaysia,' in *International Business Research*, Vol. 3, No. 1 (2010) p71, <http://ccsenet.org/journal/index.php/ibr/article/viewFile/3893/3945>

Figure 5: An overview of the Malaysian SME Development Framework



Source: SME Corp Malaysia, 2015<sup>37</sup>

37. SME Corp Malaysia in M. Madanchian et al. 'The Role of SMEs in Economic Development; Case Study of Malaysia,' in International Journal of Academic Research in Management (IJARM), Vol. 4, No. 3 (2015) p80 <http://elvedit.com/journals/IJARM/wp-content/uploads/2015/12/The-Role-of-SMEs-in-Economic-Development-Case-Study-of-Malaysia1.pdf>

## FUNDING FACILITIES AND ADVISORY CENTRE FOR SMES IN HONG KONG

In September 2015, there were around 320,000 SMEs in Hong Kong accounting for more than 98% of the total businesses, and providing job opportunities to over 1.3 million people – equal to around 47% of the total employment, with the exclusion of the civil service.<sup>38</sup>

The Trade and Industry Department (TID) of the government has established three funding schemes to support SMEs in Hong Kong, the SME Loan Guarantee Scheme, the SME Export Marketing Fund and the SME Development Fund, which help SMEs secure loans, expand markets outside Hong Kong and enhance overall competitiveness. The total funding provision and government commitment of the schemes are HK\$ 6.75 billion

(EUR 740 million) and HK\$ 35.25 billion (EUR 4 billion) respectively.<sup>39</sup>

TID also runs the Support and Consultation Centre for SMEs (SUCCESS), an information and advisory centre for SMEs, which collaborates with various industrial and trade organizations, professional bodies, private enterprises and other government departments to provide SMEs with a comprehensive range of free business information and consultation services. On business information, SUCCESS provides information on government business licensing requirements and updates on business activities, services and facilities that are of interest to SMEs, while on consultation services, SMEs seeking professional and expert advice may apply for the "Meet-the-Advisors" Business Advisory Service or join the SME Mentorship Programme.<sup>40</sup>

38. SUCCESS, [https://www.success.tid.gov.hk/english/aboutus/sme/service\\_detail\\_6863.html](https://www.success.tid.gov.hk/english/aboutus/sme/service_detail_6863.html)

39. Trade and Industry Department, 'Hong Kong: The Facts', p2 (August 2015) <http://www.gov.hk/en/about/abouthk/factsheets/docs/trade%26industry.pdf>

40. SUCCESS, <https://www.success.tid.gov.hk/english/aboutus/aboutus.html>



Photo: (cc) pixabay

### Investment facilities for SMEs in Sri Lanka

The SME sector is at the centre of economic development in Sri Lanka, comprising 70% of the plantation sector; 85% of the rubber sector; 90% of coconut growers and 100% of the paddy sector.<sup>41</sup> Overall, more than 75% of the country's enterprises fall within the SME sector, which has increased its total contribution to the GDP of the country from 40% in 2010, to 52% in 2011. According to government statistics, Sri Lanka's SME sector employs 45% of the working population.<sup>42</sup> Therefore, in line with the government's vision to double the country's per capita income and consolidate Sri Lanka as an emerging economy, high priority has been assigned to the SME sector to strengthen it as the backbone of the economy.

41. Ministry of Finance and Planning, 'Government Policy and Strategy for SME Development,' (April 2013) <https://www.imf.org/external/np/seminars/eng/2013/asiatax/pdfs/srilanka.pdf>

42. Ibid.

In 2011, all banks were required to set up an investment fund account (IFA) from the reduction of the corporate income tax collected on banks from 35% to 28%, and VAT on financial services from 20% to 12%. Instructions were also given to banks to provide funding for SME development programmes using the IFA. In addition, special SME bank branches were established to use IFAs and support SMEs by providing guidance for marketing, financial management, changing renewable energy sources, and increasing productivity and competitiveness. A 50% government guarantee was to be given to those banks providing loans under IFAs to restructure SMEs, to improve their performance.<sup>43</sup> Policy changes related to tax were also implemented in 2013. This included increasing the concessionary 10% income tax rate threshold for SMEs to SLRs 500 million, while the corporate income tax rate on SMEs was reduced to the concessionary rates of 10%-12%. Various other tax concessions and exemptions to the benefit of SMEs were also applied.

43. Ibid.

# TRADE SUPPORT NETWORK FOR SMES IN MAURITIUS

The Trade Support Network (TSN) encompasses the institutions and policies that assist with the development of the SME sector in Mauritius. They are determined by their functions and roles. As SMEs encompass a broad range of sectors, so too is a diverse array of actors at play. The following institutions play a crucial role in enhancing the competitiveness of the SME sector and contributing to its future growth.

## POLICY SUPPORT

- The Ministry of Business, Enterprise and Cooperatives is responsible for the formulation and implementation of policies pertaining to SMEs and Cooperatives, to develop a strong and diverse business sector to enhance economic growth and sustainable development. Its main client focus is to cater to SME entrepreneurs. The Ministry has three distinct arms, namely the Small and Medium Enterprises Development Authority (SMEDA), MyBiz (an SME One-Stop Shop) and the Cooperatives Division.
  - The Small and Medium Enterprise Development Authority (SMEDA) is the apex organization for local SMEs, supporting and facilitating their development in Mauritius. It is a parastatal agency that was established under the SME Development Authority Act of 2009, replacing the former authorities, including the Small and Medium Industries Development Organization (SMIDO). SMEDA promotes a conducive business environment and empowers SMEs to emerge and grow, increasing their contribution to the national economy. It caters to all SME sectors and has offices in Rodrigues and Mauritius. SMEDA operates a series of programmes for SMEs, and also provides training, consulting and technical support, which includes market access support. SMEDA recently proposed the establishment of a Technology Centre, which would be aimed primarily at providing sustainable growth services to SMEs and act as a technological knowledge hub for SMEs. In the last budget 2015-2016, SMEDA gained several new responsibilities, including:
    - SMEDA is to operate a fast-track mechanism to ensure that all necessary permits and approvals needed to carry out business are delivered within the minimum time;
    - SMEDA is to collect trade fees on behalf of local authorities;
    - Any small company registered with SMEDA after 1st June 2015 will benefit from:
      - » exemption from payment of corporate income tax for the first eight years;
      - » exemption from the requirement to operate tax withholding under Tax Deduction at Source (TDS) for the first eight years; and
      - » exemption from submission of financial statements and annual returns to the Registrar of Companies for the first eight years.
- The Ministry of Industry, Commerce and Consumer Protection works to promote globally competitive industries and a diverse product and market base. The Ministry works to stimulate exports in existing and emerging markets, and enhance market access through internationally recognized standards. It also aims to ensure a regular supply of essential commodities, monitors the prices of controlled commodities and through the Price Observatory, the Ministry informs consumers on the price evolution of commodities. It caters to both manufacturers and consumers.
- The Ministry of Finance and Economic Development controls all economic activities on the island, and is responsible for determining the main price index for all staples, as well as all other commodity subsidies and taxes. It develops all legislation related to the economy, and as such plays a central role in the

country's economic development. To this end, it oversees the newly established MAUBank, sets interest rate policies, and holds a registrar of all companies on the island.

- The **Mauritius Revenue Authority (MRA)** is a body corporate, set up to manage an effective and efficient revenue-raising system. It administers and collects taxes due in Mauritius within an integrated organizational structure. The MRA operates under the Ministry of Finance and Economic Development, which has overall responsibility for the organization and monitors its performance. The MRA is responsible for collecting about 90% of all tax revenues and for enforcing tax laws in Mauritius.
- The **Food and Agricultural Research and Extension Institute (FAREI)** have been established on 14 February 2014 as per the FAREI Act 2013 to take over the functions of the Food and Agricultural Research Council (FARC) and the Agricultural Research and Extension Unit (AREU). It operates under the aegis of the Ministry of Agro Industry and Food Security. This restructuring is part of the Government Programme to reform parastatals of the Ministry of Agro Industry and Food Security with a view to improve the cost-effectiveness, quality of services and optimal use of human resources at both organisations. Formerly known as the Directorate of Agricultural Research and Extension (DARE), was created in 1997 to develop the agricultural sector in Mauritius. It is a parastatal organization that operates under the Ministry of Agriculture. AREU works to create entrepreneurial opportunities in agribusiness, offering support to SMEs through its Business Development Unit to facilitate agribusiness grant applications and the preparation of business plans.
- The **Competition Commission of Mauritius (CCM)** was established as a statutory body in 2009 to enforce the 2007 Competition Act, which established a competition regime in the country. CCM is a parastatal entity, under the Ministry of Financial Services, Good Governance and Institutional Reforms, but is independent in its decision-making. The CCM has the power to investigate anti-competitive business behaviour in Mauritius, and if it finds evidence of such activity has the right to intervene and impose fines.
- The **National Women Entrepreneur Council (NWEC)** is a parastatal body operating under the Ministry of Gender Equality, Child Development and Family Welfare, and was established in 1999. NWEC is the main organization providing support and assistance to both potential and existing women entrepreneurs in Mauritius, catering to MSMEs. Some of the main objectives of NWEC include ensuring effective communication between the Council and its members, the identification of actions and projects which will promote women entrepreneurs, the establishment of training aimed at improving the skills and management of women entrepreneurs and developing links with other bodies, both in Mauritius and internationally.
- The **Human Resource Development Council (HRDC)**, operating under the Ministry of Education and Human Resources, Tertiary Education and Scientific Research, was set up as a corporate body in November 2003 through the Human Resource Development Act. HRDC is responsible for promoting the development of the labour force in Mauritius, in line with the requirements of a fast growing economy. HRDC was established following the recommendations of a report on a National Integrated Training Strategy, prepared by an International Labour Organisation (ILO) consultant, whereby the need for an apex body that would guide and provide the necessary thrust for human resource development in Mauritius was felt.
- The **National Computer Board (NCB)** was established in 1988 by the National Computer Board Act, to promote the development of ICT in Mauritius. NCB is a parastatal body operating under the Ministry of Technology, Communication and Innovation. Its core mission is to accelerate the transition of the country into a regional ICT hub and ensure the realization of the government's objective to make the ICT sector a key pillar of the Mauritian economy.
- The **State Investment Corporation (SIC)** was founded in 1984 as an investment arm of the Government of Mauritius. Its primary objective is to provide funds for the realization of high-growth entrepreneurial ventures and to assist businesses to industry leadership positions.
- The **Board of Investment (BOI)** is the national investment promotion agency of the government, with the mandate to promote and facilitate investment in the country and trade in services. It is the first point of contact for investors exploring business opportunities in Mauritius and the region, and assists investors in the growth, nurturing and diversification of their business. BOI also plays a role in policy advocacy to ensure the improved competitiveness of Mauritius.
- The **Development Bank of Mauritius (DBM)** promotes the development of local business, by acting primarily as a facilitator and provider of financial support. DBM provides an array of financial facilities to SMEs that include the Quasi Equity Fund, the booster loan scheme, transitional support to small companies, and the agricultural sector-specific scheme. Additionally, DBM offers loan assistance and concession finance facilities to various businesses against varied forms of loan repayment guarantees. Since January 2016 all services aimed at SMEs have been shifted to MauBank.

- **MauBank** launched in January 2016 following the merger of the National Commercial Bank with the Mauritius Post and Cooperative Bank. MauBank is held by MauBank Holdings Ltd; a state-owned company. MauBank operates retail, SME and corporate banking business locally and internationally, and provides dedicated and specialised SME banking solutions through 10 of its 36 branches.
- The **National Empowerment Foundation (NEF)**, also known as the Empowerment Programme provides assistance to SMEs in overcoming operating difficulties. NEF offers an array of support services to SMEs including providing financial support to companies without the need for collateral, enhancing employability also training and re-skilling including the reskilling of retrenched/pensioned off workers from Sugar, Textiles and other Sectors. It also facilitates loan application procedures through its Booster Loan Scheme, and funds entrepreneurship training programmes based on the needs of the industry.
- The **Mauritius Chamber of Commerce and Industry (MCCI)** was established in 1850 and is the oldest non-profit institution representing the private sector in Mauritius. MCCI was established in response to the increase in the island's volume of trade during the first decades of British administration. Today's MCCI took on its present name in 1965, when the country was headed for independence and contemplating the diversification of its economy. MCCI works to defend and promote the interests of its members, and does so through maintaining close links with the Government. MCCI also has international links with intergovernmental and private organizations aimed at promoting Mauritius better globally.
- The **Association of Mauritian Entrepreneurs** was established to promote business, social and other activities, locally and internationally to foster economic development, growth and prosperity on the island. The Association has aimed to build a qualitative membership base, with members coming from various organisations and institutions across Mauritius.

## TRADE SUPPORT

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- **Enterprise Mauritius (EM)** is the main trade promotion organization in Mauritius, and is operates as a private company with the Ministry of Industry. EM assists local businesses to expand into regional and international markets and meet the challenges of international competition, including advice on TBT and SPS requirements. A core objective of EM is to help SMEs internationalize their products and services through export marketing. EM also provides financial assistance to SMEs through the Enterprise Development Fund (EDF), which assists firms in acquiring specialized resources to enable them to develop and expand. Its *Strategic Plan 2015-2018* takes a holistic approach to both export development and promotion, addressing issues of competitiveness, inter-institutional collaboration and SME empowerment.
- **Business Mauritius**. Business Mauritius came into operation as from 1 October 2015 following the restructuring of the Mauritius Employers' Federation (MEF) and the closing down of the Joint Economic Council (JEC). The **Mauritius Employers' Federation (MEF)** was founded in 1962 and is the voice of Mauritian enterprise in all social and economic issues. It is the largest organization for the private sector in Mauritius, with more than 1,200 members from all sectors of the economy and all categories of enterprises, small, medium and large. The **Joint Economic Council (JEC)** was founded in 1970 as the coordinating body of the Private Sector of Mauritius and it regroups the main business organizations of the country.
- The **Association of Mauritian Manufacturers (AMM)** was established to promote the development of the manufacturing sector on the island, and increase their contribution to the economy. AMM has created a 'Made in Moris' branding as a sign of manufacturing excellence. They also undertake networking activities and studies on behalf of 11 manufacturing sectors. The AMM also promote development of domestic oriented enterprises.
- The **Mauritius Export Association (MEXA)** was founded in 1976, and is the sole private association in Mauritius grouping the export companies. MEXA aims to promote and defend the interests of the Export Community of Mauritius at the national, regional and international level. MEXA was called to restructure itself in 2007 to represent better the entire export sector of Mauritius, which has evolved significantly to encompass seafood, agro-industry, jewellery, gems and watches, and chemical products, among others.
- The **Mauritius Standards Bureau (MSB)** is a corporate body that was set up under the Mauritius Standards Bureau Act of 1993. MSB is responsible for standardization, quality assurance, testing and metrology. It operates a certification marking scheme for products and a national management system certification scheme. MSB is also the custodian of the national measurement standards and offers calibration services. It is the National Enquiry point for WTO/TBT matters.

## BUSINESS SERVICES

- The National Institute for Co-operative Entrepreneurship (NICE) was established under the 2005 Co-Operatives Act. NICE provides facilities and engages in research and training for the promotion and development of co-operative entrepreneurship, particularly for small and micro business. It also acts as a centre for the consolidation and development of the co-operative movement, through education and training and for the exchange of information, and promotes and develops capacity building through entrepreneurship and business leadership. To this end, NICE is also responsible for organizing and conducting co-operative management and ICT courses, examinations and award certificates. NICE is also tasked with establishing links with foreign training institutes and organizations.

## SME PROGRAMMES

The Leasing Equipment Modernisation Scheme (LEMS), the Government provides a credit line to leasing companies, thereby enabling SMEs to acquire affordable finance to increase their productivity and competitiveness. The LEMS comprises five different schemes<sup>44</sup>, with more favourable interest rates, and aim to assist with the modernization of production processes or by facilitating cash flows by refinancing assets. The five schemes are:

- **LEMS I** – Leasing facility of a maximum of Rs5million for the purchase of new equipment by SMEs with turnover not exceeding Rs 50 million per annum with an interest rate of 7.25% per annum.
- **LEMS II** – Leasing facility not exceeding Rs15million for the purchase of new equipment by SMEs with turnover per annum up to Rs150 million with an interest rate of 7.25% per annum.
- **LEMS III** – Leasing facility of a maximum of Rs50million for the purchase of new equipment by SMEs with turnover per annum exceeding Rs150million with an interest rate of 7.25% per annum.
- **LEMS IV** – Leasing facility of a maximum of Rs150million to ease cash flow of SMEs through refinancing of their existing assets by Sale & Lease Back -applicable to SMEs as recommended by the Independent Financial Analyst with an interest rate of 7.25% per annum.
- **Credit Financing Scheme (ECFS)** – Leasing facility of a maximum of Rs100 million to ease the Cash Flow of the SMEs by allowing them to discount/factor their Sales Credit Invoices to CIM Finance Ltd applicable to SMEs having an Annual Turnover not greater than Rs50million.

- The Green Loan Scheme is collaboration between l'Agence Française de développement (AFD) and four Mauritian banks, namely Banque des Mascareignes, Mauritius Commercial Bank, State Bank of Mauritius and Standard Bank Mauritius. It was established in 2009 to finance “green” projects, by implementing a Eur 40 million green credit line. Under the scheme, partner banks have developed their environmental lending initiatives which include customized loans, advisory services and grants.
- MCCI works together with EM in the **Go Export Training Programme** for SMEs, to upgrade the export capabilities of local firms and increase the number of exporters, who will in turn increase the overall level of exports in the country. The programme focuses on coaching and training, covering entrepreneurial skills, production/operations, product development, financial readiness, export strategy/export potential, export procedures/documentation, and legal aspects.
- The **Participation in International Fairs SME Refund Scheme** assists SMEs to develop and expand their business activities through export promotion. Under this scheme, the Government provides a grant to SMEs for participating in international fairs and exhibitions. The scheme is applicable to companies which are incorporated in Mauritius with the Registrar of Companies and fall under the SME category.
- MCCI recently launched the **MCCI SME Marketplace**, an online platform allowing exchanges between SMEs and larger enterprises. SMEs will have access to commercial services such as finance and training, as well as other business services including, marketing and communications, HR, management consultancy, and property development.
- The SME one-stop shop, **MyBiz** was launched in December 2015 and is managed by SMEDA. MyBiz provides general information services and support services related to the initial start-up of projects to entrepreneurs. It is also responsible for the application and the granting of permits and licences from ministries, and local authorities. MyBiz also houses a specialized Business Development Services Unit, which provides expert technical advice and assistance for the development and growth of businesses. An export promotion unit and M&E unit are also in the pipeline.
- **Equity Funds.** The budget of 29106/17 foresees the merging of the NRF Equity Fund and SME Partnership Fund into an SME Venture Capital Fund with a capital of Rs 500m. The **NRF Equity Fund** is a private equity fund ('the Fund') and was set up in 2012 by the Government of Mauritius and the Commercial banks in Mauritius. The Fund has an initial capital of Rs250M to invest in the equity or capital of Small and Medium Enterprises

44. The information was accessed from InvestMauritius website on 11 Jan 2017: <http://www.investmauritius.com/media/68128/Annex-to-Business-Development-Programmes.pdf>

in Mauritius, targeting all industry sectors, particularly entrepreneurial businesses that are looking to restructure, expand or move up their value chain. The **SME Partnership Fund** is a Rs 170 million fund that provides equity financing to SMEs to promote their development and growth. It was created by the Government in collaboration with SIC and DBM in August 2006. Normally, this fund invests in only viable and feasible SMEs projects that have significant growth potential. It finances approved ventures within the investment range of Rs 300,000 to Rs 10 million, and whilst all productive sectors are eligible for financing, it is primarily geared towards capital expenditure projects, including start-ups, expansion projects and new lines of business. The budget of 2016/17 proposed that the SME Partnership Fund and the NRF Equity Fund be merged.

## KEY LEGISLATION GOVERNING SMES

- The **Small and Medium Enterprises Development Authority (SMEDA) Act** of 2009, established the Small and Medium Enterprises Development Authority (SMEDA). It also made better provisions for the promotion and development of SMEs in Mauritius.
- The **Employment Rights Act**, 2008 sets out legislation relating to agreements and remunerations, hours of work, the entitlement of workers, with special provisions for those in the sugar trade, job contracts and terminations, among others.
- The **Business Registration Act**, 2002 provides for all law relating to the registration of persons carrying out businesses in Mauritius and Rodrigues, as well as their business names. It also covers the allocation of a single business number to those persons and the issue of a Business Registration Card to those persons.

The **Business Facilitation Act** 2006 facilitates the administrative procedures for starting up new activities and buying property in Mauritius. Amendments to the Immigration Act and the Investment Promotion Act allow for the issue of an Occupation Permit to all non-resident investors, be it individual investors, professionals and self-employed. Retired non-citizens are issued with a residence permit. It was a key milestone in the opening up of the Mauritian economy, to improve the ease of doing business and making the country more globally competitive. This law allows for a temporary Occupation Permit to be granted to all non-resident investors, be it individual investors, professionals or pensioners. It was a key milestone in the opening up of the Mauritian economy, to improve the ease of doing business and making the country more competitive globally.

- The **Employment Relations Act** of 2008, amended in 2013, consolidated the national law as regards trade unions, the fundamental rights of workers and employers, collective bargaining, labour disputes and related matters.
- The **Companies Act** was established in 2001 amending legislation in place since 1984. In line with international best practice, the act provided guidance for domestic and international investors to invest in and from Mauritius. It enacts company law that applies to all companies, both domestic and those with a global business licence.

## ADDITIONAL RECENT POLICY MEASURES

A series of other measures were also announced in the 2015-2016 Budget for SMEs. These include:

- Seven more SME parks will be developed to increase industrial space;
- The compulsory VAT registration threshold will be increased from MUR 4 million to MUR 6 million;
- The turnover threshold for submission of quarterly returns under the Advance Payment System will be raised from MUR 4 million to MUR 10 million; and
- The annual fee payable to the Registrar of Companies by a small private company with turnover not exceeding Rs 10 million will be reduced from MUR 2,500 to MUR 500.

Additionally, in the 2016-2017 Budget, a series of support measures for SMEs will be provided, beyond those already covered above:

- Fiscal incentives for SMEs under two broad categories:
  - a) Extension of the 8-year tax holiday in respect of business income is being extended to new enterprises set up by individuals or co-operative societies qualifying under the scheme and registered with SMEDA;
  - b) Existing enterprises registered with SMEDA with a turnover of less than Rs 10 million and engaged in qualifying activities under the same scheme will be given a 4-year tax holiday in respect of their business income. The tax holiday will start as from the year of assessment 2016/17.
- Suspension of the payment of trade fees for licenses of Rs 5,000 and below, for a period of three years for all SMEs, except those engaged in activities such as gambling, and sales of liquor and cigarettes. This measure will benefit new businesses and some 75,000 existing businesses.



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- Creation of a National SME Incubator Scheme will be created under which a matching grant of Rs 50 million will be offered with the aim of supporting and mentoring young entrepreneurs.
- Two new SME Industrial Parks will be constructed at Plaine Magnien and Vuillemin and the DBM Industrial Zone at Coromandel will be converted into a modern integrated SME industrial park.
- SME financing scheme will be continued for another three years and extended to individual entrepreneurs as well. I am pleased to announce here that the interest rate under that scheme will be brought down from 7.4 to 6 percent.
- The DBM will set up a dedicated fast track desk for micro enterprises.
- The Government will set up a line of credit of Rs 100 million to be used towards providing factoring services to small businesses.

Finally, the SMEDA has commissioned a 10-year Master Plan for SMEs, which will be the common thread that will formally define government's policy. It will mark a new beginning for the sector – a new beginning for greater heights. The Minister of Business, Enterprises and Cooperatives stated that he is confident that the SME Master Plan will be the 'game changer' in navigating the new development path for SMEs across all sectors until 2025. The plan should be completed early 2017.

# INSTITUTIONAL ASSESSMENT FOR SME TSIS

A number of key institutions play a critical role in the development of the SME cross-sector. The most relevant institutions have been plotted in the figure below according to the perception of stakeholders in terms of the institutions' importance to the sector and their capacity to fulfil their mandates as they relate to the SME cross-sector. Most of the institutions listed have a very high influence on the sector, and a number respond well to the sector in carrying out their mandate. Examples of successful

institutions include MRA, Mybiz, BOI, MCCI, MBEC and MICCP. These organizations have the necessary financial resources at their disposal, and the technical skills, human resources and equipment required to fulfil their mandates successfully. Other institutions, such as SMEDA and EM have some difficulties in reaching out to all SMEs, but still play a critical role in SME development. A number of other institutions are seen as having quite weak capacity and require substantial support.

Figure 6: Institutional Assessment for SME TSIs

		Capacity of the institution to respond to the needs of the SME sector	
		Low	High
Capacity to influence the SME sector	High	<ul style="list-style-type: none"> <li>• MEXA</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Finance: MRA</li> <li>• Ministry of Finance</li> <li>• MyBiz*</li> <li>• BOI</li> <li>• MCCI</li> <li>• Ministry of Business, Enterprise and Cooperatives</li> <li>• Ministry of Industry, Commerce and Consumer Protection</li> </ul>
	Low	<ul style="list-style-type: none"> <li>• NICE</li> <li>• NWEC</li> </ul>	<ul style="list-style-type: none"> <li>• EM</li> <li>• SMEDA</li> </ul>

## CRITICAL CONSTRAINTS FACING THE SME SECTOR IN MAURITIUS

### Entrepreneurship must be developed further and incubators are needed for new entrants

SMEs represent a large share of the economic activity, but they account for a small fraction of international trade, particularly exports. This can partly be explained by the weak business environment, which should involve nurturing entrepreneurship, ensuring access to finance, quality management, and timely access to trade information.

Current shortcomings in local institutions, including financial, human capital, quality management and local industry networks, limit SMEs' export readiness and ability to benefit from opportunities for participation in global value chains. Oftentimes processes are lengthy as in the case of MyBiz's one-stop-shop, or may be ill-adapted to the SME sector, such as for BOI's Fast Track Committee to expedite the approval process of large investments. In addition, government policy is not always well suited to the needs of the SME sector, particularly in the case of public procurement. In addition, a lack of data on the nature and characteristics of the SME sector hinders the creation of a business enabling environment further.

In that sense, SMEs are among the key beneficiaries of the NES, which recognizes the need by SMEs for a sound business environment, ready access to finance, and institutional support if they are to be integrated better into value chains dominated by larger global players.

There are currently no incubator programmes for SMEs and entrepreneurs, which could provide comprehensive technical support and mentoring especially in the critical early stages of establishment. Such programmes have worked well in developing countries such as India, and can be replicated with relative ease and sustained support, including ensuring the capacity of the relevant TSIs to undertake this. In recognition of the institutional support gap for early stage and start-up companies, a proposal for setting up export-incubators will be developed and aimed at SMEs seeking to export (while also focusing on the domestic market as a growth mechanism). Such incubator programmes are not a fundamental part of the SMEDA strategy 2015-18, and therefore the NES can support some of these initiatives, particularly as incubators link directly to markets.

There is also a need for changes in management structures, to bring about a change in the business culture. Qualitative inputs gained through bilateral interviews, as well as the NES consultation have pointed to the high unwillingness and risk averseness of the business community in general, to undertake risks without relatively

guaranteed returns<sup>45</sup>. This is a natural concern, perhaps driven by the dependence of the private sector on preferential access. However, as this access gradually gets eroded, and the requirement for relying on competitiveness instead takes centre stage, attention must fall on fostering entrepreneurship. Therefore, mentoring and coaching support will also be a necessary element of the incubation programme to foster entrepreneurship, and ensure the ongoing development of the SME sector.

- Severity: ●●●●●
- Cross-Sector Strategy: SME
- PoA Activities: 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5, 1.1.6, 1.1.7, 1.1.8, 1.1.9, 1.1.10, 1.1.11, 1.3.1, 1.3.2

### The quality of SMEs must be increased to ensure their sustainability

Marked quality-related gaps exist across the SME sector impacting on the quality of SMEs and weakening their sustainable growth and long-term sustainability. Issues exist relating to quality management, logistics and production standards, which affect the export ability of SMEs, in particular. However, gaps are also evident in the key managerial skills needed to run an SME successfully, including accounting skills, leadership skills, business strategy, operations, finance, and marketing knowledge, among others.

Capacity building is required across the sector, and in this sense programmes need to be developed addressing such quality and skill gaps. In addition, certification could go some way to raising the quality standard within the sector, and both advisory services for companies interested in certification, as well as a promotional campaign on the benefits of becoming certified are required. Additional certification incentives could also be considered to promote quality further in the SME sector.

- Severity: ●●●●●
- Cross-Sector Strategy: SME
- PoA Activities: 2.1.1, 2.1.2, 2.1.3, 2.1.4

### Access to finance challenges

SMEs in particular face specific access to finance and investment challenges across all sectors and value chains, and these must be addressed to improve competitiveness. Awareness among SMEs on the availability of financing schemes and loan instruments is also a challenge. For example, there are currently a number of financing schemes available to exporters, including

45. The ICT sector was a notable exception. This sector has forged ahead in terms of trying out new business models despite the lag in institutional support.

export credit guarantees and MauBank's SME Financing Scheme, but there is a consistent refrain among exporters and the SME community regarding the lack of financial instruments. This may be attributed to weak marketing of these instruments by the banks, but it could also be the possibility that such thresholds and sectors covered are neither inclusive nor relevant. Therefore, some adjustments may be required within the scope of provisions, and eligibility criteria of existing instruments to ensure they match better with the needs of the sector's firms. Additionally, better information distribution on alternative national and regional funding is needed, as well as possible assistance in meeting the eligibility requirements to gain access to the finance.

Services firms face challenges in raising collateral, as services are inherently tied to intellectual capital rather than the physical assets that banks typically prefer to use as collateral. Moreover, services firms are mainly SMEs, which affect their debt financing options further. Private venture fund and business angels' intervention in the SME sector could go a long way to increasing access to investment. However, there is a marked lack of such activity, which could be helped by improved government guidance on the part of the investor and the investment recipient.

- Severity: ●●●●●
- Cross-Sector Strategy: SME
- PoA Activities: 1.2.1, 1.2.2, 1.2.3, 1.2.4

### Lack of knowledge on how to export and market intelligence

It has been noted that the level and quality of market intelligence could be improved further. The number of providers of market research, either as a public good or through consultancy services is rather limited and does not meet the requirements of exporters. SMEs typically do not have the resources to invest in dedicated market research and therefore, the availability of thorough market research on a free or paid basis provides additional options. Currently, the market research conducted by TSIs such as EM, and MEXA, among others, is limited to certain sectors of focus, and not always sufficient in detail.

Therefore, there is a need to expand this to other sectors, particularly those where SMEs are involved, as well as increase the depth of research. Following from this, the advisory services provided by EM and BOI need to be expanded to cover all the needs of the SME sector, and should include such areas as business intelligence, logistics and trade finance. In addition, the needs of those SMEs involved in services need to be addressed better, and account in particular for the priority sectors of accounting, legal, economics, engineering, architectural, as well as others.



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Market opportunities arising from recently signed free trade agreements between Mauritius and its trading partners need to be shared in a timely, clear way that would allow the SME sector to improve its market intelligence and therefore its participation in global trade. Also, commercial attachés stationed in embassies or international BOI offices are currently underused, failing to offer the necessary services promoting SMEs' involvement in trade internationally. They are well-placed to offer such services as matchmaking and B2B, as well as supporting the attendance of SMEs at international trade fairs.

The lack of knowledge on how to export hinders SMEs further and capacity building programmes, such as "Go Export", by EM and MCCI should cater better to the SME export-oriented sector. In addition, e-Commerce policies that are supportive of the SME sector are required, and could include such things as an evaluation of tax, customs and administrative procedures to ensure they facilitate the participation of SMEs in the export sector.

- Severity: ●●●●●
- Cross-Sector Strategy: SME
- PoA Activities: 3.1.1, 3.1.2, 3.1.3, 3.1.4, 3.1.5, 3.1.6, 3.1.7, 3.1.8

# THE WAY FORWARD

## VISION

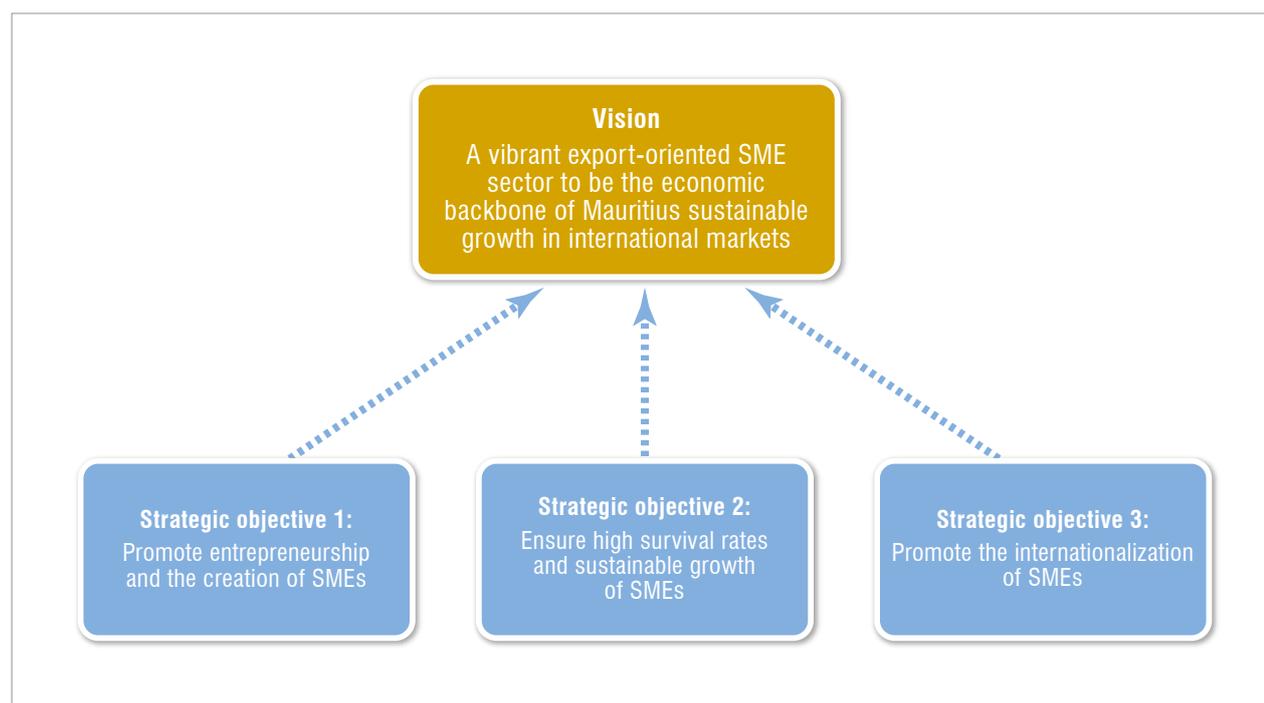
The NES consultations gave stakeholders the opportunity to come together and define their vision for the SME cross-sector. This statement embodies in a simple and direct manner the ambition that SMEs could and should support a more competitive economy.

## STRATEGIC ORIENTATION

The vision for the SME cross-sector will be realised through the achievement of three strategic objectives. These objectives provide a framework for addressing the constraints identified, and they highlight key areas where action is required over the next five years.

“ A vibrant export-oriented SME sector to be the economic backbone of Mauritius’ sustainable growth in international markets ”

Figure 7: Strategic orientation for SMEs



### **Strategic Objective 1: Promote entrepreneurship and the creation of SMEs**

This first strategic objective focuses on creating an environment that is conducive to entrepreneurship. This requires various approaches, including coordinating with the private sector to identify those sectors in which SMEs in particular, could benefit from Special Economic Zones (SEZs), and subsequently implement the required legislation to facilitate their establishment. Several reviews need to be carried out, namely, of the feasibility studies of the seven SME Parks identified in the 2015 Budget and the sectors they target, with appropriate policies and regulations implemented to foster uptake; of how BOI's Fast Track Committee to expedite the approval process of large investments may be extended to investments in the SME sector, as well as the steps necessary to create a company through MyBiz's one-stop-shop, with unnecessary elements eliminated.

Mentoring programmes are to be established to promote entrepreneurship in the sector further, and this may include providing low levels of sponsorships to SMEs to guarantee their involvement. A database is to be developed of local SMEs for matchmaking purposes with foreign investors who are looking for a Mauritian-based partner. This would be assisted with the better availability of data on the SME sector, which requires the improved collection of information on such aspects as production, employment, capital employed, productivity, export propensity, and import propensity, among others. This can be facilitated through the enhanced capacity of the Statistics Office.

This strategic objective also addresses the facilitation of access to finance and investment for SMEs, and proposes creating a guide to encourage private venture funds and an enhanced role of business angels in the SME sector, as well as an awareness campaign to ensure its success. A review of the MauBank SME Financing Scheme will be undertaken to ensure it is as inclusive and relevant as possible. Information on alternative national and regional funding mechanisms requires more wide distribution to enhance SME access to finance. Lastly, the coherence and effectiveness of government policies is important, and in that regard the SMEDA Act needs to be reviewed, along with all government procurement rules to ensure their harmonization and application to the country's SME sector.

The first strategic objective is to have generated widespread consciousness and appetite for innovation among economic actors and policy makers. This will be done through two complementary approaches. The first one is to foster awareness among key stakeholders (policy makers, firm managers and entrepreneurs, directors of academic and training institutions) on the urgency to innovate and opportunities to innovate in firms. The second is

to provide greater incentives to innovate through the introduction of grant schemes, an innovation box regime (see (MCCI, 2016)) and tax incentives for R&D activities. These incentives will target different types of innovators. For instance, innovation grant schemes are particularly useful for SMEs with limited resources that are trying to explore the development of new products or processes. They can be useful in generating appetite for innovation among smaller firms which usually do not innovate. On the other hand, tax incentives for R&D activities can encourage greater investment in R&D particularly among larger firms, which have already some experience/resources in conducting R&D. The following operational recommendations fall under this strategic objective:

1. Increase awareness among key stakeholders (policy makers, SMEs, research, training and education institutions) on urgency to innovate
2. Provide incentives to firms to conduct innovation activities

### **Strategic Objective 2: Ensure high survival rates and sustainable growth of SMEs**

This strategic objective is focused on increasing the quality of SMEs to ensure their sustainable growth and ultimately increase their survival rate long-term. This demands an analysis of the existing quality-related gaps affecting SMEs, with the required capacity building in response, in such areas as quality management, logistics, and production standards. In this regard, a capacity building programme of the managerial skills needed to run an SME is to be developed, including but not limited to such skills as, accounting, leadership, business strategy, operations, finance, and marketing.

An assessment is foreseen of the relevant public and private sector service providers capable of delivering advisory services to those companies willing and committed to be certified, including efforts to ensure that public sector provision does not crowd out others. Based on the outcome of this study, complementary actions should be taken, such as tax rebate schemes for those companies that obtain certification or capacity building of SMEDA to deliver the services at a subsidized rate. Additionally, the promotion of investment in certification among private sector companies is proposed, and can be done through creating an awareness of its benefits to SMEs.

To support the SME sector further, an improvement in available skills is required. The first step in doing so requires the elaboration of an impact assessment on the effects of current quota limitations on foreign worker permits, which facilitates national companies the access to qualified workers. The necessary legislative and regulatory changes that may be required based on the outcome of this study must be implemented as needed. A second

step requires a review of the existing Technical and Vocational Education and Training (TVET) curriculums in the country, taking into account best practices from countries such as Singapore, Hong Kong, and Malaysia, and again the necessary changes must be implemented as recommended by the study. In line with this, the gap between skills supply and demand in the country is to be addressed, with the skills development infrastructure re-oriented as required, ensuring that the national skills base responds to the future requirements of the SME sector and industry more widely. This will likely require changes to the education system, particularly at the technical training centre and tertiary education levels, to improve work ethics, productivity and entrepreneurial spirit among graduates and technical trainees in Mauritius.

R&D investment and clustering among SMEs will be promoted to ensure further growth and sustainability. This will involve the implementation of a series of policies that are beneficial to the SME sector, and which promote private investment in R&D expenditure. This can include such measures as preferential administrative procedures, patent registration, and tax rebates. Public financing in R&D is also to be increased in collaboration with the sector, and the uptake of joint-research projects can be promoted through an awareness raising campaign. Lastly, companies that are ready for clustering will be identified, and partnerships will be developed, along with interaction models for maximizing horizontal 'enterprise-enterprise' and vertical 'enterprise-supplier' linkages between SMEs and larger enterprises.

### **Strategic Objective 3:** **Promote the internationalization of SMEs**

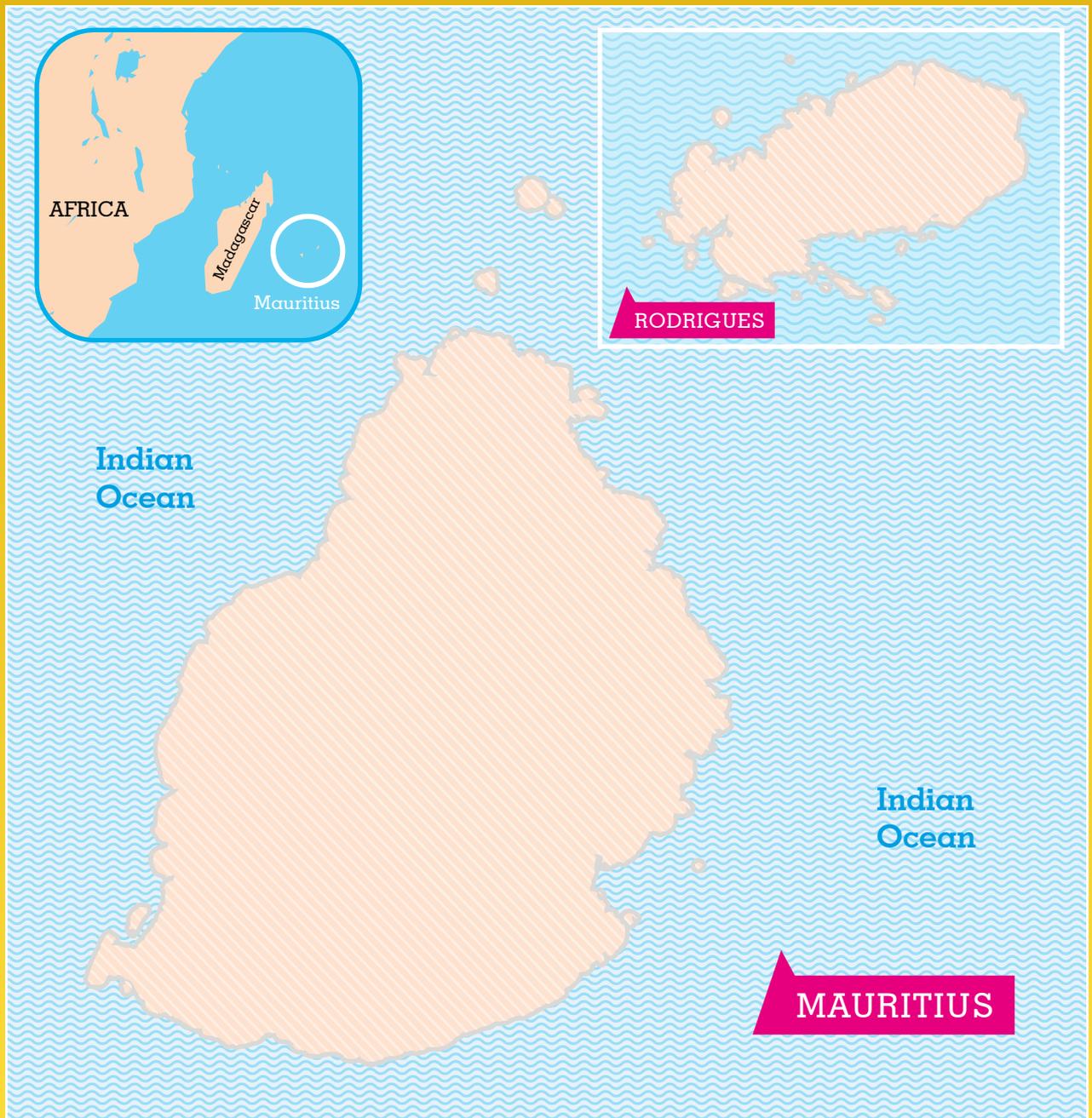
The focus of this objective is in ensuring the participation of the SME sector in international trade, through its increased integration in global value chains. This strategic objective addresses the need for timely, transparent and simplified dissemination of trade-related information

and capacity building activities to SMEs to improve their participation in global trade. This includes the elaboration of a fact sheet, which analyzes market opportunities arising from recently signed FTAs between Mauritius and its partners. It also proposes the development of EM and BOI's advisory service capabilities to address the specific needs of SMEs in such issues as business intelligence, logistics and transportation support, trade finance, international contracts and cross-border alliances. The capacity building programme "Go Export", between EM and MCCI should continue, but measures may need to be taken to ensure it facilitates SME export-oriented operations. In addition, the number of SMEs attending international trade fairs must increase, which can be aided through increased grants, as well as further assistance provided to companies in becoming export-ready through advisory services and capacity building.

Commercial attachés in embassies or BOI offices abroad must be able to provide preferential access for services to SMEs and trade promotion, including matchmaking and B2B services. This will demand an increased understanding in the needs of SMEs abroad. In addition, and building on the Global Master Plan for Services, a services strategy for the SME sector is to be developed, and will include the identification of priority sectors in non-conventional fields, such as accounting, legal, economics, engineering, and architectural. E-Commerce policies, supportive of the SME sector will also be needed, including an evaluation of the relevant tax, customs and administrative procedures. The promotion of SME integration into global value chains will demand an analysis of the current capabilities, efficiencies and competitiveness of services SMEs in Mauritius, as well as a global demand analysis for subcontracting and global production networking in services, particularly in those areas where Mauritius appears to have a competitive advantage. The outcomes will likely demand the adoption of policies that will strengthen Mauritius' competitiveness abroad, promoting business alliances between Mauritian SMEs and multinationals in Asia and Africa.

**MAURITIUS**  
**NATIONAL EXPORT STRATEGY**  
**SME INTERNATIONALIZATION**  
**CROSS-SECTOR**

**PLAN OF ACTION**



### Strategic Objective 1: Promote Entrepreneurship and the creation of SMEs

Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
1.1 Improve the business environment to foster entrepreneurship	<p>1.1.1 In coordination with the private sector, identify those sectors that SMEs could benefit from within Special Economic Zones (SEZ), in addition to the proposed industrial parks proposed under the budget 2016-17, and subsequently design, adopt, and implement the legislation to facilitate establishment.</p> <p>1.1.2 Ensure that the 2017 budget proposed in the 2016-17 budget are expediently established, as well as study the need for the remaining 5 (out of 7 in the 2015 Budget) and the sectors they target, and design, adopt and implement a strategy to boost the final and effective implementation of the policies.</p> <p>1.1.3 Foster the implementation of <i>mentoring</i> programmes by defining the criteria and objectives of the programme, finding mentors and providing low levels of sponsorships to SMEs.</p> <p>1.1.4 Assess the need to set up a Fast Track Approval Committee for large investment by SMEs.</p> <p>1.1.5 Improve data collection on SMEs by providing a breakdown on production, employment, capital employed, productivity, export propensity, import propensity, etc.</p> <p>1.1.6 Enhance the capacity of Statistics Mauritius to collect such data in a timely manner to ensure the identification and update of SME-related indicators.</p> <p>1.1.7 Develop a database of local SMEs for matchmaking purposes with foreign direct investors looking for a Mauritian-based partner.</p> <p>1.1.8 Conduct a strategic analysis on the facilities and incentives needed to boost the creation of SMEs and boost their growth.</p> <p>1.1.9. Establish a cohort system, wherein a batch of companies will be selected through an application programme and inducted for a 1-2 year incubation cycle. The application process will involve a business plan competition among other criteria. Support will be given to SMEs for preparing their plans, as well as elaborating the strategy of the start-ups.</p> <p>1.1.10. Support package for inducted companies will include the following:            » Financial support;            » Office space with access to facilities including computer equipment and related network infrastructure, printing, fax, internet, meeting rooms, administrative support;            » Mentoring and coaching support throughout the maturity lifecycle; and            » In-market support through, inter alia, client matching business delegations.</p>	2					Start-ups	<ul style="list-style-type: none"> <li>» SEZ impact assessment elaborated.</li> <li>» Draft SEZ policy designed for SMEs.</li> </ul>	MOFED	SMEDA/BOI	2016-2017 budget	
		1					Start-ups	<ul style="list-style-type: none"> <li>» Impact assessment elaborated.</li> <li>» Draft SME Park policies designed and adopted</li> </ul>	Ministry of Business, Enterprise and Cooperatives	SLDC	2016-2017 budget	
		2					Start-ups	<ul style="list-style-type: none"> <li>» Eligibility criteria established.</li> <li>» Pool of mentors created.</li> <li>» At least 10 SMEs benefited from this programme each year</li> </ul>	SMEDA	MCCI		
		1					SME investors	<ul style="list-style-type: none"> <li>» Recommendations from the analysis for the setting up of the Fast Track Committee for SMEs</li> </ul>	MOBEC	SMEDA		
		1					Policy Makers	<ul style="list-style-type: none"> <li>» SME indicators identified and periodically updated.</li> </ul>	CSO	SMEDA		
		1					Policy Makers	<ul style="list-style-type: none"> <li>» 15 members of Statistics Mauritius trained.</li> </ul>	CSO	SMEDA		
		1					SMEs	<ul style="list-style-type: none"> <li>» Database created of Mauritian SMEs by key areas and vital statistics</li> <li>» Five strategic partnerships achieved by 2018</li> </ul>	SMEDA	EM, BOI		
		1					SMEs	<ul style="list-style-type: none"> <li>» Analysis carried out</li> </ul>	SMEDA	MCCI		
		1					Start-ups	<ul style="list-style-type: none"> <li>» System drafted and implemented.</li> <li>» At least five SMEs are identified and selected for incubation.</li> </ul>	SMEDA	EM		
		1					Start-ups	<ul style="list-style-type: none"> <li>» Support package created and implemented.</li> </ul>	MOBEC	BOI, EM, MOFED		

**Strategic Objective 1: Promote Entrepreneurship and the creation of SMEs**

Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2021	2020	2019	2018	2017					
1.1 Improve the business environment to foster entrepreneurship	1.1.11 Reinforce the capacity of those TSIs involved in the development of this incubation programme, such as SMEDA, EM, MEXA and MCCI.	1					Trade Promotion Institutions	<ul style="list-style-type: none"> <li>» At least 50 officials are trained in trade-related areas, specifically in the functioning of export-based incubators and their needs, as well as specific requirements of the SME sector.</li> </ul>	EM	MEXA, MCCI, BOI, MoFA		
1.2 Facilitate access to finance and investment for SMEs	1.2.1 Promote the creation of private venture funds and the intervention of "business angels" by creating a guide for both, the investor and the recipient of the investment, establishing the rights and obligations of both parties. During this process, evaluate any weaknesses in the regulation which should be addressed to ensure the rights and obligations of both parties. 1.2.2 Create an awareness campaign and advertise the business angels' guide through the SMEDA network and through other channels (Chamber, Employers federation etc.). 1.2.3 Review the MauBank SME Financing Scheme, which introduced a grant of up to MUR 10,000 for the conduct of a feasibility study of a project proposal by an SME in the ICT, manufacturing, aqua-culture, renewable energy and handicraft sectors. Review the thresholds and the sectors covered to make it more inclusive and increase its relevance. 1.2.4 Distribute information regarding alternative funding mechanisms available through national and regional funds agencies and provide assistance to be considered eligible for funding. 1.2.5 Provide technical advice on the existing EU funding facilities available for African SMEs.	1					SME investor Start-ups	<ul style="list-style-type: none"> <li>» Business Angels Guide drafted and distributed</li> <li>» Recommendations arising from the evaluation</li> </ul>	MauBank	BOI SMEDA, MCCI,SLO		
1.3 Ensure coherence and effectiveness of government policies	1.3.1 Review the SME-related legislation to ensure the harmonization and coherence of the different laws and regulations affecting SMEs, such as the criteria defining the classification of a micro, small and medium-sized enterprises, considering differentiating criteria by sectors and capital needs, etc. 1.3.2 Review the Government Procurement rules, ensuring that preferences granted to Mauritian SMEs are effectively applied. Review the rationale of the preferences and how to make the usage more effective.	1					SMEs	<ul style="list-style-type: none"> <li>» At least 50 SMEs benefited from this programme in the five-year period.</li> </ul>	SMEDA	MCCI, BOI, Maubank		
		2					SME investor Start-ups	<ul style="list-style-type: none"> <li>» Advisory services made available upon request and advertised.</li> </ul>	Ministry of Finance	Maubank	2016-2017 budget	
		2					SME investor Start-ups	<ul style="list-style-type: none"> <li>» Produce SME sector-specific reports on the available funding</li> <li>» Distribute reports to the relevant organizations</li> </ul>	SMEDA	Maubank, EM		
		2					SMEs	<ul style="list-style-type: none"> <li>» At least 50 SMEs benefited from this programme in the five-year period.</li> </ul>	SMEDA	MCCI MOFA EM		
		1					SMEs	<ul style="list-style-type: none"> <li>» Ensure that all laws and regulations which are SME-related do not contradict or do not use different standards</li> <li>» Laws and regulations harmonized by 2017.</li> </ul>	Ministry of Finance	SMEDA CSO		
		1					SMEs	<ul style="list-style-type: none"> <li>» Revision of the GP rules carried out and modification proposals implemented</li> </ul>	Ministry of Finance	SMEDA	2016-2017 budget	

Strategic Objective 2: Ensure high survival rates and sustainable growth of SMEs												
Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
2.1 Increase quality of SMEs	2.1.1 Analyse the existing quality-related gap affecting SMEs, especially in the areas of quality management, logistics, and production standards. Complement with capacity building activities addressed to the identified areas. In the case of the already existing capacity building programmes, increase the public's general awareness.	1						SMEs	<ul style="list-style-type: none"> <li>» Gap analysis produced</li> <li>» Gap analysis updated every two years</li> <li>» At least 50 SMEs are trained over the five-year period.</li> </ul>	SMEDA	EM/MCCI/ NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Advisory services made available upon request and advertised.</li> <li>» Tax rebate drafted and created, and SMEDA staff is strengthened in the area of consultancy services</li> </ul>	MOBEC,	SMEDA, MCCI, Ministry of Industry, Commerce and Consumer Protection	
								SMEs	<ul style="list-style-type: none"> <li>» Communication strategy developed</li> <li>» At least 50 SMEs are ISO certified over the five-year period.</li> </ul>	SMEDA	MCCI, Mauritius Standard Bureau	
								SMEs	<ul style="list-style-type: none"> <li>» At least 150 managers from SMEs receive training over the five years</li> </ul>	SMEDA	MCCI NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Impact analysis carried out.</li> <li>» Recommendations presented.</li> </ul>	Ministry of Labour	BOI SMEDA Passport Immigration office, MEXA	
2.2 Improve the skills of the SME sector	2.2.1 Elaborate an impact assessment on the effects of current quota limitations to issue foreign worker permits, as a way to facilitate national companies the access to qualified workers. Detailed sectoral analysis should be carried out using enterprise surveys.	1						SMEs	<ul style="list-style-type: none"> <li>» Implementation plan designed.</li> <li>» Domestic regulations modified in accordance with the recommendations arising from the impact assessment.</li> </ul>	Ministry of Business	SMEDA, MOBEC EM, Immigration office	
								SMEs	<ul style="list-style-type: none"> <li>» Revision report produced.</li> <li>» Best practices analysed.</li> <li>» Proposals developed and presented for adoption at the end of 2018</li> </ul>	Ministry of Education/ MITD	SMEDA	
								SMEs	<ul style="list-style-type: none"> <li>» Revision report produced.</li> <li>» Proposals developed and presented for adoption at the end of 2018</li> </ul>	Ministry of Education/ MITD	SMEDA	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
2.2.2 On the basis of the study's recommendations, implement the proposed changes, if required, on a unilateral, bilateral and multilateral basis.	2.2.3 In light of the skills profile required by SMEs, review the existing Technical and Vocational Education and Training (TVET) curriculums, analysing the existing best practices from other countries (Singapore, Hong Kong, Malaysia), and implement the recommended actions of the study.	1						SMEs	<ul style="list-style-type: none"> <li>» Revision report produced.</li> <li>» Proposals developed and presented for adoption at the end of 2018</li> </ul>	Ministry of Education/ MITD	SMEDA	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
2.2.4 Analyse the skills gap between the skills supply and the skills demand. Overhaul the skills development infrastructure and reorient the skills base towards critical future requirements for the industry and SME sector.	2.2.5 Undertake a study on the necessary changes to the education system to improve work ethics, productivity and entrepreneurial spirit among graduates and technical trainees. Introduce any recommended actions for the national curriculum at technical training centres and in tertiary education.	1						SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	
								SMEs	<ul style="list-style-type: none"> <li>» Study for recommended actions is undertaken</li> <li>» Changes in curriculum adopted.</li> </ul>	Ministry of Education/ MITD	SMEDA, NPCC	

Strategic Objective 2: Ensure high survival rates and sustainable growth of SMEs												
Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
2.3 Promote R&D investment and clustering among SMEs	2.3.1 Implement a series of policies, which can benefit SMEs (such as preferential administrative procedures, patent registration, tax rebates) promoting private expenditure in Research and Development, for those companies across all sectors which invest a minimum of 2.5% of turnover in R&D activities.  2.3.2 Increase R&D public financing in collaborative efforts with SMEs in any sector by providing access to public sector facilities and financial support. An awareness campaign should promote uptake of joint-research projects.  2.3.3 Identify those companies ready for clustering, developing partnership and interaction models for maximizing horizontal 'enterprise-enterprise' and vertical 'enterprise-supplier' linkages between SMEs and larger enterprises.	2					SMEs	» R&D private expenditure increases » Policies implemented by 2017	Ministry of Finance and Economic Development	B01 MOBEC		
							SMEs	» R&D public expenditure increases » At least 25 joint R&D projects between SMEs and the public sector are developed over the five years period.	MOBEC	MOFED, SMEDA, B01, MRC		
							SMEs	» At least five clusters developed in the five-year implementation period.	SMEDA	MOBEC/ B01/ MCCI		

Strategic Objective 3: Promote the Internationalization of SMEs												
Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
3.1 Ensure a timely, transparent and simplified dissemination of trade-related information and capacity building activities to SMEs	3.1.1 Elaborate a fact sheet analysing the market opportunities arising from the existence of signed FTAs between Mauritius and its partners to improve SME participation in trade.	2					SMEs	<ul style="list-style-type: none"> <li>» Fact sheets explaining market opportunities arising from existing and future FTAs to which Mauritius is a contracting party elaborated.</li> </ul>	EM	SMEDA BOI MOFA (International Trade Division) MCCI		
		1					SMEs	<ul style="list-style-type: none"> <li>» Two specialized advisers for SMEs in EM</li> <li>» Database of external consultants is created (nationally and internationally)</li> <li>» At least 50 SMEs make use of advisers per annum</li> </ul>	MOBEC	MCCI SMEDA MyBiz EM BOI		
	3.1.3 Commercial attaches in embassies or BOI offices abroad to provide preferential access for services to SMEs and trade promotion, including matchmaking and B2B services. Training programme elaborated for attaches in understanding SME needs overseas.	2					Export ready SMEs	<ul style="list-style-type: none"> <li>» SME services are formally created in offices abroad</li> <li>» SME feedback on services is positive</li> <li>» Training programme implemented by MoFA and BOI</li> </ul>	MOFA	BOI SMEDA		
		2					Export ready SMEs	<ul style="list-style-type: none"> <li>» 20 enterprises trained are followed on results</li> <li>» Quality of programme and results indicated marked improvement in exports of SMEs</li> </ul>	EM	MCCI SMEDA		
	3.1.6 Building on the global master plan for services, developing a services strategy for the SME sectors, including identifying priority sectors in non-conventional fields, such as accounting, legal, economics, engineering, architectural, and other services.	3.1.7 Promote e-Commerce policies which support the SME sector, including an evaluation of tax, customs and administrative procedures.	3				SMEs	<ul style="list-style-type: none"> <li>» Services strategy for SMEs is drafted and recommendations adopted</li> </ul>	BOI	EM MCCI SMEDA MOFA		
			2				SMEs	<ul style="list-style-type: none"> <li>» Review of e-commerce policies and regulations and recommendations adopted</li> </ul>	BOI	EM MCCI BOI MRA Ministry of Technology, Communication and Innovation		
	3.1.8 Increase the attendance of SMEs to international trade fairs, by increasing the sectors covered by grants, and assisting companies in becoming export ready through advisory services.		1				Export ready SMEs	<ul style="list-style-type: none"> <li>» At least 25 SMEs attend international trade fairs on a yearly basis.</li> </ul>	EM	SMEDA BOI MCCI		

Strategic Objective 3: Promote the Internationalization of SMEs												
Operational objective	Activities	Priority 1=high 2=med 3=low	Implementation period					Beneficiaries	Targets	Lead implementer	Supporting implementers	Possible funding source
			2017	2018	2019	2020	2021					
3.2 Promote SMEs' integration in global value chains	3.2.1 Elaborate a study analysing the capabilities, efficiencies and competitiveness of services SMEs in Mauritius.	2					SMEs	» Study drafted and approved	MOBEC/ SMEDA	EM BOI MCCI		
	3.2.2 Undertake a global demand analysis for subcontracting and global production networking in services where Mauritius appears to have a competitive advantage.	2					SMEs	» Study drafted and approved	EM	SMEDA BOI MCCI MOFA MOBEC		
	3.2.3 On the basis of the activities above, adopt the policies necessary to strengthen Mauritius' competitiveness abroad and promote business alliances between SMEs and multinationals in Asia and Africa.	2					SMEs	» Recommendations applied	MOBEC EM	SMEDA BOI MCCI MOFA		
	3.2.4 Align Mauritius' domestic legislation regarding e-Commerce by SMEs with existing international best practices.	1					SMEs	» Best practices identified and drafted » Domestic Laws modified according to best practices.	MTCI,	MOFA EM SMEDA MOBEC		



Photo: Darius Kurek (ITC)

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