



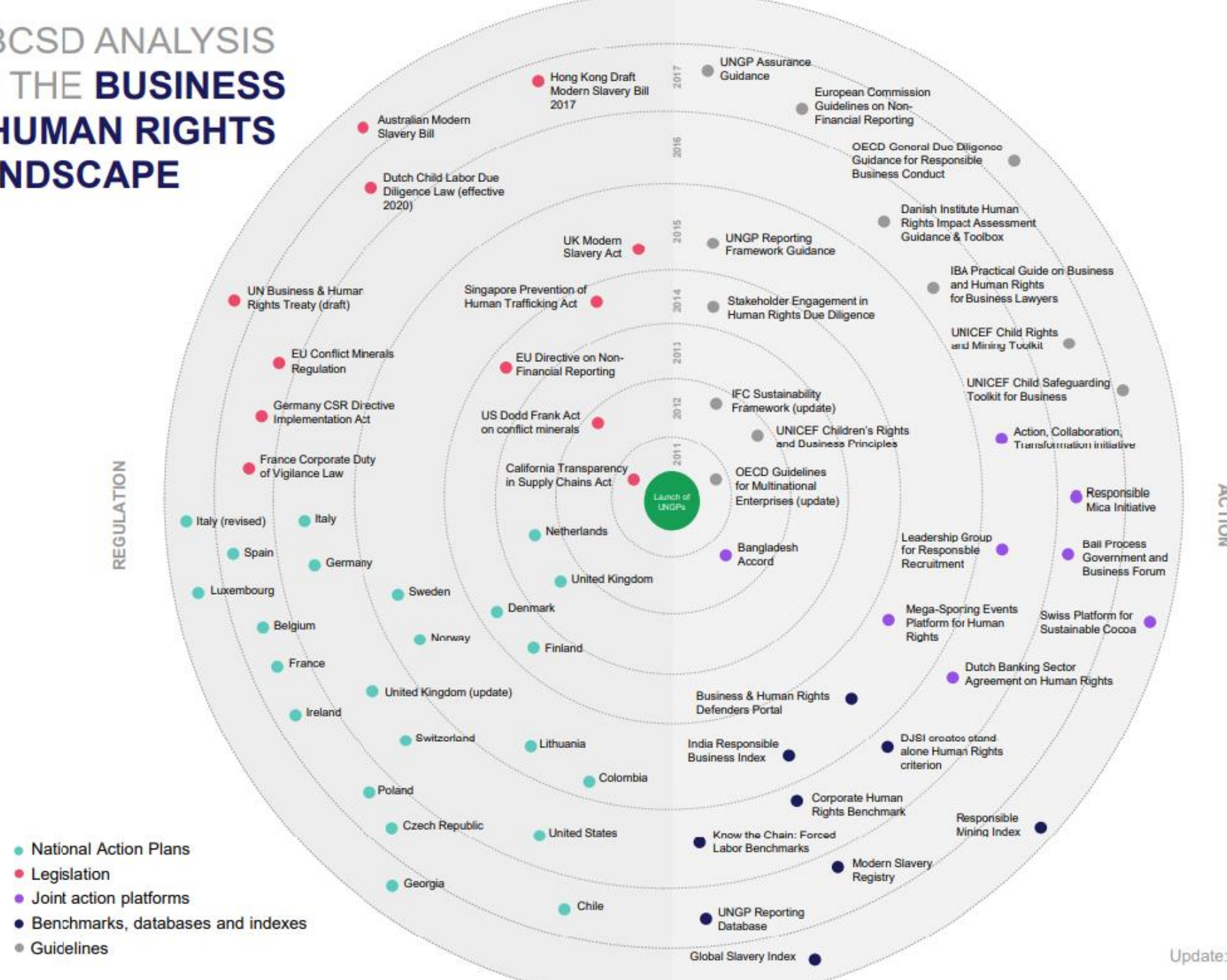
Increasing SME Participation in Global Supply Chains

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ILO Bureau for Employers Activities

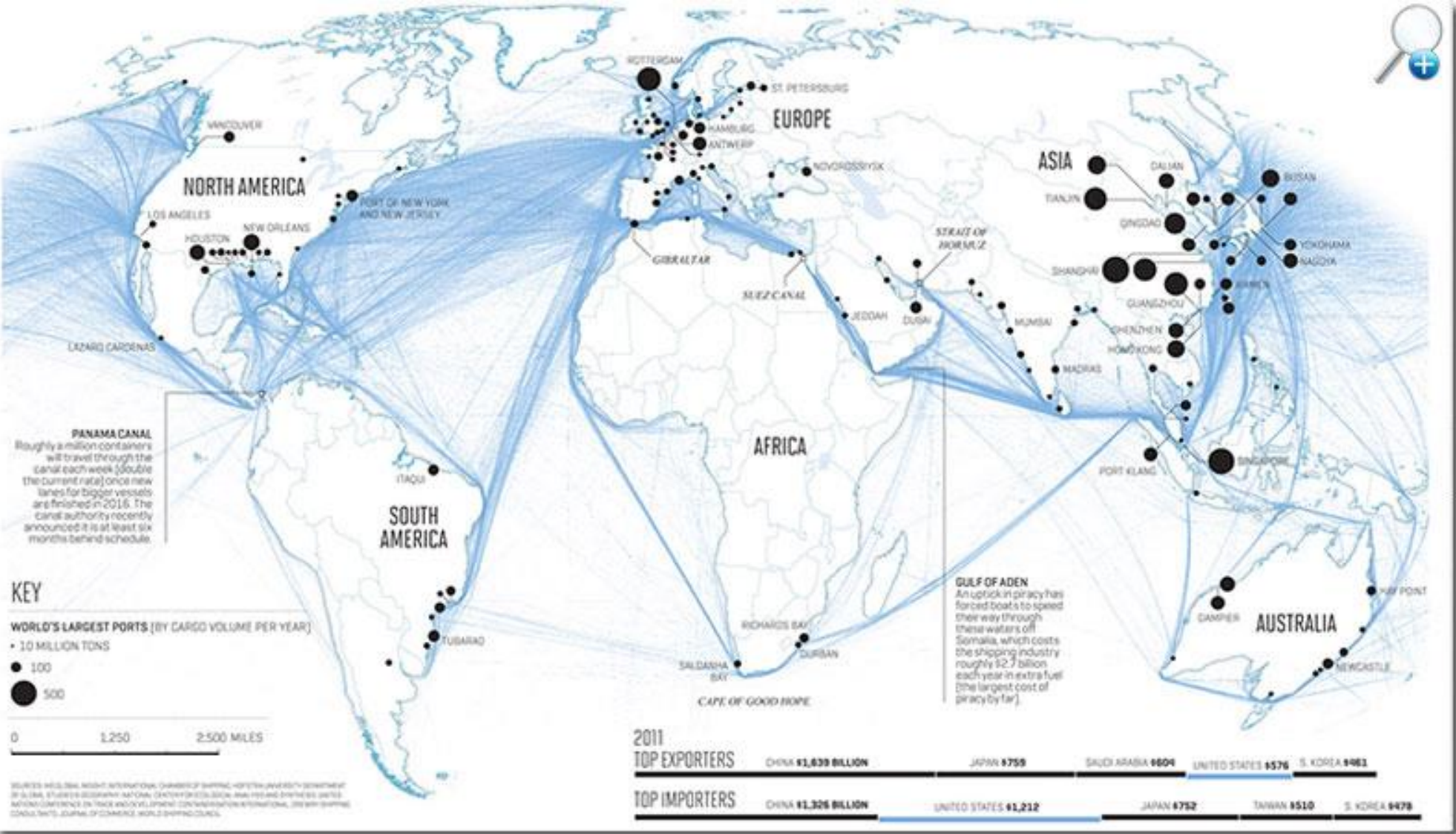
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WBCSD ANALYSIS OF THE **BUSINESS & HUMAN RIGHTS LANDSCAPE**



- National Action Plans
- Legislation
- Joint action platforms
- Benchmarks, databases and indexes
- Guidelines

Global Shipping Routes



Increasing SMEs in GSC is key for development

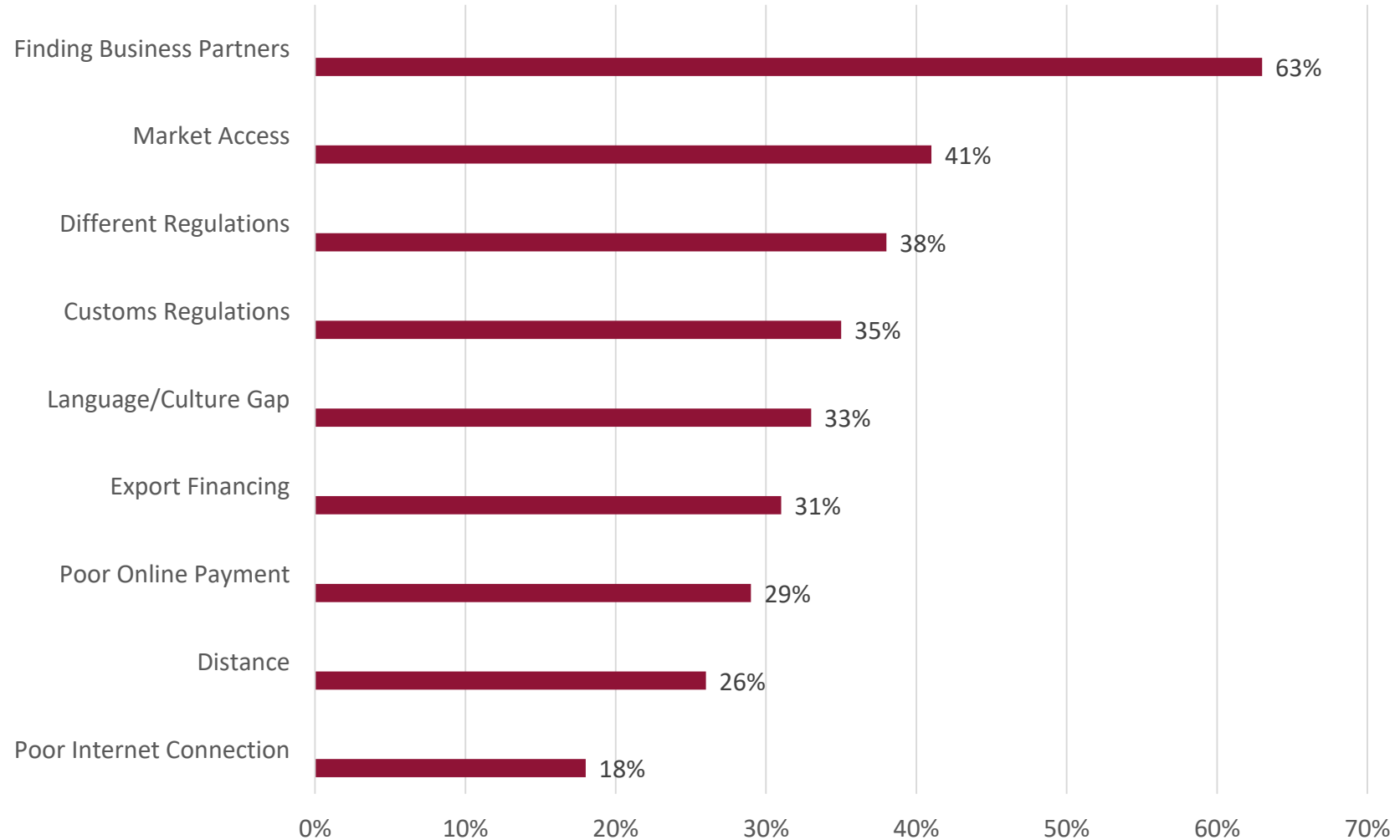
- SME participation in GSC creates opportunities to grow and increase productivity and employment by:
 - accelerating innovation
 - transferring technology and management practices
 - broadening and deepening skills
- Higher SME participation in GSC can also increase wages:
 - wages in SMEs are >20% lower than large firms
 - but the difference is smaller where SMEs export

SMEs are under-represented in international trade

- SMEs account for:
 - up to 95% of all firms
 - 66% of total employment
 - 50+% of value-added
- But only 20-40% of overall exports:
 - only 10-25 in the industrial sector (vs. 90% of large firms)
 - SMEs face higher trading costs, lack of access to financing

Barriers to Trade for SMEs

Facebook OECD World Bank Survey (2017)



Opportunities for SMEs in GSC

- SMEs can specialize in a segment of a GSC, with upstream and downstream benefits
- SMEs can participate as exporters of intermediate goods and services, or importers of better / lower cost inputs
- As indirect exporters by supplying larger firms that export:
 - SMEs in Mexico account for 15% of direct exports, but 30% of total value added of exports
 - In the US, SMEs account for 40% of value-added of exports of transport equipment
- Or through outward foreign investment, driven in part by proximity to global companies

Ability of SMEs to participate in GSC

Internal Factors

Innovation

Technology Adoption

Management

Human Capital

External Factors

Access to Finance

Access to Information

Infrastructure

Intellectual Property

Policies for SME participation in GSC

- Reducing trade barriers for goods and services
- Mutual recognition and convergence / harmonization of regulatory standards
- Increasing access to financing – export credit guarantees, supply chain financing (e.g. IFC Global Trade Supplier Finance)
- Simplifying customs procedures and trade documents (block chains) and investing in infrastructure
- Improving access to information through export promotion agencies
- Investing in education, skills, vocational training and lifelong learning



Thank You!