Increasing SME Participation in Global Supply Chains

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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

Finding Business Partners 63%
Market Access 41%
Different Regulations 38%
Customs Regulations 35%
Language/Culture Gap 33%
Export Financing 31%
Poor Online Payment 29%
Distance 26%
Poor Internet Connection 18%

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!