

Promoting SMEs exports in OIC Member States: the role of TPOs

The obstacles faced by the SMEs in making exports

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Promoting the SMEs Exports in the OIC Member Countries

Outline

1. Internationalisation and exports of SMEs: towards a conceptual framework
2. SME export promotion policy: the international experience
3. SME exports in OIC Member States: opportunities and challenges
4. SME export promotion policies in OIC Member Countries: Highlights
5. Conclusions and policy considerations

Analysis of OIC member countries

□ *Three sub-groups*

1. Sub-Saharan Africa

Burkina Faso, Uganda, Cameroon, Senegal

2. MENA

Egypt, Saudi Arabia, Yemen

3. Asia

Malaysia, Indonesia, Bangladesh

□ *Sources*

National and international databases, country policy reports, international organisations' reports, surveys, research studies

Rationale and impact of firms internationalization

Two levels : Micro and Macro

- At micro level, export activity :
 - International activities reinforce growth
 - Enhances competitiveness
 - Supports the long term sustainability
 - Avoids the cost of manufacturing in the host country
 - Substantial economies of scale from its global sales volume

- At the macro level export activity :
 - Drives economic development
 - Integrates countries into the world economy
 - Mitigates them from external shocks from other countries
 - Source of foreign exchange
 - Reduces the potential balance of payment problems

OBSTACLES FACED BY SMES IN MAKING EXPORT:

What type of Barriers?

Typology

2 types of barriers: *internal* and *external*

- **Internal barriers** are associated with limitations in organisational resources/capabilities of the firm
- **External barriers** represent those that are exogenous to the SME (i.e. barriers emanating from the business environment).

Internal Barriers

- ❑ ***Informational Barriers:*** problems in identifying, selecting, and linking to international markets due to information inefficiencies.
- ❑ ***Human Resource Barriers:*** constraints in human resources and inefficiencies in their management for internationalisation.
- ❑ ***Financial Barriers:*** lack or insufficiency of financial resources to undertake international activities.
- ❑ ***Product and Price Barriers:*** pressures imposed by external forces on adapting the elements of the company's product and pricing strategy.
- ❑ ***Distribution, Logistics and Promotion Barriers:*** barriers associated with the distribution, logistics and promotion aspects in foreign markets.

External barriers

- ❑ ***Procedural Barriers:*** barriers associated with the operating aspects of transactions with foreign customers.
- ❑ ***Governmental Barriers:*** Barriers associated with the actions or inaction by the home and foreign government in relation to its indigenous companies and exporters.
- ❑ ***Customer and Foreign Competitor Barriers:*** Barriers associated with the firm's customers and competitors in foreign markets, which can have an immediate effect on its export operations.
- ❑ ***Business Environment Barriers:*** Barriers associated with the economic, political-legal and socio-cultural environment of the foreign market
- ❑ ***Tariff and Non-tariff Barriers:*** Barriers associated with restrictions on exporting

Top ten barriers (OECD Countries)

According to the OECD, the majority of firms and governmental authorities rate barriers related to internal capabilities and resources as being more significant obstacles to internationalisation than those related to business environment

Rank-Weighted Factor	Description of Barrier
1	Inadequate quantity of and/or untrained personnel for internationalisation
2	Shortage of working capital to finance exports
3	Limited information to locate/analyse markets
4	Difficulty in identifying foreign business opportunities
5	lack of managerial time to deal with internationalisation
6	Inability to contact potential overseas customers
7	Difficulty in developing new products for foreign markets
8	Unfamiliar foreign business practices
9	Meeting export product quality/standard/specifications
10	Unfamiliar exporting procedures/paperwork

Barriers in Sub-Saharan Africa

□ *External Barriers*

1. Electricity
2. Access to finance
3. Uncertain business environment
4. Inadequate supply of infrastructure
5. Bias from agricultural support programmes in host countries
6. High tariffs on agricultural products
7. Administrative burden
8. Availability and access to transparent information on international standard
9. Tax regulations and rates

□ *Internal Barriers*

1. Access to finance
2. Access to information
3. Low level of workforce qualification

Barriers in MENA

❑ *External Barriers*

1. Public policy initiatives targeted on specific activities, mainly oil oriented activities
2. Shortage of labour and entrepreneurial capacity for the nurturing of alternative sectors than crude oil.
3. Deficit in the 'soft infrastructure' (e.g. common standards)
4. Weakness of the institutional support structures

❑ **Internal Barriers**

1. Access to finance for SMEs
2. High reliance on public sector employment
3. Relatively low level of skills

Barriers in Asia

❑ *External Barriers*

1. Procedural and foreign competition barriers
2. Labour and labour market issues
3. Social problems

❑ *Internal Barriers*

1. Access to finance
2. Practical business issues, such as cost of material and management problems of cash flow
3. Adoption and access to innovation
4. Low commercialization of R&D
5. Under use of high technology

Additional common obstacles among OIC Members Countries (source: OIC)

- **Access to Markets :**

- Obtaining reliable foreign representation
- Inability to contact potential overseas customers
- Offering satisfactory prices to customers
- Accessing export distribution channels
- Lack of knowledge on foreign market requirements
- Limited business development services, marketing and branding
- Excessive transportation/ insurance costs

- **Access to Technology and Innovation :**

- Low level of innovation, know-how and modern technology
- Poor connection between industry and universities
- Low level of knowledge transfer between member countries
- Weak patent registration process, ISO standards, certification, and intellectual property rights (IPR) for SMEs
- Weak infrastructure of technology business incubation and cluster development centre

Additional common obstacles among OIC Members Countries (source: OIC)

- **Access to Finance :**

- Lack of sustainable microfinance programmes
- Insufficient information dissemination and transparency
- Lack of knowledge concerning Islamic and conventional financial instruments
- Lack of policy and strategy of commercial banks to deal with SMEs,
- Lack of banking capability to deal with SME peculiarities
- Lack of access to the structural financial products (non-traditional financial products)
- Lack of credit guarantee schemes for SMEs
- Lack of stock exchange markets for SMEs,
- Inadequate implementation of coherent fiscal policies for SMEs

- **Other Challenges, Obstacles and Problems :**

- Weak business angels networks,
- Insufficient SME database
- Cumbersome bureaucratic red tape
- Lack of transparency in input prices for SMEs
- Inadequate legal and regulatory framework for supporting SMEs,
- Lack of bankable projects,
- Insufficient public-private partnership



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Thank you

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