



BETTER POLICIES FOR BETTER LIVES

# Promoting the SME Exports in the OIC Member States: Challenges and Achievements

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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**

# Trade promotion policies in OIC Member Countries

Policy priority but different approaches to SME export support

## *Common*

### ➤ **General Trade Promotion Strategy**

- SME component and targeted tools, or
- No specific SME chapter and instruments

→ *Indirect benefits expected from measures that ease trade*

## *Frequent*

### ➤ **SME/Business Development Strategy**

- Export support component as part of a development plan covering diverse areas, such as taxation, finance, innovation, training, internationalisation

## *Rare*

### ➤ **Export Strategy for SMEs**

# Key role of Trade Promotion Organisations (1)

## Commonalities:

- ***Types of services:***
  - ✓ Information and networking
  - ✓ Missions and participation to trade fairs
  - ✓ Business consultancy
  - ✓ Training, mentoring and technical assistance
- ***Public-Private Partnerships***

### ***Senegal's Accelerated Growth Strategy***

Framework for PPP to foster competitiveness and export in key strategic sectors

- ✓ Implemented by Senegalese Association for Export Promotion (ASEPEX)
- ✓ Sector groups chaired by private sector representatives

# Key role of Trade Promotion Organisations (2)

## Differences

- ***Degree of specialisation***, by sector and service
  - often financial support and investment promotion by other specialised agencies
- ***Responsibility in policy design and implementation***
  - Implement strategy defined by government
  - Defining and reviewing policies
- ***Relationship with regional associations, international organisation and donors***

### ***Indonesia- European Union Trade Support Programme***

Measures targeted to SMEs

- ✓ Improving access to certification and technical services at R&D labs
- ✓ Improving food safety control system to increase access to EU market

# Policy measures and tools

## Main areas

- i. Access to markets
- ii. Skills development
- iii. Access to finance
- iv. Access to technology and innovation

# Access to markets (1)

*Informational barriers, lack of knowledge about foreign markets, high upfront costs*

- Information access points (increasingly online portals), regular publications, reports on specific markets, workshop and seminars



*Key diffusion role of business associations, Chambers of Commerce: lack of this institutional fabric as a major obstacle to reach out to SMEs*

*Difficulties in identifying foreign business partners*

- Matching services (identification of potential foreign partners and creation of linkages with local firms)

# Access to markets (2)

## *Underdevelopment of local market for business services*

- Building capacity in local service market

### ***Malaysia's Going Export programme***

- ✓ Matching grant for ready-to-export SMEs, to develop and execute an export sales plan, with the support of private experts
- ✓ Phasing out once a pool of local private service providers is developed

- Linking SMEs with professionals and consultants

### ***SMEPS' database of Yemeni consultants***

- ✓ Small Micro Enterprise Promotion Services (SMEP) created a database of consultants and business development services based in main cities
- ✓ Strong promotion amongst SMEs and partial financing



# Skills development

*Lack of capacity to elaborate information strategically, develop competitive products/services, design and implement sustainable export strategies*

## ➤ Training courses

### ***Uganda's National Export Strategy***

Human resource support measures

- ✓ Enhance the managerial competitive capability of exporters
  - *Identify and sensitise exporters*
- ✓ Improve technical competences along the value chain
  - *Practical training*
- ✓ Build entrepreneurial competences among potential and existing exporters
  - *Mentoring programme with successful enterprises*

## ➤ Cooperation with producers' associations to assist entrepreneurs

# Access to finance

## *Lack of working and investment capital, export credit risk*

- Loans and grants to access services
- Guarantees and insurance to mitigate risk
- Increase financial institutions' lending to exporters (promoting competition)
- Promotion of closer banking relationships across countries

### ***Egypt's Export Credit Guarantee Company***

Broad range of services to exporters including credit insurance, factoring, buyers information reports, export debt recovery

# Access to technology and innovation

*Low level of innovation, know-how and modern technology*

*Lack of management resources, technological competences and adequate time horizons to invest in long-term strategy*

- Information on technologies and R&D partners to current and potential exporters
- Grants and tax incentives
- Foster innovation-oriented linkages through export consortia, **clustering** and business incubators



*Well-established support institutions, knowledge intensive business services, R&D centres, links to global knowledge networks, coordination and long-term horizon and...*

*critical mass of SMEs and potential entrepreneurs*

# Achievements

## **Export performance and intra-OIC commercial integration**

- Increased share in world export
  - From 6.1% (1999) to 10.8% (2011)
- Increased intra-OIC trade
  - 27.6% growth rate in 2010-2011
  - 17.7% of Member States' total trade

## **Institution building and policy learning in SME export support**

- Integration of SME perspective in trade promotion policies
- Capacity building at TPOs and other specialised institutions
- Increased knowledge exchange at OIC level

# Challenges and policy considerations (1)

- **Further reduce barriers to trade and increase cooperation amongst OIC Member States**
  - Supportive instruments to increase exchange and interdependencies (e.g. common platform for information and knowledge exchange, joint programmes to create business linkages and strengthen institutional cooperation)
- **Reduce entry costs to SMEs and ease access to information through infrastructure and technology**
  - Strengthening physical infrastructure (energy and transport)
  - Diffusion of technologies with low entry thresholds (eg. internet, mobile phone) to enable greater access to global information sources and interaction and lower transaction costs.

# Challenges and policy considerations (2)

- **Enhance SME export capabilities through ‘soft infrastructure’**
  - Institutional focus on skills development and entrepreneurship, encouraging incremental international activity
  - Strengthening the local supply of business services
  - Broadening the scale and range of financing instruments available to SMEs

# Challenges and policy considerations (3)

## Trade Promotion Policies: learning from international best practices

- **Integrate SME dimension in general Trade Promotion Strategies**
  - Measures to improve **general framework conditions** (e.g. infrastructure, institutions building, strengthening of financial institutions) should be ***matched by*** measures that target the **supply-side** (e.g., human resource support and training, targeted information)
  - Integrate demand-side perspectives through PPP and engagement of business associations
- **Improve coordination across agencies and reduce fragmentation**
  - Identification of a coordination body for SME policies
  - One-stop-shops to provide generic services to limit search costs

# Challenges and policy considerations (4)

- **Strengthen the capacity of TPOs to differentiate services and act as brokers within a broader service network**
  - High value-added services (training, mentoring, innovation-related support, etc.) require differentiation by SME needs and objectives
  - Source competencies in the business environment and contribute to develop local pool of competencies
- **Develop data infrastructure to measure and monitor**
  - ✓ **business population, dynamics and performance**
  - ✓ **policy programmes and services**
  - Lack of hard data on SMEs is a major barrier to identify specific obstacles to SME export, and to design, implement and assess export promotion policies



# Evaluation of SME export-support policies: key information

## *Policy makers*

- List of government-funded programmes (national and local)

## *For each programme*

- Description of barriers the programme is intended to address
- Details on funds, eligibility criteria, delivery mechanisms, types of assistance, charging
- Data on the uptake by SMEs
- Evidence on outcome and policy evaluation

## *SMEs*

- Perception of most significant barriers
- Awareness, participation and assessment of government programmes
- Access to other (non-governmental) support services

***THANK YOU***

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