



Enhanced Integrated Framework (EIF)
for trade-related assistance for Least Developed Countries (LDCs)



SME CONSTRAINTS: Insights into DTISs and EIF support to LDCs

ITC-WTO Joint Study

9 October 2014

Presented by the EIF Executive Secretariat



EIF support to LDCs

EIF: an Aid for Trade partnership in action to support LDCs to become more active players in the global trading through:

1. Mainstream trade into national development strategies (Tier 1 projects incl. DTIS);
2. Set up structures to coordinate the delivery of TRTA (Tier 1);
3. Build capacity to trade, including addressing critical supply-side constraints (EIF Tier 2 projects and leveraging wider donor support)



TRADE DIAGNOSTIC INTEGRATION STUDIES (DTIS)

- DTIS: A national reference document developed through an inclusive consultative process with stakeholders in-country and globally. DTIS cycle is about 5 years
- Identifies constraints to competitiveness, supply chain weaknesses and sectors of greatest growth &/ or export potential
- Includes an Action Matrix- a list of priority reforms validated by Government, private sector, civil society and development partners
- As of August 2014, a total of 44 EIF participating countries had validated DTIS, of which 31 are updated/being updated



SMEs constraints identified in DTIS

- SME constraints are identified in the DTIS as part of cross-cutting issues and analysis of institutional framework for trade, investment and growth.
- Sector studies provides analytical information on SMEs roles and constraints in each strategic/promising sector.
- Observations from 23 recent DTIS:
 - ❖ SMEs cross-cutting constraints: Access to finance, availability of institutional support, access to technology and innovation, availability of skills, trade costs and business environment.
 - ❖ SMEs sector specific constraints: organization of small-holders, access to logistic infrastructure and services, vertical linkage, SPS compliance, and business skills.



SMEs constraints identified in DTIS

- ❖ Quality of business environment is ranked highest among the SME related constraints in the DTIS observed, followed by access to finance and availability of institutional support to meet market requirements.
- ❖ The magnitude of SMEs constraints is different across regions:
 - Asia: Quality of business environment is the biggest constraint to SMEs, followed by availability of institutional support.
 - Oceania: Quality of business environment, institutional support and access to finance are the top 3 challenges for SMEs development.
 - Southern Africa: Trade costs, especially custom procedures are identified as a particularly serious constraint, followed by business environment and access to finance, logistic services/infrastructure and business linkage.
 - Eastern Africa and Central Africa: Quality of business environment, access to finance and technology/innovation are the most challenges.
 - Western Africa: Business environment, especially the tax system, and access to finance/high costs of credit are the most serious constraints.



Examples of EIF support to address SME constraints

- In most EIF participating countries, EIF Tier 1 project provides training and awareness raising to SMEs on trade related issues, promotes/organises public-private dialogue on business environment and trade policies
- Most of EIF Tier 2 projects (about 30 on-going projects) aim at improving competitiveness of sectors where SMEs play a key role, for instance:
 - ❖ Cambodia Tier 2 projects to strengthen export capacity of SMEs in high value silk, milled rice, cassavas and fishery sectors through various supports: trade promotion, business skills, business plan to get access to finance, SPS compliance...
 - ❖ EIF project on herbs and aromatic plants project in Nepal supports value chain development and marketing skills for SMEs



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Examples of EIF support to address SME constraints

- ❖ Malawi Tier 2 projects on Anchor Farm model and Agro-processing value addition support small holders and SMEs in the oil-seed sector to promote value chain development, improve access to finance, technology/innovation, and logistic infrastructures
- ❖ Lao PDR Tier 2 project on strengthening national quality infrastructure provides accredited and affordable laboratory services to SMEs
- ❖ The Gambia Tier 2 project on trade facilitation provides logistic infrastructure at Banjul Airport for SME exporters of horticulture and fishery products.
- ❖ Senegal Tier 2 project on improving Senegalese mango competitiveness supports SMEs in the sector to improve good agriculture practices, meet SPS standards, access to finance, logistic infrastructure/services and export market.



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The way forward

- DTIS provides a framework to coordinate and mobilise AfT resources in LDCs to address supply side constraints, including SMEs constraints and trade development. *Commitments from development partners and local stakeholders to this framework are key to success;*
- EIF support is “seed money” and follows a holistic programme approach. Supports from other donors and programmes are crucial to reach critical points where results can be yielded and sustained.