

Closing the small-business and gender gap to make trade more inclusive

6th Global Review for Aid for Trade

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Why do SMEs matter?

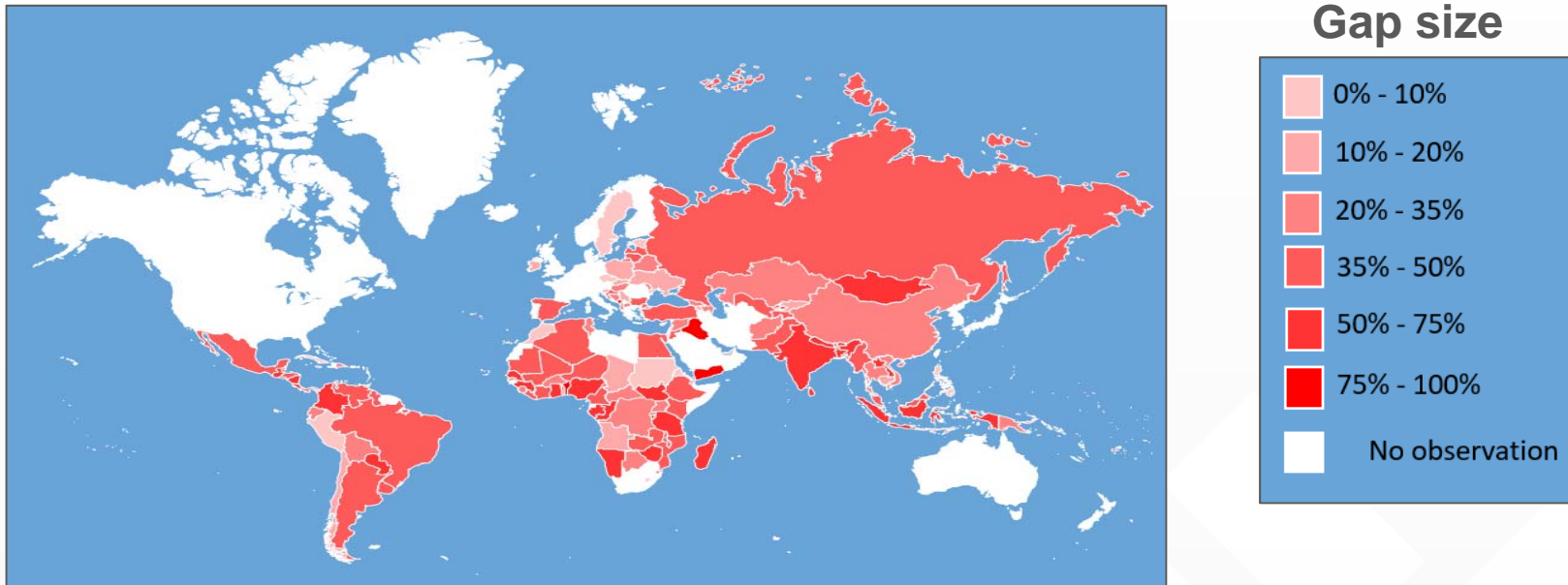
Why do SMEs matter?

- Account for 50% of GDP, 60%+ of employment in many developing countries
- The smaller the company, the more likely they are to employ low skilled, women, youth or other vulnerable workers
- In most countries, SMEs are often the biggest source of new jobs, even if many fail within a few years
- Getting more SMEs to connect to international markets is one way to help ensure SMEs keep growing and make the jobs they create stick



ITC's annual flagship publication
www.intracen.org/smeco

Is there an SME connectivity gap?



Source: ITC calculations based on Enterprise Survey data. Gaps are calculated on a percentage point basis. For example, if 40% of small firms have a business website compared to 60% of large firms, the gap is 20%.

Accounting for fixed effects (e.g. firm age, year of survey, export status, etc)

- Small firms are **10 times less likely** to use email to communicate with buyers and suppliers than large firms
- Small firms are **8 times less likely** to have a business website than large firms
- Exporters are **twice as likely** to have a website than non-exporters

What happens when SMEs leverage digital technologies

Sara Maunda, groundnut farmer, Malawi:

- Connected to a mobile platform called Esoko that provides her with news about agriculture prices.
- She cites one example where she sold her produce for 24,000 kwacha (\$130) instead of 4,500 kwacha (\$27) as a result of using the mobile website (USAID, 2012).



McKinsey's Online and Upcoming Report:

- SMEs in developing countries which invest in digital technologies see productivity gains of about 10%.

A checklist for policymakers to support businesses' digitalization

1. Promoting the right skills	<ul style="list-style-type: none"> ✓ Promote e-literacy in the population as a whole. ✓ Ensure a pool of highly educated programmers and analysts are available for firms to help digitize their internal value chains.
2. Building awareness of the digital value chain	<ul style="list-style-type: none"> ✓ Encourage firms to see internal processes as sources of data which can be digitized, analysed, and used to update and develop new or existing processes. ✓ Incentivize small firms to adopt digital solutions while small.
3. Improving and updating regulation	<ul style="list-style-type: none"> ✓ Establish or update regulations relevant to online activities, such as online consumer protection and e-signatures ✓ Promote competition in ICT sectors to increase efficiency and lower costs
4. Building up digital infrastructure	<ul style="list-style-type: none"> ✓ Ensure good access to critical connectivity-related technologies such as the internet, mobile networks, and location tracking services.

Taking advantage of e-commerce

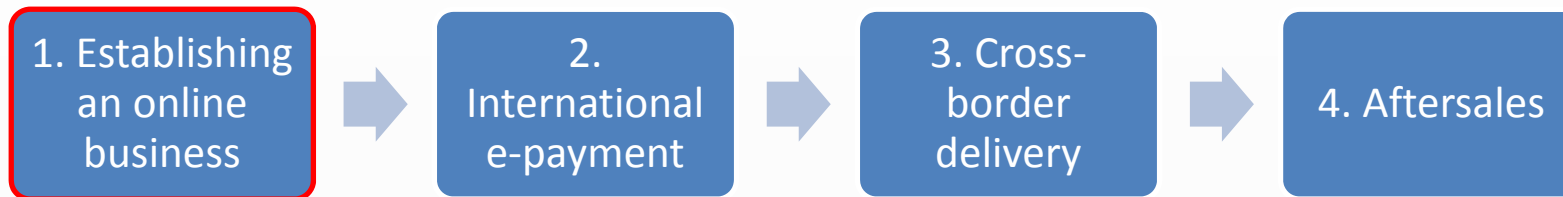
Much of the content in this section is based on ITC's recent '*Bringing SMEs onto the e-commerce highway*'.

- <http://www.intracen.org/publication/Bringing-SMEs-onto-the-e-Commerce-Highway/>



Taking advantage of e-commerce

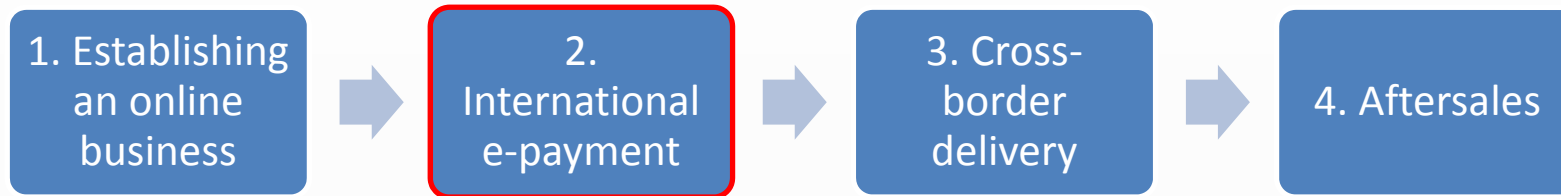
The e-commerce process chain



Firm capabilities	<ul style="list-style-type: none"> ✓ Device to connect to Internet ✓ Online business model ✓ Technical knowledge and skills 	<ul style="list-style-type: none"> ✓ Secure online presence (e.g. SSL) ✓ Language skills ✓ Business knowledge and skills
Business ecosystem	<ul style="list-style-type: none"> ✓ Affordable access to Internet ✓ Access to registration as vendors on online e-commerce platforms 	<ul style="list-style-type: none"> ✓ Access to skilled labour market
National level	<ul style="list-style-type: none"> ✓ Simple business registration process with the local authorities ✓ Easy Intellectual Property registration and infringement resolution policies ✓ Solid ICT and electricity infrastructure ✓ Implementation of e-signatures and e-contracts laws ✓ National strategies for e-commerce growth 	

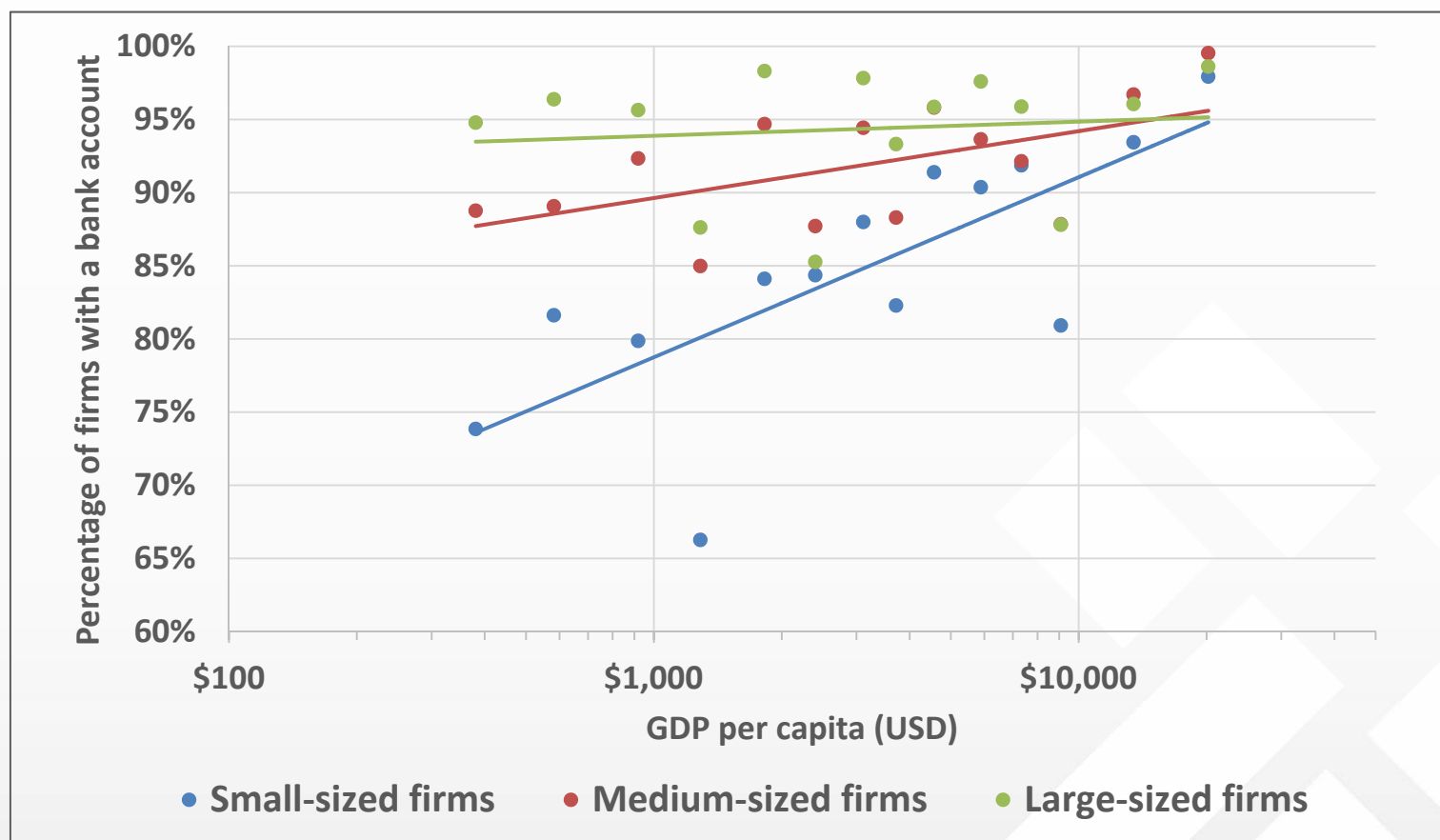
Taking advantage of e-commerce

The e-commerce process chain



Firm capabilities	<ul style="list-style-type: none"> ✓ Bank account and online banking ✓ Sign-up for encryption solutions ✓ Knowledge of e-payment solutions
Business ecosystem	<ul style="list-style-type: none"> ✓ Availability of third-party e-payment services provider ✓ Links between third-party e-payment services provider and local banks to enable local withdrawals
National level	<ul style="list-style-type: none"> ✓ Functional financial market in line with international standards ✓ Foreign exchange system allowing easy convertibility of currency and regulations on the free flow of currency (current account) ✓ Adoption of internationally recognized standards ✓ Regulations on prevention of online fraud and combating cybercrime

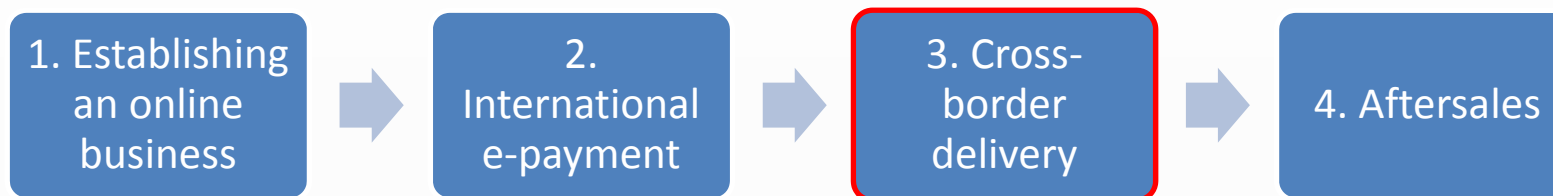
Many small firms in poor countries still do not have bank accounts



Source: ITC calculations based on Enterprise Survey data.

Taking advantage of e-commerce

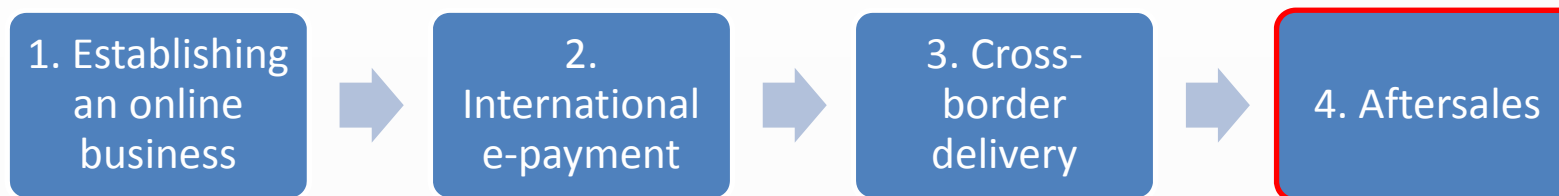
The e-commerce process chain



Firm capabilities	<ul style="list-style-type: none"> ✓ Effective warehouse organization ✓ Secure packaging for delivery of goods ✓ Capacity to handle surges in sales during peak periods
Business ecosystem	<ul style="list-style-type: none"> ✓ Access to postal and express delivery services with tracking ability ✓ Access to warehouses and delivery services at destination
National level	<ul style="list-style-type: none"> ✓ Increased transparency of cross-border e-commerce-related customs procedures and rules on the application of duties and taxes ✓ Application of simplified customs procedures and expedited customs clearance for small parcels ✓ Establish de minimis thresholds on import duties to reduce the burden on SMEs and customs authorities ✓ Mechanisms to ensure freedom and security of cross-border data flows ✓ Increased efficiency for physical and digital connectivity infrastructure ✓ Modernized national postal services to increase efficiency of delivery

Taking advantage of e-commerce

The e-commerce process chain



Firm capabilities	<ul style="list-style-type: none"> ✓ Effective customer feedback mechanism and customer relations management ✓ Return or cancellation policies ✓ Provision of sufficient information to enable consumers to make informed choices, including information on available forms of redress
Business ecosystem	<ul style="list-style-type: none"> ✓ Availability of dispute settlement procedures ✓ Mechanisms for recognizing the validity of transaction-related records, including delivery records, chat records with salespersons, etc.
National level	<ul style="list-style-type: none"> ✓ Consumer rights and rights enforcement ✓ Adequate infrastructure for implementing and monitoring consumer protection policies ✓ Appropriate policies for ensuring firms' adherence to national/international standards on consumer protection ✓ National initiatives for developing effective online dispute settlement schemes ✓ Elimination of duties on returned products

Connecting women owned businesses to international markets

- Gender equality strongly promotes economic growth, but the converse is not necessarily true.
- In a study of approximately 19,000 firms across 99 developing countries, **only 36%** of the firms surveyed were partially or wholly women-owned.
- This percentage **drops to 15%** for the exporter category.
- The exporter productivity premium is roughly half the size for women-owned firms than men-owned firms.
- This gap increases as firm size increases, conspiring to keep women owned firms small.



Is there a gender based connectivity gap?

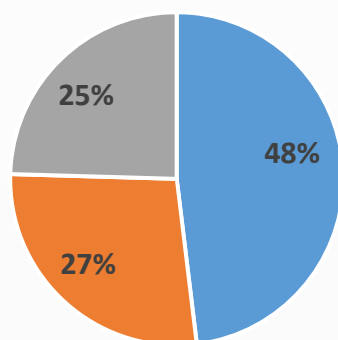
	East Asia and the Pacific	South Asia	Sub-Saharan Africa	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa
Internet access, gender gap (weighted)	20%	33%	43%	29%	10%	34%
Global gender gap (144 developing countries)	23%					

Source: Intel, 2012, Women and the web (calculations based on ITU data)

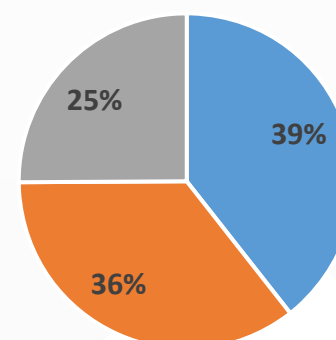
- A gap exists, why is this important?
- Using the World Bank's Enterprise Survey's data set, we find that women-managed firms are about **12% less likely** to use email than men managed firms.

Do value chains make a difference?

**Trade in final goods
(outside a value chain)**



**Trade in tasks
(inside a value chain)**



■ Regional exporter ■ Multiregional exporter ■ Global exporter

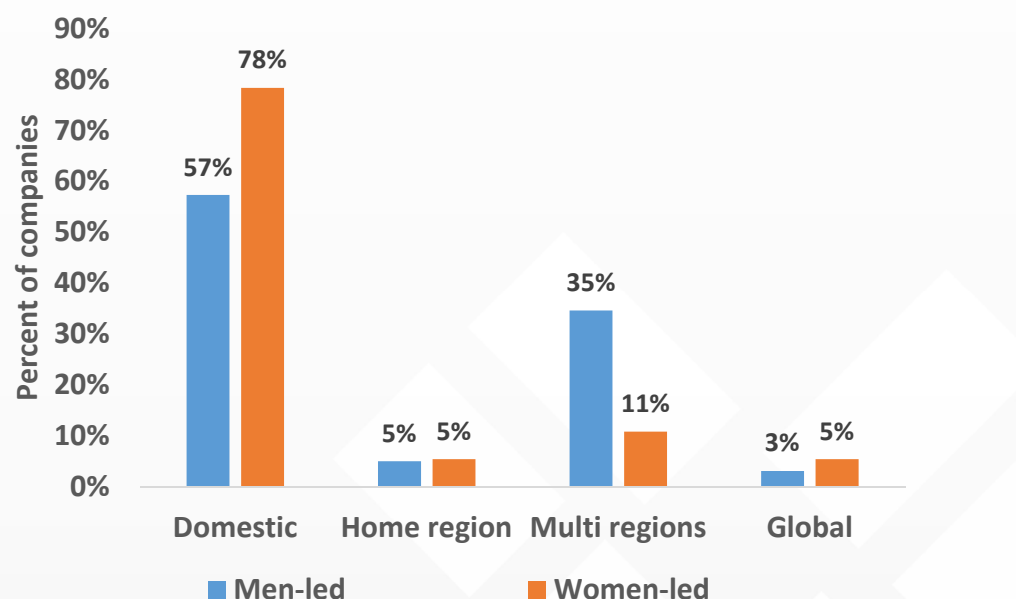
SheTrade Programme

- Data from SheTrades App (>700 companies)
- Women-owned firms in a value chain are significantly more likely to trade to two or more regions than those outside of a value chain

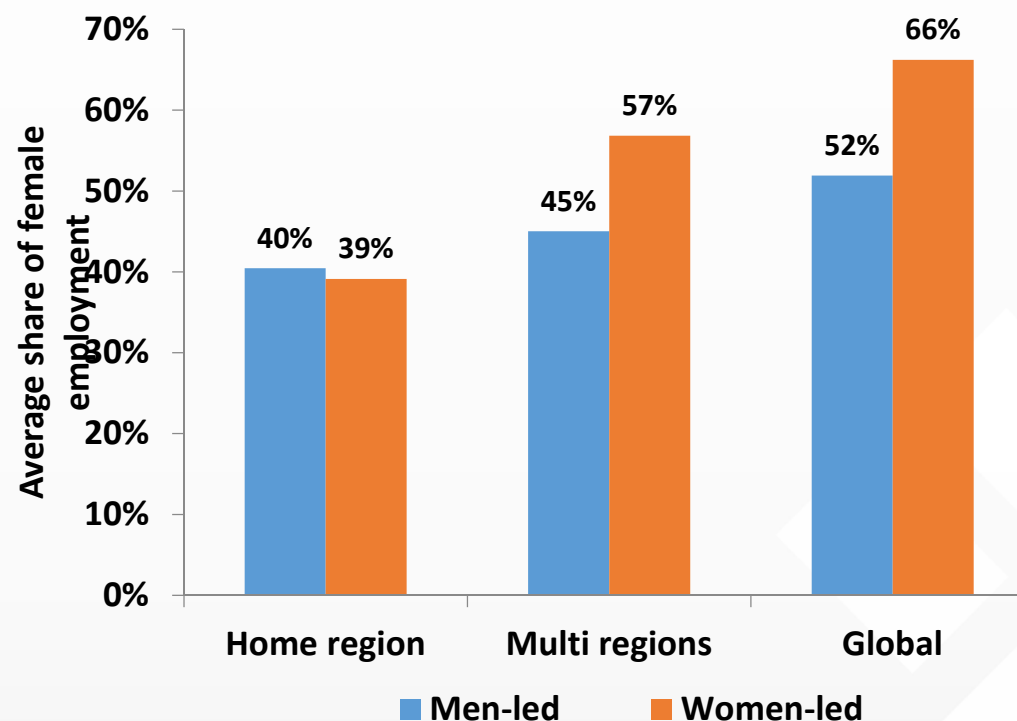
Are women led companies less likely to connect to foreign markets?

Supporting Indian Trade and Investment for Africa (SITA) Programme

- Survey of several hundred firms in East Africa
- Women led companies are less likely to operate in multiple regions
- The biggest differences are observed once these companies decide to export to 2 or more regions.



As women led firms expand their reach, they employ more women



Supporting Indian Trade and Investment for Africa (SITA) Programme

- Trade Related Technical Assistance programmes which target women enterprises can help close the gender gap

Digital solutions can help limit face to face discrimination

- Women face greater barriers to trade
- Obstacles faced range from having to pay larger bribes to gender based sexual violence
- Digital solutions can remove the need for face to face interactions and mask the gender of the parties, thereby reducing the potential for discrimination
- The Single Window, which reduces the need to visit multiple authorities for exporting a product can help



Achieving SDG 5.b

SDG 5.b states that countries should ‘*enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women*’.

A checklist for policymakers

Business ecosystem	<ul style="list-style-type: none"> ✓ Establish dedicated programmes to teach girls’ e-skills ✓ Boost affordability of the internet so that more women on lower incomes have access ✓ Improve women-participation producing online content ✓ Limit the opportunities for face-to-face discrimination by digitizing processes
National environment	<ul style="list-style-type: none"> ✓ Integrate gender priorities into national ICT development strategies ✓ Integrate the gender dimension into trade promotion initiatives ✓ Ensure ICT statistics include a gender dimension ✓ Mandate non-discrimination clauses to help women into the labour force, thereby increase the pool of potential women managers and owners

Thank you