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?

- 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
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

<table>
<thead>
<tr>
<th>1. Promoting the right skills</th>
<th>✓ 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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Building awareness of the digital value chain</td>
<td>✓ 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.</td>
</tr>
<tr>
<td>3. Improving and updating regulation</td>
<td>✓ 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</td>
</tr>
<tr>
<td>4. Building up digital infrastructure</td>
<td>✓ Ensure good access to critical connectivity-related technologies such as the internet, mobile networks, and location tracking services.</td>
</tr>
</tbody>
</table>
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’.

Taking advantage of e-commerce

The e-commerce process chain

1. Establishing an online business
2. International e-payment
3. Cross-border delivery
4. Aftersales

<table>
<thead>
<tr>
<th>Firm capabilities</th>
<th>Business ecosystem</th>
<th>National level</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Device to connect to Internet</td>
<td>✓ Affordable access to Internet</td>
<td>✓ Simple business registration process with the local authorities</td>
</tr>
<tr>
<td>✓ Online business model</td>
<td>✓ Access to registration as vendors on online e-commerce platforms</td>
<td>✓ Easy Intellectual Property registration and infringement resolution policies</td>
</tr>
<tr>
<td>✓ Technical knowledge and skills</td>
<td>✓ Access to skilled labour market</td>
<td>✓ Solid ICT and electricity infrastructure</td>
</tr>
<tr>
<td>✓ Secure online presence (e.g. SSL)</td>
<td></td>
<td>✓ Implementation of e-signatures and e-contracts laws</td>
</tr>
<tr>
<td>✓ Language skills</td>
<td></td>
<td>✓ National strategies for e-commerce growth</td>
</tr>
<tr>
<td>✓ Business knowledge and skills</td>
<td></td>
<td></td>
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<tr>
<td>✓ Bank account and online banking</td>
<td>✓ Availability of third-party e-payment services provider</td>
<td>✓ Functional financial market in line with international standards</td>
</tr>
<tr>
<td>✓ Sign-up for encryption solutions</td>
<td>✓ Links between third-party e-payment services provider and local banks to enable local withdrawals</td>
<td>✓ Foreign exchange system allowing easy convertibility of currency and regulations on the free flow of currency (current account)</td>
</tr>
<tr>
<td>✓ Knowledge of e-payment solutions</td>
<td></td>
<td>✓ Adoption of internationally recognized standards</td>
</tr>
</tbody>
</table>

ITC
TRADE IMPACT FOR GOOD
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

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<th>Firm capabilities</th>
<th>✓ Effective warehouse organization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓ Secure packaging for delivery of goods</td>
</tr>
<tr>
<td></td>
<td>✓ Capacity to handle surges in sales during peak periods</td>
</tr>
<tr>
<td>Business ecosystem</td>
<td>✓ Access to postal and express delivery services with tracking ability</td>
</tr>
<tr>
<td></td>
<td>✓ Access to warehouses and delivery services at destination</td>
</tr>
<tr>
<td>National level</td>
<td>✓ Increased transparency of cross-border e-commerce-related customs procedures and rules on the application of duties and taxes</td>
</tr>
<tr>
<td></td>
<td>✓ Application of simplified customs procedures and expedited customs clearance for small parcels</td>
</tr>
<tr>
<td></td>
<td>✓ Establish de minimis thresholds on import duties to reduce the burden on SMEs and customs authorities</td>
</tr>
<tr>
<td></td>
<td>✓ Mechanisms to ensure freedom and security of cross-border data flows</td>
</tr>
<tr>
<td></td>
<td>✓ Increased efficiency for physical and digital connectivity infrastructure</td>
</tr>
<tr>
<td></td>
<td>✓ Modernized national postal services to increase efficiency of delivery</td>
</tr>
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Firm capabilities
- 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
- Availability of dispute settlement procedures
- Mechanisms for recognizing the validity of transaction-related records, including delivery records, chat records with salespersons, etc.

National level
- 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?

<table>
<thead>
<tr>
<th>Region</th>
<th>Internet access, gender gap (weighted)</th>
<th>Global gender gap (144 developing countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and the Pacific</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Global gender gap (144 developing countries)</td>
<td>23%</td>
<td></td>
</tr>
</tbody>
</table>

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?

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

<table>
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<tr>
<th>Business ecosystem</th>
<th>National environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Establish dedicated programmes to teach girls’ e-skills</td>
<td>✓ Integrate gender priorities into national ICT development strategies</td>
</tr>
<tr>
<td>✓ Boost affordability of the internet so that more women on lower incomes have access</td>
<td>✓ Integrate the gender dimension into trade promotion initiatives</td>
</tr>
<tr>
<td>✓ Improve women-participation producing online content</td>
<td>✓ Ensure ICT statistics include a gender dimension</td>
</tr>
<tr>
<td>✓ Limit the opportunities for face-to-face discrimination by digitizing processes</td>
<td>✓ Mandate non-discrimination clauses to help women into the labour force, thereby increase the pool of potential women managers and owners</td>
</tr>
</tbody>
</table>
Thank you