



TPs World SME Forum panel on Standards and SMEs – WTO Public Forum Sep 29, 2016

Good afternoon everybody

Thank you for the invitation

The focus of this session is **not new but it is much needed** – and it is crucial to deal with it if we want to **target inclusiveness** by increasing SME participation in trade.

After the interventions from my two colleagues, I don't think we need additional analysis to persuade you of the relevance of this issue,

I thought to bring to the table **some concrete examples from interviews we did with SMEs** to paint a picture of what we are talking about.

This is a story about a small manufacturer which decided to certify their products – we are talking about a 10 people outfit. So we asked why they decided, how much it costed and was it worth it.

They told us they became aware through a major buyer who put this as a condition for a purchase – they previously had never considered to get certified

They did not know exactly what this entailed, but their younger daughter found some information on the internet and the buyer put them in touch with a certification consultant

The process occupied 20% of 5 of their employees time for the following 5 months, they had to hire an external consultant and they had to buy a “kit”

It costed them 15% of their annual revenues – not sure this is the right number, but this is their perception

As a result they gained a big contract – they are overall happy about their decision, but they apparently questioned it until the contract got signed

There are several lessons we can learn both in terms of what the issues are with standard adoption for SMEs, and some potential solutions.

Let me add some quotes from other interviews with SMEs when we asked them about standards.

“Standards and certifications are only for the big guys, right? I don’t have time to waste with all those documents”

“Standards are something I have to deal with, although they are being decided way above my head, and I have no time for worrying about how it happens”

“When I went through the certification I actually learnt a lot in the process and saved money”

“I can’t do it in my country – we don’t have the instruments in place”

“What are standards?”

As you can see, **variable reactions**.

These quotes are **not from people who are not smart**, they are entrepreneurs and in many cases **successful entrepreneurs**.

But from the short story and the quotes we can summarize several issues:

1. **limited voice and involvement for SMEs in the standard setting process** – they think it goes above their head, they are “takers”
2. **limited awareness** (of **existence**; and of **benefits vs cost**)
3. **complexity of the maze of standards and regulations** – tracing the right standard
4. **cost and time constraints**: Their management is largely involved in daily operations, and there is no time or money available for activities not directly related to the primary process.
5. **capacity constraints: technical content and language, the unavailability of a version in the national language**, the abundance of references to other standards, or a lack of information on the context of the standard.

How do we fix this? We need to tackle the problems one by one.

During the opening session of the forum, Roy the Kenyan entrepreneur summarized it by saying *“don’t give us pity and money, give us a fair chance”*.

And by and large it is about **voice, transparency of information, simplification and support**.

On having a voice – **we need to give SMEs a seat at the table**, both in standard setting bodies and at trade negotiations such as the WTO.

One way would be to form permanent committees / commissions within WTO and standard setting bodies – with concrete accountability such as evaluate and monitor advancement and issue recommendations.

Problem is that **SMEs do not have the time**, personnel or financial resources to engage in standardization, it is in general not worth the investment.

Also **other participants may ignore an SME** simply because it is an SME. Issues presented by a multinational may – consciously or unconsciously – carry more weight. – that is where **trade associations** need to come in. **The World SME Forum** was created by G20 / B20 to represent SMEs in fora such as this.

On all the remaining issues – awareness, complexity, cost and time constraints, and capacity: a lot is being done by standard setting bodies, chambers, NGOs, multilaterals, trade associations and chambers. ITC is doing it very well, WBG and ISO I understand are now partnering. But we can do even more to improve information, funding and hands on support.

There are DBs that help with access to information: chambers websites, the ITC standards map or to EC MA DB, but **a DB is a patch to a very complicated situation**. Allow me some wishful thinking: can we promote even more **convergence** of standards and certification requirements across borders, and encourage **mutual recognition agreements**?

Beyond that, several stakeholders, including us around the table, international organizations and major buyers, can do more to provide support, capacity building – especially when it comes to developing countries. Almost a hot-line.

Starting from IOs: The **Better Works** program is an interesting example of a **global donor funded initiative** which has proven quite successful at supporting labour standards and efficiency in the workplace – it does **not only provide the theory, but a real handholding** – good stories on textile in Bangladesh.

Major buyers and MNCs: Lynette, a South African SME owner who spoke in the last few days mentioned something in this direction – she talked about a sort of **buddy program**. **Bigger companies can support local SMEs** to improve their local supply base – there are several examples, I heard recently from a precision machinery MNCs who went through 5+ years of work to get their suppliers certified and it worked. They did not do it for moral reasons, they

gained out of it – but **without their help these SMEs would have never gotten there.**

SME organizations: some are providing excellent service to their SMEs to navigate standards, help them pay and implement them. My experience in Asia:

- **Supply:** Singapore through their SPRING program; or Malaysia through SME Corp; they provide **capability building grants**, vouchers and tax incentives, eservices and attract back **mentors and retirees** who provide hands on advisory to SMEs obtain the right certifications and boost their exports.
- **Demand:** Korea provides quick wins and visibility to SMEs that get certain certificates of quality in place, by **showcasing** them in their tradekorea.com platform – let's not forget it is not enough to say that standards are good for market access – we need to provide **quick benefits** for folks to be convinced.

The B20 asked the World SME Forum to engage in this issue as well – and we are basically trying to **copy what some of the most advanced national agencies are already offering** and we want to extend it globally.

- On **supply**, we are creating a **WSF Trust Program** to provide support to SMEs in knowing about certification benefits, and in getting the right capacity, the funds needed, and implement them. This program is being developed in consultation with our affiliate SME associations. Not for every SME btw, a lot of them operate in non-tradable and couldn't care less about standards!
- On the **demand** side, we are working towards a **B2B platform** with an Initial focus to enhance SMEs' access to information and access to markets, through **buyers-sellers matchmaking functionalities where SMEs can showcase their certifications and trigger business with that.** If we don't provide immediate benefits we will not be able to trigger this

What we need is a **commitment** that this is important for whole economies, and **accountability** on who needs to do it. In the opening speech of the EU Trade Commissioner there was a tension between maintaining strong values and high standards while reaching inclusiveness – and the only way to achieve both objectives is through time, effort, focus and resources from national

governments and international organizations to make this happen. And big corporations can definitely chip in.

Many thanks for your attention.