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Agenda item 3

ENHANCING THE COMPETITIVENESS OF SMEs IN THE CONTEXT OF FDI
IN DEVELOPING COUNTRIES: RELATIONSHIP BETWEEN SMEs AND
TNCs TO ENSURE THE COMPETITIVENESS OF SMEs

Draft agreed recommendations

1. The Commission took note of the secretariat documents entitled “Enhancing the competitiveness of SMEs in the context of FDI in developing countries” (TD/B/COM.3/34) and the “Report of the Expert Meeting on the Relationships between SMEs and TNCs to Ensure the Competitiveness of SMEs” (TD/B/COM.3/31), which served as background for the policy dialogue during the session.

2. The discussion in the Commission’s session highlighted the positive impact that TNC–SME linkages can have on national growth and development, in particular for enhancing the productive capacity of a strong domestic enterprise sector. Also, the Commission acknowledged that to enter into such linkages, SMEs should be more competitive and should be ready to meet internationally agreed standards. TNCs should contribute to the local economy of developing countries through applying best practices concerning linkages with SMEs by working with small and medium-sized companies for their managerial and technological upgrading, as well as entering into public–private partnerships to work together with Governments, other TNCs and local business organizations to create support institutions.

3. In the light of these considerations the Commission calls on:

1. GOVERNMENTS

(a) To ensure that there is consistency between their trade, investment and enterprise development policies;

(b) To provide an enabling business environment characterized by stable macroeconomic policies; a sound legal, regulatory and tax framework; adequate physical infrastructure, including for transport and telecommunications; and an available pool of a skilled labour, particularly engineering skills;

(c) To target those TNCs which could have a positive development impact on the local economy, and a corporate vision and mission to promote such impact;

(d) To consider policies which encourage TNCs to apply “best practices” in working with SMEs for their managerial and technological upgrading, including:

- mentoring programmes for SMEs in order to transfer best practices, and coaching them in total quality management and continuous improvement; giving them access to TNC innovation centres and corporate training programmes; making available engineers and management consultants; and assigning staff to SMEs;
- sharing with SMEs relevant information such as market trends and future plans; allowing them to support TNC operations outside the host country; and providing them with additional business opportunities through business matching, brokering strategic alliances, participation in trade fairs and road shows;

(e) To promote a meaningful and continuous public–private sector dialogue on strengthening the enabling business environment, for example through the establishment of representative mechanisms for periodic consultations;

(f) To promote public–private sector partnerships to create support institutions at the appropriate levels (e.g. skill-training centres), which can facilitate the transfer of technology and help SMEs achieve the capability for continuous innovation;

(g) To design adequate policies aimed at improving the competitiveness of all SMEs including support measures for SMEs with growth potential;

- (h) To adopt special measures to help SMEs to become partnership-ready by facilitating their access to technology and finance, and improving managerial skills;
- (i) To encourage SMEs to diversify their customer base to avoid overdependence on one linkage partner.

2. INTERNATIONAL COMMUNITY

- (a) To promote an enabling environment with a view to improving the access of SMEs to the global economy;
- (b) To better coordinate programmes for SMEs support so that SMEs are more partnership ready; and in particular to create reciprocal links between UNCTAD and the websites of individual SMEs of the development partners;
- (c) To identify best practices in forging TNC–SME linkages and to disseminate them;
- (d) To promote public–private partnerships not only for SME support institutions but also for creating an enabling business environment and the necessary physical and human infrastructure.

3. UNCTAD

- (a) To continue to collect and to disseminate national best practices stimulating TNC–SME linkages in collaboration with other development actors, taking into account the special situation of SMEs in LDCs;
- (b) To conduct regional workshops on successful linkage programmes which could be adapted to local circumstances and to produce a manual of best practices in this area;
- (c) To explore ways and means of promoting TNC–SME linkages within the framework of existing technical assistance programmes, including through the EMPRETEC programme, in order for SMEs to become more competitive;
- (d) To undertake further research and analysis on certain topics, such as financing SMEs, the use and the impact of economic incentives and strategies to promote corporate social responsibility, and the impact of WTO commitments on national policies for SME development.