



## Governing Body

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**Policy Development Section**  
*Employment and Social Protection Segment*

**POL**

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### SECOND ITEM ON THE AGENDA

## Outcome 4: Promoting sustainable enterprises

#### Purpose of the document

This document presents strategy and implementation highlights of Outcome 4 in the biennium 2016–17.

Overall, the Office has made good progress in implementing Outcome 4. The Governing Body is invited to provide guidance on the strategy and its implementation (see draft decision in paragraph 39).

**Relevant strategic objective:** Outcome 4: Promoting sustainable enterprises.

**Policy implications:** None.

**Legal implications:** None.

**Financial implications:** Most of the outputs for the current biennium are covered by the Programme and Budget for 2016–17. Some of the country-level work is currently underfunded.

**Follow-up action required:** The Office will take into consideration the guidance provided by the Governing Body in further implementing Outcome 4 as defined in the Programme and Budget for 2016–17.

**Author unit:** Enterprises Department (ENTERPRISES).

**Related documents:** Programme and Budget for the biennium 2016–17; 2016 International Labour Conference Conclusions on Decent Work in Global Supply Chains; resolution and conclusions concerning small and medium-sized enterprises and decent and productive employment creation, adopted at the 104th Session (2015) of the International Labour Conference, GB.325/INS/5/2; follow-up to the Governing Body decision concerning the Guidelines for a just transition towards environmentally sustainable economies and societies for all (November 2015); implementation strategy for the follow-up mechanism of and promotional activities on the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (2014) (MNE Declaration); International Labour Conference Conclusions concerning the promotion of sustainable enterprises (2007), and the Promotion of Cooperatives Recommendation, 2002 (No. 193).



## I. Introduction and rationale

1. Outcome 4 on promoting sustainable enterprises is one of the ten policy Outcomes in the Programme and Budget for the biennium 2016–17. This paper provides highlights of the strategy, planned deliverables and results achieved in implementing the Outcome.
2. As “the private sector is the main engine of job creation and the source of almost nine of every 10 jobs in the world”,<sup>1</sup> Outcome 4 is relevant to member States as an effective and tangible way in which the ILO can help to promote productive and decent employment. This has been reconfirmed through the endorsements of the Sustainable Development Goals (SDGs) by the member States of the United Nations. The 2030 Agenda for Sustainable Development recognizes that “private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation”.<sup>2</sup>
3. The vision of Outcome 4 is that member States make sustainable enterprise development a core element of their development strategies. In order to fully realize the private sector’s potential to be a principal source of growth and employment creation, the ILO aims at the following three changes that are reflected in the outcome indicators used to track the ILO’s efforts to promote enterprise development:
  - reforms of the legal, regulatory and institutional framework conditions contributing to an enabling environment for sustainable enterprises;
  - improved productivity and working conditions, taking into account entire value chains; and
  - expanded business support services for potential and existing entrepreneurs.
4. The strategies implemented under Outcome 4 build on the relevant recommendations concerning the area of critical importance on productivity and working conditions in small and medium-sized enterprises, adopted by the Governing Body at its 320th Session (March 2014), and the resolution concerning small and medium-sized enterprises (SMEs) and decent and productive employment creation, adopted at the 104th Session (2015) of the International Labour Conference. Outcome 4 is also an integral part of the Enterprises Initiative as it will help the ILO to fully engage with enterprises in pursuit of the Organization’s goals. In addition, various aspects of its implementation are closely related to the Green Initiative, the End to Poverty Initiative, the Women at Work Initiative and the Future of Work Initiative.

<sup>1</sup> World Bank, *World Development Report 2013*, Washington D.C., 2013.

<sup>2</sup> See 2030 Agenda for Sustainable Development, para. 67. Available at <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

## II. Strategy and implementation highlights

### SMEs

#### ***Enabling environment and formalization of enterprises***

5. A key deliverable of Outcome 4 is assessment of the enabling environment for sustainable enterprises (ESEE). The importance of this deliverable stems from the fact that the ESEE is the ILO's main intervention in creating a level playing field for SMEs. As the 2015 SME conclusions asked the Office to expand the ESEE work, the Programme and Budget for 2016–17 almost doubled the number of country programme outcomes (CPOs) assisting member States to improve the enabling environment (eight CPOs in 2014–15 against 15 in 2016–17). The Office has put considerable emphasis on building a solid pipeline for the ESEE work. Eleven new country assessments have been initiated or are under preparation. Requests for an additional four assessments have also been received but are not yet funded.
6. Apart from the expansion of the country assessments, the ESEE programme will also include a new component on formalization of informal SMEs. This is the strategic response of Outcome 4 to the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204). A planned key deliverable for the biennium is a new product offering advice on enterprise formalization, which includes an intervention model and related technical cooperation proposals.

#### ***Productivity and working conditions***

7. Given the empirical evidence that SMEs are the main provider of employment but show significantly lower levels of productivity, sometimes coexisting with poor working conditions, the ILO has made the link between working conditions and SME performance a priority. The most important programme in this area is Sustaining Competitive and Responsible Enterprises (SCORE). It is a practical training and in-factory consulting programme that aims to improve productivity and working conditions in SMEs and help them to participate in global supply chains. SCORE has so far supported 850 SMEs representing a total workforce of 200,000 workers. The focus during this biennium is on increasing the scale and sustainability of the SCORE programme by embedding it in national programmes for SME development, and through agreements with international lead buyers using SCORE for their supplier development. Demand, as documented by CPOs, is strongly increasing (currently 10 CPOs as against a target of six CPOs for the biennium). Good progress has already been made with regard to embedding SCORE into national SME programmes and budgets. The Colombian Ministry of Commerce, Industry and Tourism has recently made available US\$800,000 to subsidize the roll-out of SCORE, and the Indian SME Ministry has committed funds to train 100 enterprises based on SCORE. Cooperation with national and international lead buyers is becoming another promising option for increasing scale. So far, 32 lead buyers have enrolled a total of 138 suppliers in SCORE training. Obtaining resources for additional demands remains a key challenge.

#### ***Value chain development***

8. Strengthening local and national value chains is a precondition for increasing the local content in global supply chains. The Office is constantly enhancing its portfolio on value chain projects in low-income countries, relying on a successful track record of implementing

these projects<sup>3</sup> with a focus on jobs, income generation and job quality improvement in more than 30 countries over the past 15 years (the current project portfolio stands at US\$70 million). It is proposed that this portfolio be further expanded, relying mainly on extra-budgetary resource mobilization. A key part of the work on value chains is the market systems development for decent work (the Lab), a knowledge-generation project that produces more evidence on labour market outcomes of value chain interventions.<sup>4</sup>

### ***Entrepreneurship training***

9. Entrepreneurship training has been one of the flagship interventions of Outcome 4 in terms of outreach. The Start and Improve Your Business (SIYB) training programme has had over 10 million participants in the last 15 years, whereas the training package for women entrepreneurs (Get Ahead) trained 100,000 women in the same period. The demand for these products continues to be strong and the indicator will be reached at the end of the biennium (the current number of CPOs is 19 as against a target of 24). The key strategy is to make the training a part of larger, multi-component interventions linked to Outcomes 1, 5 or 9.

### ***New topic: High-growth SMEs***

10. As young, high-growth SMEs create the majority of new jobs, the Office plans to start promoting this sub-segment of SMEs. A concept note specifying the ILO's approach on promoting growth-oriented SMEs has been developed and will be the basis for designing new interventions.

### ***Knowledge generation***

11. The conclusions of the discussion on SMEs at the 104th Session (2015) of the International Labour Conference call for an evidence-based approach to SME policies aimed at producing more knowledge on the effectiveness and cost-efficiency of SME interventions. Therefore, the generation of more rigorous evidence on what works in SME development is another key deliverable of Outcome 4. The Office has built up a strong pipeline of five new impact assessments ranging from the promotion of women entrepreneurship in Kenya to agro-industry value chain projects in Timor-Leste and Zambia.

## **Multinational enterprises**

### ***Country-level support***

12. Country-level support to tripartite constituents on the application of the principles of the MNE Declaration is provided under Outcome 4 or as a contribution to other outcomes. The main objective is to promote sustainable MNE operations that are more closely aligned with the decent work priorities in the countries concerned through processes that either address decent work challenges and/or enhance decent work opportunities.
13. Country-level technical assistance is on the rise due to increased awareness of the instrument generated by the new follow-up mechanism to the MNE Declaration that was adopted at the 320th Session (March 2014) of the Governing Body. Activities under several CPOs are implemented through new development cooperation projects supported with donor funding.

<sup>3</sup> See: <http://www.ilo.org/empent/areas/value-chain-development-vcd/lang--en/index.htm>.

<sup>4</sup> See: <http://www.ilo.org/empent/Projects/the-lab/lang--en/index.htm>.

Increased activity also stems from the SDGs which highlight the role of the private sector in contributing to sustainable development, inclusive growth and decent work, and the role of sustainable investment. The main features of country-level assistance include awareness raising on the MNE Declaration, studies/assessments, capacity building, tripartite plus dialogue facilitation, and the adoption of action plans specifying roles and responsibilities for governments, social partners and enterprises. Activities are implemented in close collaboration with technical departments in Geneva and the field structure (decent work technical support teams and country offices), and the experiences are shared across regions through the ILO Global Network of MNE Declaration focal points.

### ***Global products***

14. Global products are being developed to further support constituents and multinational enterprises in implementing the provisions of the MNE Declaration. This includes a global resource kit on the MNE Declaration with policy briefs and self-assessment tools for each of the target groups.

### ***Training***

15. Enhanced collaboration with the International Training Centre of the ILO (ITC–ILO) in Turin is leading to the increased offer of training for tripartite constituents and enterprises, complementing the e-learning on multinational enterprises, development and decent work, and courses related to corporate social responsibility.

### ***ILO Helpdesk for Business***

16. The ILO Helpdesk for Business on International Labour Standards continues to expand its outreach to enterprises that seek guidance on international labour standards for their corporate policies and in dealing with decent work challenges in their own operations and supply chains. Collaboration with other international organizations continues and is deepening in areas linked to the SDGs and financing for development.

### ***Review***

17. In March 2016, the Governing Body decided to start the review process of the MNE Declaration text and interpretation procedure. A tripartite ad hoc working group will present its recommendations to the Governing Body in March 2017 for possible adoption.

### ***Cooperatives***

#### ***Legal and policy advice***

18. The Office provides legal and policy advice building on the ILO Promotion of Cooperatives Recommendation, 2002 (No. 193). Since its adoption, more than 100 countries have used the Recommendation to revise and develop policies and laws. Currently, the Office supports the development of cooperative and social and solidarity economy (SSE) legislation and policies in Costa Rica, Greece, Egypt, South Africa and Tunisia. The Office also co-founded the United Nations Inter-Agency Task Force on Social and Solidarity Economy (UNSSE) in 2013, which has raised visibility in the UN and advanced the SSE concept in international and national policies.

## **Technical support**

19. Since 1920, the Office has provided technical support on cooperatives (such as the Cooperative Facility for Africa) and, lately, on SSE enterprises. Its interventions on cooperative and SSE enterprises are linked with other outcome areas, breaking silos across headquarters and the field. They include: (a) cooperative and other SSE enterprises creating job opportunities for youth in Algeria, Egypt, Morocco and South Africa (Outcome 1); (b) strengthening the management of agricultural cooperatives in China, Mongolia, Viet Nam and Zambia (Outcome 5); (c) transitioning to the formal economy through cooperatives of waste pickers in Turkey, domestic workers in South Africa and Trinidad and Tobago and home-based workers in Indonesia (Outcome 6); and (d) advancing livelihood opportunities for migrant workers and refugees through cooperative and other SSE enterprises in Greece, Jordan, the Philippines and Turkey (Outcome 9).
20. To address constituents' requests, the Office has devised tools for strengthening capacities to deliver through cooperative and other SSE enterprises on: (a) improving management capacities of existing agricultural cooperatives (through the Managing your agricultural cooperative – My.Coop) training package, available in 14 languages and adopted in 20 countries); (b) starting up and improving cooperatives in the informal economy, including for women and youth (in the process of finalization); and (c) building capacities of secondary-level financial cooperatives to serve members better (in collaboration with the Social Finance Programme (SFP), ITC–ILO and the Food and Agriculture Organization of the United Nations (FAO)). The Office has been organizing global and regional SSE academies since 2011 and further academies are scheduled for South Korea and Luxembourg in 2017.

## **Research**

21. The Office is working to advance understanding and the knowledge base on the future of work, including care work, the green economy, social innovation and gender, in relation to cooperative and SSE enterprises. In particular, the Office is working on improving data on cooperatives through a resolution on statistics on cooperatives adopted at the 19th International Conference of Labour Statisticians (Geneva, 2013). The Office is also working in partnership with the international cooperative movement and SSE partners in advancing the 2030 Agenda for Sustainable Development.

## **Social Finance Programme**

### ***Social Finance Programme and financial institutions***

22. Besides serving as the internal focal point on financial services and providing technical support to various offices and departments, the Social Finance Programme (SFP) is the ILO's liaison with the financial sector.
23. Financial institutions have the potential to be key vectors for the promotion of decent work. For example, banks and investors not only provide critical job-creation inputs to SMEs, but can also encourage them to improve working conditions and avoid child labour. Because financial institutions also have the ability to develop products and distribution systems that enable them to reach under-served target groups, this financial inclusion agenda is equivalent to promoting social justice in the financial markets.

## ***Regulators and policy-makers***

24. The SFP endeavours to engage with the financial sector in order to develop its potential. First, work is undertaken with regulators and policy-makers by providing them with the tools and guidance to encourage financial institutions to achieve development objectives. For example, in recent years the SFP has actively supported the development of inclusive insurance markets in Ethiopia, Senegal, the United Republic of Tanzania and Zambia by working with local stakeholders to ensure that a conducive environment is in place. Looking ahead, similar collaborations in several other countries are being explored. In a related vein, the ILO is a founding member of the Access to Insurance Initiative (A2ii), the inclusion arm of the International Association of Insurance Supervisors (IAIS). Through A2ii, the ILO seeks to ensure that social justice is considered by the global standard-setting body for the insurance industry.
25. Second, the SFP works directly with financial institutions to help them innovate to enhance their impact. For example, in 2016, the ILO's Impact Insurance Facility initiated ten new innovation projects with insurers in Africa, including several that focus on agriculture value chains that have the potential to improve rural livelihoods, a subject of particular concern due to climate change.
26. The lessons learned from these innovators are then repackaged and disseminated through a range of knowledge management (KM) outputs, including "emerging insight" emails, a newsletter, and the occasional event. The most significant KM output is a series of training modules, primarily targeting the insurance industry. In 2015, memorandums of understanding were signed with six training institutes in Africa and Asia to build their capacity to offer the content that has been developed.

## ***Training***

27. The SFP collaborates with ITC–ILO in the delivery of its Making Microfinance Work training programme, which is intended to build the capacity of banks, credit unions and MFI managers to broaden their product menu so as to respond to the diverse financial needs of SMEs and low-income households. In 2015–16, these materials were adapted to enable financial institutions to target particular market segments, including rural populations, youth and SMEs.

## ***Impact Investors***

28. The SFP is collaborating with impact investors to ensure that they view their investment criteria from a social perspective. The initial engagement on this agenda has been with the Africa Agriculture and Trade Investment Fund and the intention is to expand by working with a range of national development banks as well.

## ***Green jobs***

### ***Global linkages***

29. As part of the Green Initiative, which seeks to promote a just transition to a low-carbon, sustainable future, the Office advocates for the integration of decent work and climate agendas so that they are mutually supportive. These efforts contributed to a new climate change agreement in 2015 that recognizes the imperative of a just transition and the creation of decent work. Growing country-level demand to foster green jobs creation is compounded by the adoption of the SDGs and the Paris Agreement on Climate Change – both global



frameworks open up new opportunities but also challenges in terms of the Office's capacity to respond in a timely manner.

30. The Green Initiative also provides the ILO with strategic direction and guidance by scaling up research and analysis, policy advice and the development of relevant tools. It will enable ILO constituents to articulate coherent and effective employment and social policies ahead of the expected entry into force of the Paris Agreement on Climate Change in 2020.

### **Green Jobs Programme**

31. The Green Jobs Programme has progressively assisted over 30 countries through policy advice and by building relevant ILO expertise and tools through different sectoral and thematic approaches.
32. The CPOs for the promotion of green jobs as a principal goal, or as one of the objectives, are supported through policy advice and development cooperation programmes. The focus is on enhancing access to green business opportunities for potential and existing entrepreneurs, notably through skills development and access to finance, and on greening of business practices and green entrepreneurship.
33. The Governing Body's 2015 decision concerning the *Guidelines for a just transition towards environmentally sustainable economies and societies for all* is being implemented in Ghana, the Philippines and Uruguay and there is a demand for its expansion to additional countries.

### **Partnership initiatives**

34. The Partnership for Action on Green Economy (PAGE) continues to provide a major collaborative framework with other United Nations agencies to advance socially inclusive green economies. PAGE has now expanded to 11 countries with the addition of Barbados, Brazil and China in 2016, with prospects to offer services to more countries.
35. The ILO currently serves as secretariat of the Green Jobs Assessment Institution Network (GAIN), a network of research institutions which has two broad objectives: (i) to strengthen the capacity of governments to build and use green employment projection models for policy planning; and (ii) to provide countries with policy advice in order to assess social and employment outcomes and green growth scenarios. GAIN has a pool of trainers, employed in countries around the world, to support those objectives and holds biannual research- and policy-oriented conferences.
36. Expanded partnerships are anticipated for greater policy coherence on climate change mitigation and adaptation responses in relation to decent work. The ILO gained formal observer status with the Green Climate Fund (GCF) in early 2016 and the Office is preparing its submission by the end of 2016 for full accreditation.

### **Training**

37. In collaboration with ITC-ILO, green jobs training and capacity-building activities have significantly expanded and diversified. A new course on "Green jobs for a just transition to low-carbon and climate-resilient development" was launched in May 2016 to provide constituents with new learning and knowledge to support a just transition to environmentally sustainable economies and societies.

### **III. Conclusions**

38. Overall, the Office has made good progress in delivering on Outcome 4. The present demand exceeds the resources available and the Office gives priority to those interventions that have the highest potential for scale and impact.

#### ***Draft decision***

39. *The Governing Body requests the Director-General to take account of its guidance in further implementing the strategy for Outcome 4 of the Programme and Budget for the biennium 2016–17 on promoting sustainable enterprises.*