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SIXTH ITEM ON THE AGENDA

Follow-up to the resolution concerning small and medium-sized enterprises and decent and productive employment creation adopted by the Conference at its 104th Session (2015): Progress report on the implementation of the action plan

Purpose of the document

This document is the second progress report on the implementation of the action plan concerning the 2015 conclusions concerning small and medium-sized enterprises and decent and productive employment creation. The Governing Body endorsed the action plan during its November 2015 session and asked that the Small and Medium Enterprises Unit of the Enterprises Department (SME/ENTERPRISES) report back on progress made during the November 2016 and 2017 sessions of the Governing Body. The Office has made good progress in the implementation of the action plan. The Governing Body is invited to provide guidance on progress made (see the draft decision in paragraph 16).

Relevant strategic objective: All.

Main relevant outcome/cross-cutting policy driver: The action plan contributes to five of the ten Office-wide outcomes as defined in the Strategic Plan for 2016–17. These are Outcomes 1 (more and better jobs), 4 (promoting sustainable enterprises), 5 (decent work in the rural economy), 6 (formalization of the informal economy) and 10 (strong and representative employers' and workers' organizations).

Policy implications: The action plan and the related progress reports shape the work of the Office on small and medium-sized enterprise policies by closing knowledge gaps (especially those concerning the impact of interventions on the sustainability of enterprises and working conditions) and by describing the ways in which the Office scales up its country-level work, as requested in the conclusions.

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 on the enabling environment is underfunded. For the 2018–19 biennium, an ambitious

increase of country programme outcomes relating to the work on enabling environment has been defined, which will require additional resources.

Follow-up action required: The Office will take into consideration the guidance provided by the Governing Body on how to follow the action plan in the future. No further progress reports are foreseen.

Author unit: SME/ENTERPRISES, in close cooperation with relevant departments and units.

Related documents: Resolution and conclusions concerning small and medium-sized enterprises and decent and productive employment creation, adopted by the General Conference of the International Labour Organization at its 104th Session, 2015; Follow-up to the resolution concerning small and medium-sized enterprises and decent and productive employment creation (GB.325/INS/5/2); Progress report on the implementation of the action plan (GB.328/INS/8).

I. Introduction

1. At its 325th Session, in November 2015, the Governing Body endorsed a four-year action plan prepared by the Office on how to follow up on the 2015 conclusions concerning small and medium-sized enterprises (SMEs) and decent and productive employment creation. The Governing Body asked the Office to report back on the progress made during its November 2016 and 2017 sessions.
2. The purpose of this report is to document the progress made during the past two years since the endorsement of the action plan. The report highlights the main achievements, lessons learned and challenges encountered in implementing the action plan. It compares planned and achieved deliverables, including progress according to indicators of achievement.

II. Main achievements, lessons learned and challenges

3. The endorsed action plan takes a focused approach. It gives priority to concrete requests arising from the 2015 International Labour Conference discussion on SMEs rather than presenting the Office's full workplan on the promotion of SMEs, which account for two-thirds of all jobs worldwide and also create the majority of new jobs. Key deliverables established in the action plan include:
 - outputs involving the generation of knowledge, which is of vital importance for evidence-based policy-making; and
 - additional country-level work aimed at satisfying the high demand from member States for advice on SME policies.

Knowledge generation

4. A key deliverable is the review of the Enabling Environment for Sustainable Enterprises (ESEE) programme, with the aim of expanding it. This deliverable is important because the ESEE is the ILO's main intervention aimed at creating a conducive business environment for all enterprises and contributing to levelling the playing field for SMEs, which tend to be affected more severely by an unconducive business environment than are larger enterprises. A concept note for the review has been jointly developed and agreed with the ILO Bureau for Workers' Activities (ACTRAV) and Bureau for Employers' Activities (ACT/EMP).
5. A desk review of the main work accomplished under the ESEE programme to date, a joint mission of the review team to a country currently applying ESEE methodology (United Republic of Tanzania) and a survey on the perceptions of stakeholders that have participated in ESEE assessments have all been carried out. Preliminary findings of the review indicate that work carried out under the programme has led to positive changes.
6. ESEE advocacy and follow-up work has led to the following results:
 - (a) specific legislative changes have been introduced (amendments to existing laws in eight countries; new laws in five countries);
 - (b) specific regulatory and/or institutional changes have been introduced (multiple thematic, specialized (for example on tax) and sectorial working groups, a Social Economic Council

and a Competitiveness Council have been established and a local social council re-established);

- (c) contributions to concrete outcomes (reduction of business costs in form of a reduction of corporate tax rates, a new tax collection system and a new tax collection entity, a reduction of time and procedures required for firm registration, simplification of various licensing procedures, the reduction of the inspection burden on companies and the increased number of registered firms).
7. The review also identified areas for the further development of the programme. A workshop for the presentation and discussion of the preliminary findings remains to take place and the final report should be available before the end of the year.
 8. As a complement to the 2016 Conference discussion on decent work in global supply chains, the Office was asked to document what is known about procurement from SMEs that are part of global supply chains, and to identify what strategies actors could adopt to improve procurement practices. A literature review summarizing the available empirical evidence, published prior to the 2016 Conference, indicated that information about the conditions of procurement from SME subcontractors was scant. A supplementary publication including four case studies on good practices in the procurement of goods and services from SMEs by large enterprises was published in early 2017. Key global technical cooperation programmes on SMEs in supply chains¹ are expected to continue and to provide further evidence on how enterprises and value chain development interventions can contribute to decent work. These deliverables contribute to the programme of action on global supply chains, particularly to the action areas on knowledge generation and dissemination, capacity building, and policy advice and technical assistance.²
 9. The conclusions of the 2015 Conference discussion on SMEs call for an evidence-based approach to SME policies. They further call for more research on the effectiveness and cost-efficiency of SME interventions and, in particular, on the economic, social and environmental dimensions of enterprise sustainability and the improvement of working conditions. Consequently, new knowledge based on rigorous research on what works in SME development is another key deliverable in the action plan. In this regard the Office has finalized a series of new impact assessments. In order to make available key findings of these assessments to a wider audience, a new series of policy briefs has been initiated. The new What Works in SME Development series presents key evidence from the ILO on what works and what does not work in promoting SMEs as a means to create more and better jobs; its main objective is to increase the uptake of effective SME programmes by leading actors in this field. Preference is given to rigorous quantitative research. Four issue briefs have been published since early 2017, on topics ranging from the promotion of agro-industry value chain projects in Timor-Leste to improving business practices and profits through training for female entrepreneurs in Kenya,³ as well as a summary of the latest Start and Improve your Business (SIYB) global tracer study, demonstrating an outreach of SIYB training to 15 million potential entrepreneurs and SMEs

¹ Including SCORE – Sustaining Competitive and Responsible Enterprises; and Market Systems Development for Decent Work – “the Lab”.

² See GB.328/INS/5/1(Add.1).

³ See http://www.ilo.org/empent/units/boosting-employment-through-small-enterprise-development/WCMS_557228/lang--en/index.htm.

until the end of 2015.⁴ A further three briefs will be published by the end of the biennium, as indicated in section III.

10. The conclusions call on the ILO to provide research on the impact of social dialogue and collective bargaining on working conditions in SMEs. The approved action plan states that such research would require additional resources, which were not available in 2016. However, priorities were changed and resources made available following discussions of the first progress report during the Governing Body session of November 2016, when the importance of this issue was underlined by several constituents. A research paper summarizing the available empirical evidence will be available by the end of 2017.

Additional country-level work

11. The action plan asks that the EESE programme be expanded through the design and implementation of seven additional CPOs that will help member States improve the enabling environment. The Office has placed considerable emphasis on generating additional country-level work in this context; the number of country assessments conducted has almost doubled, rising from eight in the previous biennium to 15 in the present biennium. For the new biennium 2018–19 a target of 24 such assessments has been set, albeit with different measurement criteria. This ambitious target can only be achieved if additional resources are made available. Complementing the work on EESE, a new line of work on the formalization of SMEs has been launched as set out in detail in section III.
12. Additional country-level work will also be achieved through the Sustaining Competitive and Responsible Enterprises Programme (SCORE) and its extension into its third phase (2017–21). To date, the programme has built capacity of 28 public and private training organizations in nine countries to deliver training and consulting services to SMEs which improved productivity and working conditions in more than 1,100 enterprises, representing a total workforce of 270,000 workers. Among others, the Indian Ministry of MSME and the Chinese State Administration for Worker Safety (SAWS) have incorporated SCORE into their regular service portfolio for SMEs.
13. The action plan states that young, high-growth SMEs are an important new area of work to be explored as they create the majority of new jobs. In the course of its coordination with other multilateral agencies, the Office found that the World Bank Group was working on a major report on the impact of promoting growth-oriented enterprises in developing countries. Both agencies are currently looking into complementary joint research on evaluation methods for growth entrepreneurship programmes. The ILO has put resource mobilization efforts on hold until the new research is available, as the findings could have an impact on its approach.

⁴ See http://www.ilo.org/empent/areas/start-and-improve-your-business/WCMS_555791/lang-en/index.htm.

III. Planned results vs achievements relating to follow-up to the conclusions concerning SMEs

Follow-up item (paragraph of the conclusions)	Planned deliverables	Indicators of achievement, including timeline	Progress as of August 2017
For the 2016–17 biennium			
Knowledge generation			
Review of the EESE programme with a view to expanding it (20(b)).	A report that: (1) takes stock of what works and what needs to be improved; (2) provides suggestions on how to scale up the EESE; and (3) gives guidance on how to assess the possible effects of new rules and regulations on SMEs before introducing them.	Report is produced and made available (03/2016).	A concept note for the review has been developed, a review team that includes ACTRAV and ACT/EMP has been established and the review has almost been completed. Preliminary findings of the review show that EESE work has led to positive changes. Through EESE advocacy and follow-up work, specific legislative changes, specific regulatory and/or institutional changes and contributions to specific outcomes have taken place. The review also identifies areas for further development of the EESE programme. A workshop for the presentation and discussion of the preliminary findings remains to take place and the final report should be available by the end of the year.
Assessment of the effect of new rules and regulations on SMEs and their workers (9(a)).			
Research on good practices for the procurement of goods and services from SMEs by large enterprises within supply chains (20(e)).	A report summarizing empirical evidence on: (1) relevance of procurement of large enterprises from SMEs; (2) opportunities and threats relating to SMEs' participation in supply chains; (3) key internal and external factors enabling SMEs to capture value added; and (4) ILO experiences with strengthening the links between large buyers and SMEs, such as the SCORE programme.	Report is published before the 105th Session of the Conference (2016) (04/2016).	Report was published in May 2016; see http://www.ilo.org/empent/areas/value-chain-development-vcd/WCMS_543053/lang--en/index.htm .
Collection of more evidence on what works in SME development, in particular in relation to the improvement of working conditions and the three dimensions of enterprise sustainability (21).	(a) Generation of primary evidence: completion of four experimental or quasi-experimental impact assessments.	(a) Four briefs are produced and made available (12/2017).	(a) A new series of issue briefs on What Works in SME Development has been launched; four issue briefs have been published, see http://www.ilo.org/empent/units/boosting-employment-through-small-enterprise-development/WCMS_547155/lang--en/index.htm . A further three briefs will be published by the end of the biennium (on entrepreneurship training in Myanmar; <i>kaizen</i> and entrepreneurship training in Ghana, United Republic of Tanzania and Viet Nam; and impact research on SCORE).

Follow-up item (paragraph of the conclusions)	Planned deliverables	Indicators of achievement, including timeline	Progress as of August 2017
	<p>(b) Two ILO projects pass external audits of their results measurement systems with the aim of further improving the ILO's capacities in this area.</p> <p>(c) Sharing evidence with constituents: two knowledge-sharing events to present new findings.</p>	<p>(b) External audit reports confirm that projects passed the audit (12/2017).</p> <p>(c) Written evaluations of the events show that 70 per cent of participants can apply the evidence presented when they design their SME programmes (12/2017).</p>	<p>(b) One ILO project (SCORE) has undergone an external audit. One further ILO project has been selected; discussions with another ILO project are ongoing and are expected to undergo an external pre-audit in accordance with the results measurement standard of the Donor Committee for Enterprise Development (DCED) before the end of the biennium. *</p> <p>(c) Working together, the ILO and DCED organized the 2016 Global Seminar on Results Measurement, covering key issues such as the measurement of job creation in projects on private sector development. In February 2017, the ILO organized a conference on the latest evidence on how to create more and better jobs through a market systems approach to the promotion of SMEs. Results of written evaluations of the seminars confirm that more than 70 per cent of participants can apply the evidence presented.</p>
Research on the impact of social dialogue and collective bargaining systems on working conditions in SMEs (21).	One report; one workshop for discussion of findings with constituents; and one policy brief.	Brief is made available (03/2017).	Resources for this item were only made available in early 2017. A research report and a policy brief will be available before the end of the biennium. A workshop can only be organized in the upcoming biennium if additional resources are made available.
Country-level work			
<p>Expansion of the EESE programme, including stronger links to work on ILO policies on employment and quality of work, and Decent Work Country Programmes (20(b)).</p> <p>Development of a new EESE component on the formalization of informal SMEs, consistent with the follow-up to the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) (20(c)).</p>	(a) Design and implementation of seven additional country programme outcomes (CPOs), helping member States improve the enabling environment.	(a) Seven additional member States report improvements in the enabling environment (source: indicator 4.1 of ILO results measurement framework, baseline: eight member States (12/2017)).	(a) Seven additional country assessments including action plans for improvements of the enabling environment are under preparation. As no additional resources were made available, the budget gap (see previous progress report) was narrowed by reprioritizing work and mobilizing additional resources.

Follow-up item (paragraph of the conclusions)	Planned deliverables	Indicators of achievement, including timeline	Progress as of August 2017
	(b) The production of new tools for the promotion of SME formalization, including an intervention model, implementation methodology and key tools for constituents.	(b) New tools for the promotion of SME formalization are available on ILO EESE website; a toolkit on SME formalization is published and made available (03/2017).	(b) An additional specialist position has been created and filled; the new product offer on enterprise formalization has been published (02/2017) (http://www.ilo.org/empent/units/boosting-employment-through-small-enterprise-development/WCMS_544828/lang-en/index.htm).
	(c) Three related extra-budgetary technical cooperation (XBTC) project proposals, including one impact evaluation.	(c) Three proposals pass internal quality control and are submitted to donors (12/2017).	(c) Three proposals have been submitted, of which two have been approved and one is pending approval (concept note stage approved, awaiting evaluation of full proposal).
Intensification of efforts to support growth-oriented SMEs (20(a)).	A concept note specifying the ILO's approach to promoting growth-oriented SMEs, for submission to donors. Design and implementation of an additional three CPOs helping member States promote growth-oriented SMEs (provided that extra-budgetary resources can be mobilized).	One proposal passes internal quality control and is submitted to donors (12/2017).	A concept note on the ILO's approach was produced in 2016. In the course of coordination with other multilateral institutions, the Office learned that the World Bank Group was working on the same subject and will bring out a flagship report on growth-oriented enterprises this year. Both agencies are looking into complementary research on evaluation methods for growth entrepreneurship programmes. Resource mobilization has been put on hold until the new World Bank material is available so that the ILO can determine a complementary approach.

Follow-up item (paragraph of the conclusions)	Planned deliverables	Indicators of achievement, including timeline	Progress as of August 2017
For the 2018–19 biennium			
Expansion of ILO's core SME portfolio in alignment with Decent Work Country Programmes and Sustainable Development Goals (20(a)–(f)).	(a) Design and implementation of ten additional CPOs (in line with national sustainable development goals) to help member States scale up SME policies. Particular emphasis should be given to consolidating the EESE (at the expanded level of the previous biennium); to the scaling up of interventions to formalize SMEs; to the promotion of growth-oriented SMEs; to the greening of enterprises and value chains; to opportunities for SMEs in green goods and services; and to improving SME productivity and working conditions through programmes such as SCORE, which is entirely dependent on extra-budgetary resources.	(a) Ten additional member States report implementation of SME support programmes (source: indicators 4.1 to 4.3 of ILO results measurement framework, baseline: 55 member States) (12/2017).	(a) The Programme and Budget for 2018–19 anticipates a strong expansion of enterprise development (outcome 4), increasing the number of CPOs from 55 in the current biennium to 76 in 2018–19. The SME portfolio makes a crucial contribution and covers approximately 70 per cent of CPOs. A particularly ambitious goal has been set for EESE to increase the number of CPOs from 15 in the current biennium to 24 in 2018–19. These ambitious targets can only be realized if additional resources are made available.
	(b) Additional mobilization of extra-budgetary resources.	(b) Increase in SME XBTC portfolio to \$100 million (\$84 million as of 15 August 2015).	(b) As of May 2017, the SME XBTC portfolio stands at US\$70 million. A strong pipeline of SME projects amounting to some US\$100 million has been proposed to different donors, although funding for all projects may not be available.
* The projects are the Road to Jobs project in Afghanistan and the Youth Employment in Agricultural Value Chains project in Zambia.			

IV. Conclusions

14. Overall, the Office has made good progress during the initial two years of implementation of the SME action plan. In particular, it has performed well in promoting knowledge generation, providing further evidence of the effectiveness of SME interventions; in expanding EESE country-level work aimed at helping member States improve the enabling environment; and in building a strong pipeline of technical cooperation projects.
15. There is a risk that some items of the action plan remain underfunded. Additional efforts to mobilize internal and external resources will help reduce this risk.

Draft decision

16. *The Governing Body requests the Director-General to:*
 - (a) *continue to implement the action plan on how to follow up the 2015 conclusions concerning SMEs and decent and productive employment, taking into account the guidance provided by the Governing Body;*
 - (b) *allocate the required resources, within the limits of resources available, so as to ensure continued success with the implementation of the action plan.*