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FIFTH ITEM ON THE AGENDA

Matters arising out of the work of the 104th Session of the International Labour Conference

Follow-up to the resolution concerning small and medium-sized enterprises and decent and productive employment creation

Purpose of the document

This document presents an action plan on how to follow up on the 2015 conclusions concerning small and medium-sized enterprises and decent and productive employment creation. The action plan takes a focused approach. It gives priority to concrete requests arising from the discussion at the International Labour Conference and outputs that make a direct contribution to achieving the revised priorities of the ILO as defined in the strategic plan for 2016–17. This document highlights specific adjustments to be made in the light of the Conference conclusions, rather than presenting the full workplan of the Office on promoting small and medium-sized enterprises (SMEs), which the Conference conclusions mostly endorsed. In order to facilitate monitoring, the action plan identifies clear deliverables, indicators of achievement, responsibilities and resource implications. The Governing Body is invited to provide guidance on the follow-up strategy (see draft decision in paragraph 12).

Relevant strategic objective: The action plan makes direct contributions to six of the ten new Office-wide outcomes as defined in the strategic plan for 2016–17. These are outcomes 1 (more and better jobs); 2 (international labour standards); 4 (sustainable enterprises); 5 (rural economy); 6 (formalization of the informal economy); and 10 (strong and representative employers' and workers' organizations).

Policy implications: The action plan will shape the future work of the Office on SME policies in the next two biennia by closing important knowledge gaps, especially concerning the impact of interventions on enterprise sustainability and working conditions, and by laying out how the Office will scale up its SME interventions as requested in the conclusions.

Legal implications: None.

Financial implications: All outputs planned for 2016–17 are covered by the new programme and budget. Concerning the biennium 2018–19, an increase in the operational allocation from the regular budget would be required to deliver the proposed action plan.

Follow-up action required: The Office will take into consideration the guidance provided by the Governing Body in pursuing the action plan, and report on progress to the Governing Body.

Author unit: The Small and Medium Enterprises Unit of the Enterprises Department (ENTERPRISES/SME), 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 at the 104th Session of the International Labour Conference, 2015.

Part I. Introduction

1. The purpose of this document is to propose to the Governing Body the main elements of an action plan on how the Office will implement the recommendations made in the conclusions of the Committee on SMEs and Employment Creation, adopted at the 104th Session (2015) of the International Labour Conference.
2. The conclusions reconfirm that small and medium-sized enterprises (SMEs) are vital to achieving decent and productive work as, globally, they account for two-thirds of all jobs and also create the majority of new jobs. Indeed, the importance of this enterprise segment has very recently been reconfirmed through the endorsement of the new Sustainable Development Goals and the related targets by the member States of the United Nations. The third target of goal 8 explicitly encourages the promotion of SMEs to contribute to ensuring productive employment and decent work for all. Furthermore, the Conference conclusions confirm the relevance of the current portfolio of ILO interventions promoting decent and productive employment in SMEs, and call on the Office to scale up its interventions. In order to produce more evidence on what works in SME development, the conclusions call for more emphasis on results measurement, in particular regarding the sustainability of enterprises and the improvement of working conditions.
3. Against this background, the conclusions give detailed guidance on the future work of the Office, and request it to establish an action plan to be submitted to the Governing Body in November 2015.
4. When preparing the action plan, the Office has given priority to concrete requests arising from the Conference and to subjects that make substantial contributions to achieving the revised priorities of the ILO as defined in the strategic framework for 2016–17. With regard to resource implications, it should be noted that extra-budgetary resources will continue to play a predominant role in funding the ILO's portfolio for SMEs. The Office will continue to mobilize these resources. Concerning the regular budget of the ILO, all outputs proposed for 2016–17 are covered by the approved new programme and budget or can be covered by minor reallocations within the approved budget framework. As the conclusions concerning SMEs request the Office to scale up its interventions, the action plan would require an increase in the operational regular budget allocated to these outcomes for the 2018–19 biennium.
5. The action plan includes knowledge-generation outputs, as they are of key importance for evidence-based policy-making. Furthermore, it suggests more country-level work in order to satisfy the high demand of member States for advice on SME policies. Capacity building for constituents, in cooperation with the ILO's International Training Centre in Turin (the Turin Centre) and, for the social partners, the Bureau for Employers' Activities (ACT/EMP) and the Bureau for Workers' Activities (ACTRAV) is an integral part of all the proposed follow-up items.
6. The proposed key deliverables for knowledge generation are: (1) a review of the Enabling Environment for Sustainable Enterprises (EASE) programme, with the full involvement of the social partners, with a view to expanding it; (2) research on good practices for the procurement of goods and services from SMEs by large enterprises within supply chains; (3) additional assessments of pro-SME interventions to measure their impact on the quantity and quality of employment created; and (4) research on the impact of social dialogue and collective bargaining on working conditions in SMEs.
7. Suggested key deliverables for country-level work are an expansion of the EASE programme to serve additional member countries in order to improve their enabling

environment. This includes the development of an additional intervention model for the formalization of SMEs – a topic that is closely linked to the enabling environment. Furthermore, the action plan proposes that a new ILO programme for growth-oriented SMEs (“gazelles”) should be designed and tested. With regard to the 2018–19 biennium, the action plan proposes an expansion of the core SME portfolio to serve additional member countries. Particular focus should be placed on expanding the formalization of SMEs; developing interventions for growth-oriented SMEs; greening SMEs and enabling them to seize green business opportunities; and scaling up the area of SME productivity and working conditions through the use of regular budget resources, as this area is currently entirely dependent on extra-budgetary resources. Any expansion of the ILO’s SME portfolio will be accompanied by additional data collection on the quality of the employment generated.

8. Part II of this document provides the details of the suggested action plan and specifies the deliverables; indicators of achievement, including the timeline; Office responsibilities; the strategic fit with the Organization’s new outcomes; and resource implications.

Part II. Suggested action plan for the follow-up to the conclusions concerning SMEs

Follow-up item (paragraph of conclusions)	Proposed deliverables	Indicators of achievement, including timeline	Responsibility	Alignment with the ILO's priorities	Resource implications
For the 2016–17 biennium					
Knowledge generation					
Review of the EESE programme with a view to expanding it (20(b))	Report which: (1) takes stock of what works and what needs to be improved; (2) provides suggestions on how to scale up EESE; and	Report is available <i>(03/2016)</i> .	SME, ACTRAV, ACT/EMP	Promotion of an enabling environment is a pillar of outcome 4 and also contributes to outcome 6.	Within existing resources.
Assessment of the effect of new rules and regulations on SMEs and their workers (9(a)) .	(3) gives guidance on how to assess the possible effects of new rules and regulations on SMEs before introducing them.				
Research on good practices for the procurement of goods and services from SMEs by large enterprises within supply chains (20(e)) .	Report summarizing empirical evidence on: (1) relevance of procurement of large enterprises from SMEs; (2) opportunities and threats of SMEs' participation in supply chains; (3) key internal and external factors enabling SMEs to capture value added; and (4) ILO experiences in strengthening links between large buyers and SMEs (such as the Sustaining Competitive and Responsible Enterprises (SCORE) programme).	Report has been published before the 105th Session of the Conference (2016) <i>(04/2016)</i> .	SME, Multinational Enterprises and Enterprises Engagement Unit (MULTI), Sectoral Policies Department (SECTOR), Development and Investment Branch (DEVINVEST) of the Employment Policy Department (EMPLOYMENT)	Supports outcomes 1, 2 and 4.	Main work planned for 2015. Covered within existing resources.
Collection of more evidence on what works in SME development, in particular regarding the three dimensions of enterprise sustainability and the improvement of working conditions (21) .	(a) Generation of primary evidence: completion of four experimental or quasi-experimental impact assessments. (b) Two ILO projects passed external audits of their results measurement systems with the aim of further improving the ILO's capacities in this area.	(a) Four briefs are available <i>(12/2017)</i> . (b) External audit reports confirm that projects passed the audit <i>(12/2017)</i> .	SME, Social Finance Programme (SFP) with Conditions of Work and Equality Department (WORKQUALITY), ¹ Green Jobs and Turin Centre (for knowledge-sharing events).	Outcome 4.	Covered by existing extra-budgetary technical cooperation (XBTC) resources.

Follow-up item (paragraph of conclusions)	Proposed deliverables	Indicators of achievement, including timeline	Responsibility	Alignment with the ILO's priorities	Resource implications
	(c) Sharing evidence with constituents: two knowledge-sharing events to present new findings.	(c) Written evaluations of the events show that 70 per cent of participants can apply the presented evidence in designing their SME programmes (12/2017).			
Research on impact of social dialogue and collective bargaining systems on working conditions and resource efficiency in SMEs (21).	One report, one workshop for discussion of findings with constituents, one policy brief.	Brief is available (03/2017).	Social Dialogue and Tripartism Unit (DIALOGUE), SME, Green Jobs, Turin Centre	Outcomes 4 and 10.	Would require additional resources of US\$100,000.
Country-level work					
Expansion of the EESE programme, including stronger links to work on ILO employment and quality of work policies as well as Decent Work Country Programmes (20(b)).	(a) Design and implementation of an additional seven country programme outcomes (CPOs) assisting member States to improve the enabling environment. (b) New product offer for SME formalization, including an intervention model, implementation methodology and key tools for constituents.	(a) An additional seven member States report improvements in the enabling environment (source: indicator 4.1 of ILO results measurement framework, baseline: eight member States (12/2017).	SME, ACTRAV, ACT/EMP, EMPLOYMENT, Regional and Country Offices	Supports outcomes 1, 4 and 6.	Resources allocated as per discussion on the Programme and Budget for 2016–17.
A new EESE component on formalization of informal SMEs which is consistent with the follow-up to the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) (20(c)).	(c) Three related XBTC project proposals, including one impact evaluation.	(b) Product offer is available on ILO EESE website; a toolkit on SME formalization has been published and made available (03/2017). (c) Three proposals have passed internal quality control and have been submitted to donors (12/2017).	SME with EMPLOYMENT SME		

Follow-up item (paragraph of conclusions)	Proposed deliverables	Indicators of achievement, including timeline	Responsibility	Alignment with the ILO's priorities	Resource implications
Expand work to support growth-oriented SMEs (20(a)) .	<p>A concept note specifying the ILO's approach in promoting growth-oriented SMEs for submission to donors.</p> <p>Design and implementation of an additional three CPOs assisting member States to promote growth-oriented SMEs (provided that extra-budgetary resources can be mobilized).</p>	One proposal has passed internal quality control and has been submitted to donors (12/2017).	SME	Outcomes 1 and 4.	Resources will be covered through additional fundraising.
For the 2018–19 biennium					
Expansion of the core SME portfolio of the ILO aligned with Decent Work Country Programmes and the Sustainable Development Goals (20(a) to (f)) .	<p>(a) Design and implementation of an additional ten CPOs in line with national sustainable development goals assisting member States to scale up SME policies. Particular focus should be given to consolidating EESE at the expanded level of the previous biennium and on scaling up interventions to formalize SMEs, to promote growth-oriented SMEs, the greening of enterprises and value chains, opportunities for SMEs in green goods and services and to improve SME productivity and working conditions (through programmes such as SCORE) which is entirely dependent on extra-budgetary resources.</p> <p>(b) Additional mobilization of extra-budgetary resources.</p>	<p>(a) An additional ten member States report implementation of SME support programmes (source: indicators 4.1 to 4.3 of ILO results measurement framework, baseline: 48 member States, 12/2017).</p> <p>(b) Increase in SME XBTC portfolio to \$100 million (as at August 2015: \$84 million).</p>	SME, SFP, Cooperatives Unit (COOP), MULTI, Green Jobs	Outcomes 1, 4 and 6.	Would require an increase in the operational regular budget allocation for enterprise development at headquarters of \$2.5 million and two additional enterprise specialist positions for the field.
<p>¹ In addition to the deliverables listed here, close cooperation with WORKQUALITY is foreseen regarding the knowledge-building outputs on non-standard forms of employment, wages, working time, and occupational safety and health, as listed in the follow-up to the resolution concerning the recurrent discussion on social protection (labour protection).</p>					

Part III. Implementation arrangements, partnership building and resource mobilization strategy

9. The core responsibility for the implementation of the action plan will be with the ILO Global Enterprise Team, comprising the Enterprises Department at headquarters, the field-based enterprise specialists and the staff of technical cooperation projects. For several of the deliverables of the action plan, it will be necessary to take a multidisciplinary approach and to work with specialists of other departments of the Office. They are listed in the action plan and have agreed to cooperate on the outputs listed. As the conclusions concerning SMEs call for the involvement of the social partners, the Office must ensure that they are included.
10. As requested by the conclusions, the Office will expand collaboration and partnerships in the area of SME development. This is of special importance because of the high cost of collecting data to build more evidence on the quality of jobs created in SMEs and the productivity and sustainability of these enterprises.
11. With regard to the resources needed, it should be noted that extra-budgetary resources already play a predominant role in funding the ILO SME portfolio. As highlighted in the action plan, the Office will continue to mobilize extra-budgetary resources wherever possible. However, additional regular budget allocations will be needed as initial capital and in order to demonstrate to donors that the Office is committed to promoting decent and productive work in SMEs.

Draft decision

12. *The Governing Body requests the Director-General to:*
 - (a) *take into account its guidance in pursuing the action plan for the follow-up to the 2015 Conference conclusions concerning small and medium-sized enterprises and decent and productive employment creation;*
 - (b) *give due consideration to the 2015 Conference conclusions concerning small and medium-sized enterprises and decent and productive employment creation when implementing the Programme and Budget for 2016–17 and when preparing the strategic plan for 2018–21 and the Programme and Budget proposals for 2018–19, and to give effect to the conclusions to the extent possible;*
 - (c) *allocate the required resources, within the limits of the resources available, to ensure the effective implementation of the action plan;*
 - (d) *report back to the Governing Body on the progress made in the implementation of the action plan in November 2016 and November 2017.*