

4 December 2013

Interregional debate



“Strengthening associative models for industrial development”

Small and medium enterprises (SMEs) constitute the majority of the private sector in developing and transition economies, where they generate the bulk of employment and income opportunities. Experience shows that SMEs can also become important players of an innovative and dynamic economy. But due to their size, SMEs have to overcome a number of challenges to grow. Individually, they cannot achieve economies of scale in production, have limited bargaining power to purchase inputs and sell their products, and do not command the resources required to buy specialized support services. They are unable to take advantage of market opportunities that require the delivery of large stocks of standardized products or compliance with international standards and social and environmental regulations. And in a rapidly changing and globalized environment SMEs find it difficult to take strategic decisions. They have a limited access to productive, financial and knowledge resources compared to larger competitors and little influence over the formulation of support policies and services.

Such constraints pose challenges to SMEs to enter the formal sector or scale up into large business units. As a result, their growth potential remains largely untapped. Through collaboration with partner firms and support institutions, SMEs can achieve economies of scale in purchase, production and retail while they are jointly able to influence policy-making processes. At the same time, linkages with global partners offer SMEs access to global markets and can provide them with strategic information and learning opportunities that increase their productivity and facilitate compliance with standards.

In this framework, the promotion of “*Associative models of industrial development*” through SME clustering/ networking and value chain development is key to build a competitive private sector, drive innovation and contribute to poverty alleviation.

Participants at the debate will focus on the following questions:

-
- How to unleash the development potential of SMEs by helping enterprises overcome isolation and take advantage of collective efficiency gains through horizontal and vertical networks? What are the success stories of cluster development in Asia, Africa and Latin America?
 - What is the role of Special Economic Zones with regards to industrial development and what are the conditions that enable effectiveness of Special Economic Zones? How do they relate to industrial cluster development and technology transfer and innovation?
 - How to support SMEs entering national and global value chains, increase their overall performance and ensure an inclusive and sustainable development process to reduce poverty and facilitate market access, while taking advantage of cultural heritage and biodiversity? What are the most effective policy measures and what are the roles of large-scale firms to integrate SMEs into global value chains?
-

Panelists: **Mukesh Gulati**, President MSME Cluster Foundation, India; **Mr. Apollo Owuor** Director Kenya Horticultural Exporters, (1977) Ltd; **Pablo Vargas**, CEO Café BRITT, Costa Rica; **Douglas Zhihua Zeng** Finance & Private Sector Development (The World Bank); **Rosario Bazán**, Co Founder, Shareholder and CEO of DanPer Trujillo

Moderator: **Prof. Carlo Pietrobelli**, Lead Specialist in the Competitiveness and Innovation Division of the Inter-American Development Bank