



Project Title	SME Export Competitiveness in SPECA Countries	
Outcome	To strengthen the sustainable expansion and diversification of SME exports in SPECA countries, through (a) the increased international competitiveness of local enterprises in selected sectors (agro-processing and textiles and clothing sectors) through integrated sector development; and (b) enhanced skills and capacities of Trade Support Institutions (TSIs), which are essential for export development operations in the selected sectors and across sectors.	
Indicative Funding Requirements	Total estimated budget:	\$ 1,200,000 per country per sector
Potential Sources of Funding	[Donor(s): [Development Bank(s): Other Resources:	TBD
Expected start date	2012	
Expected Duration	3.5 years	
Implementing Organization(s)	International Trade Centre (ITC), in cooperation with other implementing agencies	
Country/Countries	All countries or any individual country (Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan). In order to ensure synergies, reduce costs and facilitate regional cooperation several projects can be implemented in parallel.	
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1 Background

The crisis has highlighted some structural deficiencies in many of the countries of the SPECA region and, in particular, illustrated the need for a more diversified, internationally competitive economy. Most of the SPECA countries have a very high level of product and market concentration, exporting only a small range of products to a small number of customers.

The ITC project has the overall objective to contribute to the sustainable expansion and diversification of SME exports from and within the SPECA region. It aims at enhancing the competitiveness of SPECA export-oriented SMEs in selected sectors (e.g., agro-processing and textiles and clothing sectors), and building capacities of local TSIs, which play a crucial role in providing support to SMEs.

The project draws from ITC's extensive experience in Central Asia and builds on achievements of its previous and current projects in the region; it is derived from deep and thorough understanding and knowledge of SPECA countries' export development needs. The project also benefits from ITC's close cooperation with various national trade development partners in SPECA countries (both public and private), as well as collaboration with other international development players.

The project is in line with the regional priorities laid out in the SPECA Aid-for-Trade Ministerial Declaration (Baku, December 2010), in particular, enhancing the international competitiveness of enterprises through developing productive capacity and market development in selected sectors as well as reinforcing the services of existing TSIs to contribute to this end. Similarly, the UNDP Aid-for-Trade Regional Review for the SPECA countries has identified the need for addressing the potential for raising the international competitiveness of the countries and their enterprises, through the development of sectors and trade support institutions (TSIs), as one of the main priority areas for the region. The present ITC project directly aims to contribute to this priority need, by increasing the export competitiveness of local enterprises in selected sectors and enhancing the capacities of TSIs to deliver trade support services.

2 Justification

The private sector and Governments of SPECA countries recognize the importance of trade development and trade diversification for overall economic growth and prosperity. The diversification of exports is crucial for balanced economic development and is vital to guarantee long-term sustainability and future economic welfare. The importance of diversifying export earnings is seen as the key driver of quality employment and poverty reduction. In order to achieve export diversification, however, the enterprises in the SPECA region have to become more internationally competitive.

Many enterprises still have low activity in international markets, even if they suffer foreign competition in their home markets, following the gradual decrease of barriers to imports. The input intensity of most manufacturing industry remains high, especially in terms of raw materials and energy.

With some notable exceptions, TSIs have limited capacity to deliver quality services to larger numbers of enterprises for helping them to become export ready, to adapt their products to demand, and to sell them more successfully in existing and new export markets.

The introduction of best business practices and the enhancement of skills and know-how for export development will not only help improve the functioning of the markets in the selected sectors but also have similar beneficial effects elsewhere. In this way, the project will contribute to increased transparency and help foster sound competition.

It is proposed that the project will focus on the following sectors: agro-processing, and textiles and clothing. The selection of sectors is based on the sectors' growth and export potential, their importance in the Governments' development plans, the existence of a critical mass of private enterprises, and the backward linkages to the rural economy (in the case of agro-processing in particular). In addition, both sectors have significant opportunities in terms of employment generation, particularly for women. Furthermore, ITC has gained substantial expertise in these sectors through the implementation of needs assessments and trade promotion projects in Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan (2004-2006), and subsequent trade promotion projects in the Kyrgyz Republic and Tajikistan in the agro-processing (2006-2008) and textiles and clothing (2009-2012) sectors.

3 Expected Output(s)

The overall, underlying objective of the project is to strengthen the sustainable expansion and diversification of SME exports in SPECA countries. It aims to develop national capacity for trade development by focusing on export-oriented SMEs while also addressing institutional issues of trade support.

The project will target two synergistic groups: SMEs and TSIs in the selected sector(s), such as agro-processing and/or textiles and clothing. First, the project will aim at improving the export competitiveness of enterprises in areas where export competitiveness is determined by activities at the enterprise level (such as in supply chain management, product design, quality management and marketing). Second, by involving TSIs in all activities, the project will increase the quality and range of services offered by participating TSIs, which can assist potential and actual exporters in becoming more export competitive.

The expected outputs of the project are the following:

- Expected Output 1: Supported stakeholders in the selected sector in taking a strategic approach to the sector's development;
- Expected Output 2: Enabled enterprises, the Government, and sector-related institutions to better understand regional and world market requirements in the selected sector, opportunities and challenges; and
- Expected Output 3: Improved capacities of enterprises in the selected sector(s) and sector-related TSIs in product development and marketing.

Selected enterprises will receive direct hands-on assistance in developing their export competitiveness. International experts, while coaching local experts, will provide individual consultancy services to the pilot enterprises, helping the enterprises to implement their action plans. Training, marketing missions and other services will be extended to a larger group of enterprises to help them modify their export approach.

The project will also raise the skills of the advisory staff in TSIs. In particular, this will cover the fields where enterprises need particular support which may now be in short supply, such as in international purchasing and supply chain management, product design and development, quality management, marketing, and distribution chain management. Particular emphasis will be given to trade information, its collection, analysis, dissemination, and use. The project will also improve the ability of TSIs to manage their business in a way that enables them to sustainably deliver corresponding support services.

In this way, the work of TSIs will further make favourable effects on the competitiveness of their enterprise clients. Raising their international competitiveness, the enterprises will become better able to develop their business, help improve the trade balance, and create new job opportunities.

4 Proposed Approach & Strategy, including Capacity Development Response

The project strategy is based on a sectoral approach, addressing gaps in sector strategy, trade information, enterprise skills and capacities, and trade support services. ITC's previous experience in SPECA countries has shown that a sectoral, integrated focus allows the achievement of tangible, lasting results, even with limited resources. This approach covers the main business processes in the individual enterprise and allows TSIs to develop the skills and tools necessary for providing services for export success.

With this approach, different components of the project reinforce each other, creating synergies and maximizing the impact of different activities. The participatory approach will continue to promote the development of alliances and partnerships between different stakeholders and other trade-related technical cooperation providers. Given the demand-driven approach of the project, some of the project components may be adjusted to fit the evolving needs and requirements of the country, in consultation with project partners.

Poverty reduction is among the major, beneficial impacts to be achieved by the project. This will occur mainly through the positive effects of improved international competitiveness: greater ability of enterprises to raise salaries, and expanded offers for employment in the medium and long term.

5 Annual Work Plan

PLANNED ACTIVITIES <i>List activity results and associated actions</i>	TIMEFRAME				PLANNED BUDGET (PER COUNTRY, PER SECTOR)
	Y 1	Y2	Y3	Y4	Amount (USD)
1.1 Assist stakeholders to formulate a sector export strategy, including through public-private consultations and workshops, and to manage strategy implementation.	x	x	x	X	150,000
1.2 Assess the feasibility of the establishment of a sector association, possibly support its creation, and provide suggestions to the Government and business community for alternative forms of collective action.		x			
2.1 Conduct a capacity-building programme on the management and dissemination of existing sectoral market information sources, including market analysis and research.	x	x	x	x	430,000
2.2 Undertake export market surveys in at least two selected export markets for at least two product groups.	x	x	x	X	
2.3 Organize workshops with major buyers/sellers from the selected market.	x	x	x	x	
2.4 Organize at least one market exploration mission with the objective to get a clear understanding of the selected market.	x	x	x	X	
2.5 Undertake sourcing market research for at least two sourcing destinations and two input materials and disseminate the information to sector stakeholders.	x	x		x	
2.6 Involve universities, interested local organizations and consulting companies in activities 2.1-2.5, facilitate contacts between them, and coach them in providing trade-related services.	x	x	x	x	
3.1 Assist pilot companies in implementing individual action plans in the fields of product design/packaging, safety and quality management, and marketing.	x	x	x	x	620,000
3.2 Assist pilot companies in increasing their presence in international markets and facilitate their direct contact with buyers, including by supporting their participation in at least two marketing missions and trade fairs.	x	x	x	x	
3.3 Provide training in sourcing techniques and undertake a sourcing mission to selected supplying countries.		x	x	x	
3.4 Compile, analyze and disseminate lessons learned by enterprises to other sector stakeholders.				x	
3.5 Involve universities, associations and other appropriate local organisations, including consultancy firms, in activities 3.1-3.4 and reinforce their expertise through on-the-job training.	x	x	x	x	
TOTAL					1,200,000