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SMES, IP AND ECONOMIC GROWTH IN AFRICA



**SOUTH AFRICAN
RESEARCH CHAIR:**

Intellectual Property,
Innovation and Development

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WIPO/ARIPO/OAPI (WAO) Conference on Intellectual Property (IP),
Innovation and Value Addition for Business Competitiveness and Sustainable
Development in Africa

Overview

- Framing this cluster's session
- Core definitions: Informal economy (IE) & SMEs
- Economic contribution of the IE
- Impact of Law & relevance of IP
 - IE innovation
 - SMEs and IP
 - The relationship between IP and innovation
- Policy recommendations

IE

- “encompasses a huge diversity of situations and phenomena...manifests itself in a variety of forms across and within economies”. ILO
- Informality is “the way of doing things characterised by
 - a) Ease of entry
 - b) Reliance on indigenous resources
 - c) Family ownership
 - d) Small scale operations
 - e) Labour intensive and adaptive technology
 - f) Skills acquired outside the formal sector
 - g) Unregulated & competitive market”

ILO, 1972

SMEs

- Formal definitions in most jurisdictions (in legislation and/or policy)
- Using the number of persons involved in the enterprise and financial turn over as criterion
- E.g. Micro and Small Enterprises Act, 2012, Kenya

micro enterprise" means a firm, trade, service, industry or a business activity—
(a) whose annual turnover does not exceed five hundred thousand shillings;
(b) which employs less than ten people; and
(c) whose total assets and financial investment shall be as determined by the Cabinet Secretary from time to time, and includes—
(i) the manufacturing sector, where the investment in plant and machinery or the registered capital of the enterprise does not exceed ten million shillings;
(ii) (ii) the service sector and farming enterprises where the investment in equipment or registered capital of the enterprise does not exceed five million shillings;

Economic contribution

SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included.

<https://www.worldbank.org/en/topic/smefinance>

Economic contribution

- OECD: informal sector represented 43% of GDP in Sub-Saharan Africa
 - Lesser, C. and E. Moisé-Leeman (2009), "Informal Cross-Border Trade and Trade Facilitation Reform in Sub-Saharan Africa", *OECD Trade Policy Papers*, No. 86, OECD Publishing, Paris, <https://doi.org/10.1787/225770164564>.
- ILO: The informal economy comprises more than half of the global labour force and more than 90% of Micro and Small Enterprises (MSEs) worldwide.
 - <https://www.ilo.org/employment/units/emp-invest/informal-economy/lang--en/index.htm>

- Most governments are aware of the major economic contribution made by SMEs and have put policies in place to promote the growth of small businesses. For example in South Africa the Department of Trade and Industry (DTI) has published the following:
- DTI *Integrated strategy on the promotion of entrepreneurship and small enterprises: unlocking the potential of South African entrepreneurs* (2005)
- DTI *White paper on small business: national strategy for the development and promotion of small business in South Africa* (1995)

Impact of law

- Research has shown that one of the major obstacles to SME growth is the regulatory framework (tax, company law, IP law etc.)
- Many countries have thus intentionally sought to create a conducive regulatory framework to enable small businesses to thrive.

Relevance of IP laws

- Innovative SMEs are affected by IP laws which regulate the ownership of rights in innovation.
- “IPRs are instrumental for SMEs for a number of reasons: to protect and build on their innovations; position themselves competitively vis-à-vis larger enterprises in global markets; gain access to revenues; signal current and prospective value to investors, competitors and partners; access knowledge markets and networks; open up new commercial pathways; or segment existing markets”. OECD, 2011, p9

Informal Economy Innovation: research overview



Open AIR Research Theme:
Informal Sector Innovation

SMEs and IP

- The terrain is varied, but a few fundamental features have consistently been observed-
 - IP awareness and technical knowledge is very low
 - There is minimal usage of IP protection
 - Most SMEs do not have an IPR strategy
 - Additional obstacles to SMEs' use of IPR include the cost of creation and enforcement of rights
 - Obstacles to IPR use are particularly acute when SMEs operate internationally
 - Collaboration and open innovation may overcome some resource challenges but they also present complexity to SMEs

The relationship between IP and Innovation



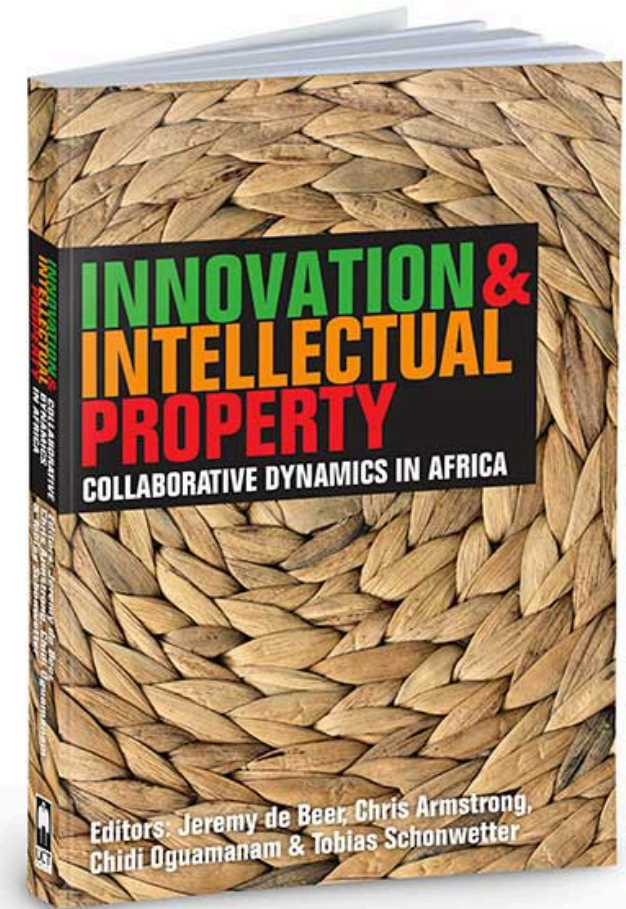
Incentive



Indicator

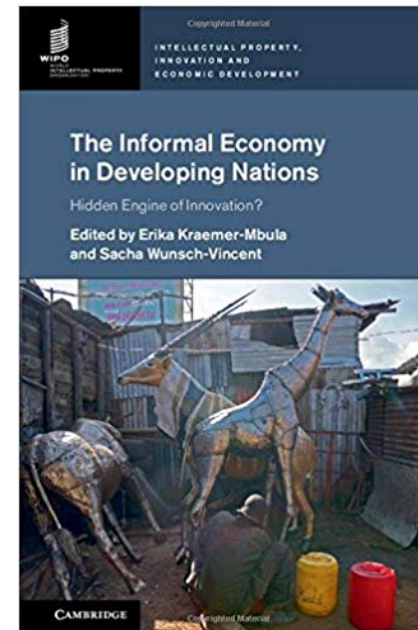


Impediment



SMEs and IP: Hidden engine of development

1. How is innovation occurring in the Informal Economy?
2. How do innovation actors reap the fruits of innovation?
3. Do existing policy frameworks need adaptation in the light of the study's findings?



Intellectual Property and Informal Economy

Meeting code	WIPO/IP/ECON/GE/1/14
Date and venue	May 20, 2014 (Geneva, Switzerland)
Previous / future meetings	WIPO/IP/ECON/GE/6/13 >> WIPO/IP/ECON/GE/1/14 >> WIPO/IP/ECON/GE/2/14
Topic(s)	Intellectual Property , Workshops and Seminars

Quick links

- [Practical Information](#)

Meeting documents

Code	Title(s)		File(s)
Filter by language	<input type="text" value="All (5)"/>		<input type="button" value="Submit"/>
Download all documents:	English		
WIPO/IP/ECON/GE/1/14/INF.1	English	Program	
WIPO/IP/ECON/GE/1/14/1	English	The Informal Economy in Developing Nations: Hidden Engine of Innovation ? New economic insights and policies	
WIPO/IP/ECON/GE/1/14/2	English	Study of the Traditional Herbal Medicine in Ghana	
WIPO/IP/ECON/GE/1/14/3	English	Informal Manufacture of Home and Personal Care Products in South Africa	

Policy Recommendations

1. Raise awareness about the strategic opportunities offered by IPRs
2. Diffuse knowledge about the variety of IP instruments and the strategic objectives they serve
3. Foster IP education and training, bringing services and expertise closer to SMEs
4. Address SMEs' financial constraints in the access to IPRs
5. Make the IPR system more SME-friendly
6. Improve cross border IP information, co-ordination and enforcement for SMEs operating internationally
7. Improve the metric for measuring SMEs intellectual assets and evaluating their management

• Source: OECD, 2011

Thank you!



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