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| **Council Working Group on Financial and Human Resources Ninth meeting - Geneva, 29-30 January 2019** |  |
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Contribution by the Secretariat

implementing the new pp-18 resolution on sme participation in itu

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| **Summary**  Following the SME pilot project launched by Council 2017, PP-18 adopted a new resolution, Res 209 [COM5/3] (Dubai, 2018), which encourages SMEs to participate as Associates in the Sectors of the Union, with reduced fees. In implementing this resolution, a new category of participation in ITU study groups, “SME Associate”, will be introduced.  **Action required**  The CWG-FHR is invited to consider the analysis and recommendations of the Secretary-General related to implementation this new resolution. |

# 1 Background

1.1 Council 2017 decided to launch an SME pilot project in interested ITU-T and ITU-D Study Groups, whereby SMEs may participate fully in the meetings of the participating Study Groups but they will have no role in the decision-making, including leadership roles and the adoption of resolutions or recommendations. The full terms of reference for the pilot project are available [here](https://www.itu.int/md/S17-CL-C-0120/en).[[1]](#footnote-1)

1.2 In order to participate, SMEs must be approved by their relevant government Administration, according to national definitions of SMEs.

1.3 The pilot project has been promoted with the Bureaux, regional organizations, administrations and the ITU regional and area offices through contact with SMEs and SME associations.

1.4 As instructed by Council-17, the secretariat provided a progress report to Council-18, and a fuller report to PP-18 on outcomes, which is available [here](https://www.itu.int/md/S18-PP-C-0052/en).

**2 Outcomes of PP-18**

2.1 Building on the pilot project, PP-18 adopted Res. 209 (DUBAI, 2018) to encourage the participation of SMEs as Associates in the Sectors of the Union by introducing reduced fees for such entities. The fees were set at (CHF 3,975) in the case of SMEs from developed countries, and (CHF 1,987.50) in the case of SMEs from developing countries, subject to ongoing review by the Council.

2.2 PP-18 resolved that acceptance of applications for participation will be conditional on the support (i.e. approval) of the Member State to which these bodies belong, attesting that the applicant is an SME in accordance with the SME definition of the country. If such an entity is approved by their respective Member State as meeting national criteria for an SME, to be eligible for the SME reduced fees, they must also have fewer than 250 employees as well as annual revenues below a maximum determined by Council. In no case can a subsidiary or affiliate of a company that would not qualify for reduced fees under this resolution be presented as an SME.

2.3 PP-18 instructed the Council to add any appropriate additional clarifications to support implementation of this resolution and to submit to the next Plenipotentiary Conference a progress report on implementation. PP-18 further instructed the Secretary-General and the Directors of the three Bureaux to take necessary and appropriate action to implement this Resolution and to continue encouraging the participation of SMEs in the relevant activities of the Union. Lastly, PP-18 invited ITU Member States to inform SMEs of this resolution and to support and encourage SMEs to join ITU and participate in its activities.

**3 Implementation of the New Resolution**

3.1 The new resolution on SMEs took immediate effect following its adoption at PP-18. However, in practical terms, changes are required to ITU’s administrative, IT and financial systems to support proper implementation of this new resolution. Furthermore, PP-18 left one key criteria up to Council to finalize, namely the maximum revenues that an SME Associate can have to be eligible for the reduced fees.

3.2 Taking the above-noted factors into account, a practical start date for implementation of the new category would be immediately following Council 2019. In the meantime, to avoid any disruption, the pilot project could continue, including existing SME participants, as well as new SMEs, which express an interest in participating, subject to the approval of their relevant Member State, and according to the criteria and conditions established in Res. 209 (Dubai, 2018). Likewise, the pilot project could potentially be extended to interested Study Groups in ITU-R, to reflect the scope of the new resolution on SMEs, which applies to all Sectors of the Union.

3.3 As reported to PP-18, there are currently some 20 SMEs participating in the pilot project launched by Council in 2017. Results have been positive, but many of these entities have only had the opportunity to participate in one or two meetings. To support a smooth transition, with a view to maximizing the number of SMEs that will choose to join ITU as an Associate as per the new resolution, with reduced fees, it would be prudent to establish a grace period for SMEs currently enrolled in the pilot project.

**4 Potential Maximum Annual Revenue Level for SMEs**

4.1 Regarding a potential maximum level of revenue, the Secretariat has identified several existing limits established by various organizations/countries in the **Table** below.

**Table: Review of Various Maximum Annual Revenue/Turnover and Employee Levels**

**To be defined as an SME**

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| **Source** | **Annual Revenues/Turnover**  **Local Currency** | **Annual Revenues/Turnover**  **Swiss Francs** | **Employees** | **Source details** | **Notes** |
| European Union | 50 M Euros | 57M CHF | 250 | [LINK](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en) |  |
| World Bank/IFC | 15M USD | 15M CHF | 300 | [LINK](https://www.ifc.org/wps/wcm/connect/de7d92804a29ffe9ae04af8969adcc27/InterpretationNote_SME_2012.pdf?MOD=AJPERES) |  |
| China | 300M Y | 43M CHF | 3,000 | [LINK](http://blogs.worldbank.org/psd/a-universal-definition-of-small-enterprise-a-procrustean-bed-for-smes) |  |
| USA | 25M $USD | 25M CHF | 500 | [LINK](https://www.usitc.gov/publications/332/pub4125.pdf) |  |
| Japan | N/A | N/A | 300 | [LINK](http://www.smrj.go.jp/english/about/target.html) | Uses capital, not revenues |
| Russian Federation | 1B Rubles | 15M CHF | 250 | [LINK](https://www.ifc.org/wps/wcm/connect/624b8f804a17abc5b4acfddd29332b51/msme-ci-note.pdf?mod=ajperes) |  |
| Korea (Rep) | 30M $ | 30M CHF | 300 | [LINK](https://www.ifc.org/wps/wcm/connect/624b8f804a17abc5b4acfddd29332b51/msme-ci-note.pdf?mod=ajperes) |  |
| Canada | 20 M $CAD | 15M CHF | 500 | [LINK](https://www.ic.gc.ca/eic/site/cis-sic.nsf/eng/h_00005.html#employment_size_category) |  |
| India | 10 Crore Rupees | 1.5M CHF |  | [LINK](http://www.arthapedia.in/index.php?title=Small_and_Medium_Scale_Enterprise_(SMEs)) |  |
| Nigeria | 500M Naira | 1.4M CHF | 150 | [LINK](https://www.researchgate.net/publication/265555548_SME_firms_performance_in_Nigeria_Competitive_advantage_and_its_impact) |  |
| Malaysia | 50M RM | 12M CHF | 200 | [LINK](http://www.smecorp.gov.my/index.php/en/policies/2015-12-21-09-09-49/sme-definition) |  |
| Pakistan | 800M RS | 6M CHF | 250 | [LINK](http://smebank.org/media-center/sme-sectors-brief/) |  |
| Kenya | 800M | 7.7M CHF | 100 | [LINK](https://www.howwemadeitinafrica.com/challenges-sme-growth-kenya/57022/) |  |
| Argentina | 88M Pesos | 2.5M CHF | 100 | [LINK](https://www.ifc.org/wps/wcm/connect/624b8f804a17abc5b4acfddd29332b51/msme-ci-note.pdf?mod=ajperes) |  |

# 5 Recommendations

Taking into account the above, it is recommended that:

5.1 The SME pilot established by Council 2017 continue until the new SME Associate category of participation is ready for implementation. Existing participants may continue and new participants may be admitted to participate in the pilot, free of charge, according to the criteria and conditions established by Council 2017, with the exception that the pilot be extended to participation in interested ITU-R Study Groups. New participants would be subject to the requirements established by Res. 209 (Dubai, 2018).

5.2 SMEs registered to participate in the pilot project before the end of Council 2019 be given until 31 January 2020 to join under the new reduced fee SME Associate category of participation, subject to the criteria and conditions outlined in Res. (Dubai, 2018).

5.3 Council adopt a maximum annual revenue level, as per Resolves 3 of the new resolution on SMEs.

5.4 Member States review their respective list of SME participants prior to each Plenipotentiary Conference to confirm if such entities continue to meet national SME criteria. The Secretariat shall do the same to ensure that all participating SMEs continue to meet the criteria and conditions of Res. 209 (Dubai, 2018). Entities which no longer meet the requirements of this resolution will be invited to join ITU under the standard conditions for Sector Membership or Associate participation.

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1. Report of the CWG-FHR Chairman to Council 17, item 48 (page 53); the TORs are found in Annex K pg. 93. [↑](#footnote-ref-1)