



UNITED NATIONS
DEPARTMENT OF ECONOMIC
AND SOCIAL AFFAIRS

**Summary Report of the
International Symposium on the Role of
Micro-Small and Medium Enterprises (MSMEs)
in Achieving the Sustainable Development Goals
(SDGs)**

7-8 June 2018

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I. Background

The Division for Sustainable Development Goals of the United Nations Department of Economic and Social Affairs (DSDG/UN-DESA) organized an international symposium on the role of Micro, Small and Medium Enterprises (MSMEs) in achieving the Sustainable Development Goals (SDGs) on 7-8 June 2018 at the United Nations Headquarters in New York. The aim of the symposium was to explore pathways and enabling factors to scale-up best practices and develop recommendations to foster the development of MSMEs to achieve the SDGs. The symposium was also intended to contribute to mainstreaming MSME growth for SDGs within national development plans and policies. The symposium was organized back-to-back with the Third International Science, Technology and Innovation (STI) Forum which took place on 5-6 June 2018. The website for the symposium is: <https://sustainabledevelopment.un.org/?page=view&nr=2813&type=13&menu=1634>.

The symposium aimed to identify, document and exchange global good practices to eliminate bottlenecks and maximize the potential of MSMEs for achieving the SDGs. The symposium formed part of a larger project ‘Unleashing Potential of Developing Countries in Supporting MSME Growth for SDGs’ funded by the Government of the People’s Republic of China.

The symposium was attended by high-level policymakers from 20 Member States as well as a number of United Nations agencies. Mr. Elliot Harris, Assistant Secretary-General of UN-DESA, addressed the opening ceremony, together with H.E. Martín García Moritán, the Ambassador and Permanent Representative of Argentina to the United Nations, and H.E. Teodoro Lopez Locsin, Jr., Ambassador and Permanent Representative of the Republic of the Philippines to the United Nations.

At the opening ceremony, senior officials unanimously recognized the global importance of MSME growth for achieving SDGs in providing opportunities for employment and income generation, as well as in reducing poverty and inequality. If well supported, MSMEs and MSME entrepreneurs could become the agents of change, driving the incubation and translation of innovations into replicable development solutions. They recognized challenges constraining MSME growth, including lack of coherent regulatory frameworks and harmonized business ecosystems and limited access to adequate financial resources.

II. Summaries of Sessions

The symposium was structured into four sessions: 1. Growth of MSMEs Internationally including Global Trends, Opportunities and Challenges; 2. Policy Environment for MSME Growth; 3. MSME Growth and Access to Finance; and 4. Innovation and Inclusive MSME Growth.

This section provides summaries of discussions from each session.

1. Session One: Growth of MSMEs internationally, global trends, opportunities and challenges

This session presented the perspectives of international organizations on global trends, opportunities and challenges for MSME growth for SDGs. Organizations such as the International Labour Organization (ILO), the United Nations Industrial Development Organization (UNIDO), the United Nations Global Compact, the European Commission, the Organisation for Economic Co-operation and Development (OECD) and the International Trade Centre (ITC) participated in the session. The session examined the impacts of MSMEs on a range of SDGs and highlighted good practices on MSME growth for SDGs.

The following is a summary of the main points from the session:

- The potential of MSMEs to achieve SDGs needs to be fully harnessed through the building of coherent and conducive policy environments and business ecosystems, as well as through expanded access of MSMEs to adequate financial and marketing resources.
- Physical and virtual infrastructure is key to expand access. Policy instruments are critical to foster broad access of MSMEs to energy and internet infrastructure, both of which are vital to improve competitiveness of MSMEs in the era of technological advancements and the digital economy. Access to the internet and ICT is particularly challenging for MSMEs in developing countries.
- MSMEs in developing and developed countries are faced with different challenges. Moreover, demands and challenges vary within the micro, small and medium enterprises cluster itself: demands and challenges faced by micro enterprises are different from those faced by small and medium enterprises. The growth of MSMEs for SDGs calls for demand-driven policy measures customized to the specific demands of MSMEs in different national and sectoral contexts. Policymakers need to be fully aware and informed by the diverse needs of MSMEs. Moreover, in view of their impacts on community development, MSMEs initiated by the poor and vulnerable, such as women and youth, may

need the support of different, adjusted policy commitments to promote inclusive and sustainable growth.

- Innovative policy instruments are being piloted by international organizations globally, including late payment mechanisms and MSME-preferred government procurement procedures. In addition to promoting growth, these instruments support institutional growth of MSMEs, improving their competitiveness in the global economy. MSME networks are playing important roles in facilitating business partnership among MSMEs at both national and regional levels. Trade agreements signed between the European Union and other countries also include preferential measures for supporting business growth of MSMEs.
- The complex challenges faced by MSMEs should not be underestimated. The trajectory of MSME growth are diverse across different geographic areas and sectors. Demand-based capacity building and technical assistance programmes are therefore essential to provide tailor-made support to MSMEs. Systematic demand mapping is important to understand demands and expectations from MSMEs, especially those of informal MSMEs. Nonetheless, lack of data, particularly for informal MSMEs in developing countries, often pose challenges for demand mapping.
- The link between MSMEs and the incubation and dissemination of innovations needs to be further strengthened. Technical innovations would substantially contribute to competitiveness of MSMEs, and the role of MSMEs as the incubator of innovations in the generation and dissemination of innovations should not be overlooked.

2. Session Two: Policy Environment for MSME Growth

This session explored how coherent policy environments can provide an enabling framework for inclusive and sustainable MSME growth. It addressed key policy issues, including the formalization of MSMEs, compliance with labour laws and regulations on exports and taxation. It also explored policy space and pathways to integrate MSMEs in regional and global value chains through trade facilitation and standardized certification mechanisms. Speakers at this session included senior policymakers and MSME business entrepreneurs from eight developing countries, including China, Brazil, Fiji, Laos, Nigeria, the Philippines, Sri-Lanka and South Africa, who shared policy solutions and good practices in supporting MSME growth for SDGs. The session consisted of two panel discussions.

The following is a summary of the main points from the session:

- There are several policy toolkits available to foster conducive policy environments for MSME development in the participating countries, including

legislation, strategies and action plans promulgated by national governments. Rooted in their respective national settings, the policy toolkits address some common themes that include providing policy support to MSMEs, including expanding access to finance, facilitating expanded market access, improving entrepreneurship and human capital development, as well as supporting research and development for innovations. Designated government departments were identified to coordinate efforts supporting MSME growth from the financial and policy perspectives.

- Business formalization was recognized as a universal constraint for MSME growth. On the one hand, lengthy registration processes, combined with the high costs of compliance, posed challenges. On the other, given the positive externalities for all, MSMEs entrepreneurs need to be further incentivized to actively formalize their businesses, the benefits of which should be accrued and enjoyed by MSMEs entrepreneurs themselves. The experience of Brazil in simplifying business registration, taxation and regulatory processes for MSMEs was noted.
- Innovative policy measures are needed to support high quality MSME growth in an inclusive and sustainable manner. The Government of China has launched policy programmes which have improved the infrastructure of quality inspection and accreditation for millions of MSMEs across the country. Through the provision of services free of charge, these programmes supported competitiveness of MSMEs, through improved compliance of MSMEs with international standards required to access global value chains.
- Demands and concerns raised by MSME entrepreneurs include: lack of incentives for MSME entrepreneurs to formalize their businesses; their keen interest to explore ICT-based innovations in branding and expanding market access, with cost constraints of access; and women as indispensable agents of change among MSME entrepreneurs, with several factors constraining their access to financial resources and markets.

3. Session Three: MSME Growth and Access to Finance

MSMEs are often perceived by commercial financing institutions as high-risk borrowers due to their limited collateral. This results in negative consequences such as higher transaction costs in terms of higher administrative fees and loan interest rates. National governments and international organizations have promoted innovative mechanisms to bridge the gap. This session examined good practices and lessons learnt in expanding access of MSMEs to additional financial resources and gave perspectives from the World Bank, the International Finance Corporation (IFC),

Women's World Banking, the United Nations Children's Fund (UNICEF), the ITC, the International Council for Small Business (ICSB) and the Reserve Bank of Fiji.

The following is a summary of the main points from the session:

- The global MSME financial gap is estimated to be at USD \$5 trillion. This gap is attributed to lack of formal accounting, limited availability of traditional collateral and lack of credit history among MSMEs. In addition, commercial banks are not fully equipped with specialized risk models customized to effectively appraise the situation of MSMEs. MSMEs are perceived as high-risk clients even when they can demonstrate good track records and low default rates.
- International organizations and national governments have piloted multiple approaches to expand the access of MSMEs to financial resources, including loan subsidies and credit guarantee mechanisms. Nonetheless, the performance of the mechanisms varies, especially in terms of justifying the additional mechanisms required in the lending process to allow access to those who would otherwise not receive loans.
- Additional innovative measures are being piloted such as credit bureaus, collateral registers and psychometric credit scoring, all of which would expand the basis of usable collateral for MSMEs to secure additional financial resources. The trend of impact investment needs to be fully tackled to support MSME growth. UNICEF has established a venture fund supporting innovative MSME growth.
- MSMEs need to be empowered on financial and strategic management skills to improve their credit-worthiness. In addition, tackling the constraints in access of MSMEs to financial resources requires engaging with the financial ecosystem, in which relevant stakeholders, including MSMEs, business advisory and financial service providers would need to coordinate and work together for solutions providing MSMEs with additional financial resources.

4. Session Four: Innovation and Inclusive MSME Growth

Science, technology and innovation have made immense contributions to MSME growth for SDGs. MSME entrepreneurs possess a wealth of knowledge on demands and innovative solutions for development, and MSMEs take an active role of incubating and disseminating innovations. This session explored how innovation and MSME growth would jointly promote inclusive MSME growth, which would benefit poor and vulnerable groups, such as women and youth.

The following is a summary of the main points from the session:

- Business associations play an important role in linking MSMEs with business ecosystems, supporting them to connect and secure support from government, research and private sector stakeholders. Their role is also important in helping MSMEs build governance structures and business development strategies, especially at the initial start-up phase. In addition, the role of business associations in trade facilitation is often the trigger linking MSMEs with regional and global value chains.
- MSMEs were identified as an important agent of change in achieving enhanced ecological efficiency. MSME growth driven by innovation would help improve productivity and reduce electronic waste generation globally. In addition, collaboration between MSMEs from developing and developed countries would contribute to regional economic growth, through the exchange of good practices on entrepreneurship development. International organizations, national governments and NGOs play an important role in the facilitation and forging of such collaboration.
- Contributions of innovations to MSME growth can be further enhanced through the leveraging of e-commerce and digital economy. These have brought tremendous opportunities for MSMEs to grow their businesses and even leapfrog over competitors. Challenges include universal access of MSMEs to ICT and the digital infrastructure, and inequalities among MSMEs in different countries and sectors.
- Efforts to foster the growth of MSMEs need to be gender responsive and socially responsible. There are trends indicating that socially responsible MSMEs enjoy the added value of more effective branding, and gain wider recognition among different customer segments. Nonetheless, with the rising global trend of self-employment and a large number of informal MSMEs, much more is needed to ensure compliance with social protection and safety standards. In addition, the gender gap found in MSME growth needs to be urgently addressed through policy measures customized to demands of women and other vulnerable groups.

III. Key Messages from the Symposium

Through broad discussion among participants, the following key messages were captured from the debate fostered in this symposium:

- MSMEs have great potential for broad and long-lasting positive impacts on achieving SDGs globally. Participants in the symposium recognized the vital role MSMEs play in driving sustainable livelihoods and creating a vibrant global economy.
- Promoting the growth of MSMEs in the informal and formal sectors will require harmonized policies to support MSMEs in adopting innovations, creating decent employment opportunities and gaining a stronger foothold in global value chains. Furthermore, it is critical to integrate MSMEs into the digital economy, which will require growth of open and safe business platforms that merge physical and virtual opportunities.
- Mechanisms to support the important contributions of MSMEs to the SDGs need to be mainstreamed into national development policies and plans. The voices and demands of MSME entrepreneurs need to be reflected in policymaking processes at all levels. MSME entrepreneurs need to be fully informed on ongoing policies and strategies targeted at incentivizing growth. Collaboration and trade agreements across countries are encouraged to expand the access of MSMEs to markets at the regional and global level.
- Access to finance remains a serious constraint for MSME growth. This requires the piloting and up-scaling of innovative financing solutions. Targeted capacity building and awareness campaigns should be undertaken to transform the mindsets and attitudes of commercial banks towards MSMEs.
- Countries need to create business ecosystems conducive to allowing MSMEs to access markets and financial resources. National governments need to take a leadership role in creating coherent and transparent regulatory environments. Public-private partnerships are also key, particularly in maximizing the role of trade facilitation to improve the capacity of MSMEs in the global value chain.
- Coherent efforts are needed to create incentives for MSME entrepreneurship, enabling their knowledge and skills to appreciate and adopt innovations, and to improve their access to knowledge and networks, such as business associations and chambers of commerce. The development community, including the United Nations system, needs to build platforms to bring together all stakeholders to foster the exchange of good practices on MSME growth for the SDGs.
- The capacities of MSME entrepreneurs need to be strengthened through demand-driven and tailor-made training programmes. The diverse demands across micro,

small and medium enterprises, and the differences between MSMEs from developed and developing countries, should be taken into account.

- There has been a clear shift in the global outlook for entrepreneurs, start-ups and MSMEs worldwide. They are now emerging as a central topic in sustainable development strategies for many governments around the world. Divergent initiatives, programmes, messages, and policies further fragment the potential for a global movement led by MSMEs to achieve the SDGs.

IV. Messages captured during country consultation

This symposium also represents the official kick-off of the project “Enhancing national capacities for unleashing full potential of MSMEs in achieving SDGs in developing countries”. A country consultation was held as the final segment of the symposium, where participants from nine project pilot countries (Brazil, Cambodia, Fiji, Kenya, Laos, Peru, the Philippines, Sri-Lanka and Tanzania) and other developing countries participating in the symposium broadly exchanged ideas on the gaps and demands of MSMEs to leverage their contributions to the achievement of the SDGs.

Overall, the participants covered needs under the following broad headings: (a) national legislative and policy frameworks and institutions for fostering MSMEs; (b) data and information about the MSME sectors, including priority needs; (c) access to financing, as well as issues such as marketing/branding know-how; and (d) education, including promoting entrepreneurship.

In greater detail, the following messages were captured at this session:

- Assistance is needed to support MSMEs in capturing niche markets with high added value. Identification of market opportunities should recognize different country contexts, as well as various business development conditions (e.g. assets, technical and human resources) of MSMEs in different countries. This includes branding and marketing know-how. There are established methodologies, based on multi-stakeholder input, that can be used to identify market opportunities.
- Support is needed to reform educational and vocational training systems, improve the role of entrepreneurship skills in school curricula and enhance the role of Technical and Vocational Education and Training (TVET) in education systems of project pilot countries.
- In view of the varied demands from MSMEs, some common themes could be identified, which include support for expanding access to marketing and financial resources, and technical assistance programmes sharing innovative taxation mechanisms preferential for MSME growth.
- The role of business associations as trade facilitators and coordinators of business ecosystems for MSME growth could be improved through capacity building/training programmes. Retention of knowledge and skills at the local level is very important.
- Data gaps remain a challenge for launching demand-driven support for MSMEs. It is important to conduct demand mapping, collecting specific data and information on business growth demands of MSMEs as they relate to achieving

the SDGs. The ITC offered the use of its survey and sampling methodology as an input to the project free of charge, with only hardware costs not covered by them.

- In addition to constraints in access to finance and markets, MSME entrepreneurship remains a challenge for MSME growth for SDGs. Capacity building programmes on improving entrepreneurship was also supported, especially for women and young entrepreneurs.
- Despite challenges for MSME growth for SDGs, different countries have rich experiences and good practices to showcase. International organizations, including the United Nations system, should take the lead in fostering knowledge exchange on fostering MSME growth across countries.
- There is a need to ensure that legislative frameworks are up-to-date and accessible, with as few complications as possible for MSME compliance. There is also a need to ensure that national action plans are updated to reflect MSME policies in the countries. Policy reviews are needed to examine implementation efficiency and support awareness among MSME entrepreneurs on policies conducive to MSME growth.

V. Recommendations for follow-up activities

In view of messages taken from the symposium, the following activities were suggested to address some of the demands expressed by participants from the Member States.

a. Establish a project advisory group

The advisory group should be responsible for providing technical guidance and review overall quality of project deliverables. It could consist of representatives from UN-DESA/DSDG as the chair, other UN-DESA divisions and UN agencies with mandates relevant to inclusive and sustainable MSME growth, such as UNIDO, the United Nations Conference on Trade and Development (UNCTAD), ITC and the International Fund for Agricultural Development (IFAD). International NGOs active in the area of MSME growth for SDGs, such as ICSB, could also be included in the advisory group. MSME entrepreneurs could actively participate in the group and provide views and ideas on project implementation from their unique perspectives. The project advisory group would regularly exchange information on the trends and issues of MSME growth for SDGs in project pilot countries with the project steering committee.

b. Identify project national counterparts and organize national launching workshops

Capitalizing on the broad participation from project pilot countries to the symposium, the symposium organizing team identified a list of key focal points for MSME growth in each participating country. Key national counterparts could include: Ministries of Industry, as well as government departments concerned with MSME growth for SDGs, such as the Ministry of Youth Affairs. In view of their role in trade facilitation and coordinating stakeholder partnerships for MSME growth in countries, the MSME business associations would also be important partners to work with in countries. SEBRAE of Brazil is a good case in point.

The symposium managed to gather policymakers on MSME growth for SDGs from developing countries. To effectively engage the commitment of policymakers, it is suggested to organize national kick-off workshops in targeted countries. At the local level, it could be useful to engage the participation of UN Residential Coordinators, as well as representatives of UN agencies involved in the project advisory group. This would enhance harmonization with ongoing MSME-related projects led by other UN agencies in the project pilot countries.

c. Carry out national MSMEs demand mapping

In view of the highly diversified demands of MSMEs in different countries and sectors, it is suggested to organize national MSMEs demand mapping, which would steer implementation of subsequent project activities on a demand-driven approach. Considering their high potential in poverty reduction and employment creation, it is recommended to select MSMEs in the agriculture and tourism sectors in any mapping exercise.

d. Organize capacity building programmes for MSME entrepreneurs

Demand-driven capacity building programmes could be organized when demands of targeted MSMEs in different countries are better understood. Ongoing capacity building programmes could be jointly carried out with UN agencies, such as ILO and ITC, to improve harmonization.

Finally, UN-DESA/DSDG should also respond to requests from non-project pilot countries, such as Nigeria, Madagascar and Djibouti, to join the project.