



## INFORMAL WORKING GROUP ON MSMEs

### OPEN-ENDED MEETING OF 26 APRIL 2023

#### *Summary of discussions*

The following communication, dated 11 May 2023, is being circulated at the request of the Coordinator of the Informal Working Group on MSMEs.

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The MSME Informal Group (MSME Group) met for its second open-ended meeting of the year on 26 April 2023. A total of 45 delegations<sup>1</sup> attended the hybrid meeting, including seven non-working Group members (Angola; Bolivia, Plurinational State of; Cambodia; India; Rwanda; South Africa and Thailand).

#### 1 SUMMARY OF DISCUSSIONS

1.1. Barbados' Ambassador, Matthew Wilson, was formally appointed as the new MSME Group Coordinator following the call for volunteers during the first meeting of 2023. The outgoing Coordinator, Ambassador José Luis Cancela (Uruguay), provided a summary document, INF/MSME/R/37, detailing key outputs and decisions by the MSME Group during his tenure from 2018.

1.2. The Group's meeting opened with an experience sharing session organized by Singapore on MSMEs and digitalization policy. The focus was on understanding Digital Economy Agreements (DEA), digital trade facilitation, and UNCITRAL's work. Singapore highlighted the importance of different tools from e-invoicing to paperless trade, all of which can reduce costs and time. Singapore also underscored the continued relevance of UNCITRAL's 1996 Model Law on Electronic Commerce (MLEC) and 2017 Model Law on Electronic Transferable Records (MLETR) to advance trade digitalization. In comments to the presentation, the United Kingdom provided a short statement on their own experience incorporating the MLETR and referenced their communication WT/GC/W/870 to the Work Programme on Electronic Commerce titled *Trade Digitalisation: Making Legislative and Regulatory Frameworks Inclusive, Transparent, and Efficient*. Barbados, El Salvador, the European Union, Japan, Paraguay and the Russian Federation noted the importance of digital trade facilitation for MSMEs and encouraged Group members to continue sharing experience and to explore how practices, legislation and standards could be harmonized.

1.3. The MSME Group also received three presentations from external participants on the current G20 presidency's agenda to support MSMEs, WIPO's 2022 report on intangible asset finance, and the ITC's Standards Map and its Trade for Sustainable Development (T4SD) Programme. For the first presentation, the ITC, as one of the knowledge partners helping to move the G20's MSME objectives forward, followed up on their presentation to the MSME Group from 13 March to detail

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<sup>1</sup> *Angola; Austria; Barbados; Bolivia, Plurinational State of; Brazil; Cambodia; Chile; China; Colombia; Czech Republic; Dominican Republic; El Salvador; European Union; Finland; France; Germany; Hong Kong, China; India; Japan; Kazakhstan; Kenya; Korea, Republic of; Lao People's Democratic Republic; Macao, China; Malaysia; Netherlands; Paraguay; Peru; Philippines; Poland; Romania; Russian Federation; Rwanda; Singapore; South Africa; Spain; Sweden; Switzerland; Chinese Taipei; Thailand; Türkiye; United Kingdom; United States of America; Uruguay and Viet Nam (non-MSME Group members are in italics).*

the 3-fold agenda of the G20 to 1) link MSMEs to international markets through digital platforms; 2) improve MSME credit-worthiness and access to finance; and 3) provide access to information through platforms, such as Trade4MSMEs, an initiative of the MSME Group. They noted that the Indian G20 Presidency was exploring the feasibility of a targeted AI query-based system together with Microsoft-India that would tap into existing platforms such as Trade4MSMEs and the Global Trade Helpdesk to provide easy-to-access, tailor-made information to users. If the new system proved to add value to existing platforms, India through its role as G20 Chair would be willing to provide access to the technology. Barbados, the European Union, the United Kingdom and the United States welcomed G20 work on these issues.

1.4. WIPO presented the key findings of its report "*Intangible Asset Finance: Moving Intangible Asset Finance from the Margins to the Mainstream*" which centers around the untapped potential of IP as a tool to unlock access to finance for smaller businesses and the challenges in using this type of finance, including valuing intangibles, lack of understanding of this type of collateral by lenders, and limited support by regulators, to name a few. Barbados, El Salvador, the European Union, the Republic of Korea, Switzerland, the United Kingdom and the United States took the floor to support WIPO's work and stressed the importance of raising awareness on this important issue for MSMEs.

1.5. Lastly, the ITC presented its work to map voluntary sustainability standards from around the world and to publicize their specifications in an accessible and comparable format to support small producers. They suggested possible areas of collaboration with the MSME Group, in particular in terms of training, awareness raising, and benchmarking of existing standards. Noting the significant challenges that MSMEs faced to meet sustainability standards, Barbados, China and Japan welcomed ITC's work to help drive consistency.

1.6. Under other business, the United States brought the presentation "*Who Notices Notifications,*" which was held on the margins of the Council on Trade in Goods, to the attention of the MSME Group. It was noted that during the event, panelists highlighted the challenge of staying up to date with all of the WTO's notifications, especially for resource constrained MSMEs. It was suggested that enquiry points and external institutions, such as trade associations and universities, could help to bridge this gap. Other suggestions were that translating WTO notifications into more languages and involving the private sector before notifications are finalized could be useful.

1.7. Following the MSME Group's meeting, more than 50 people participated in the annual meeting with the private sector. Participants stressed the importance of unifying regulation and standards to reduce compliance costs for MSMEs and the need for more training to raise awareness and build capacity. Cooperation with the ICC and the ITC was welcomed and further encouraged. It was noted that consideration should be given to developing compendiums of good practices on issues such as trade facilitation – an approach that the Group also discussed at their first meeting in 2023.

## **2 NEXT STEPS**

2.1. The next open-ended meeting of the MSME Group is planned for the morning of 28 June, to be followed by the annual meeting with the Trade4MSMEs Network of international organizations and development banks. Several hybrid events will also be organized on 27 June for MSME Day, including the launch of the revamped Trade4MSMEs website; a panel discussion on smallholder farmers and international trade; and the award ceremony of the 2023 edition of the Small Business Champion whose theme is "Helping smallholder farmers go international".

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## ANNEX

### PRESENTATION SUMMARIES

#### **1 EXPERIENCE SHARING FROM SINGAPORE ON DIGITAL TRADE FACILITATION THROUGH THE LENS OF DIGITAL ECONOMY AGREEMENTS (DEAS)**

1.1. Singapore provided a presentation to the MSME Group on its work to facilitate seamless end-to-end digital trade through electronic customs forms, including e-certifications, e-bills of lading, and e-invoicing; establishing common disciplines around electronic payments to provide secure and internationally operable systems; and agreeing to refrain from applying customs duties on electronic transmissions. Digitally enabled trade can have a number of benefits for MSMEs, including reduced business costs, increased efficiency, and more consumer trust. The foundational support for Singapore's digital trade is based on international frameworks such as the UNCITRAL Model Law on Electronic Commerce of 1996 (MLEC), the UNCITRAL Model Law on Electronic Transferable Records (MLETR), the Networked Trade Platform (NTP), and a national e-invoicing framework called InvoiceNow. The MLEC and MLETR in particular have been important for Singapore to build its own policies, such as Singapore's Electronic Transactions Act which was closely based on the MLEC. Singapore also briefly described their Digital Economy Agreements (DEAs) with various partners. DEAs focus on new forms of products and services that are being traded internationally and build on e-commerce chapters of existing FTAs. Singapore underscored the need for a flexible and modular approach depending on a partner's digital capacity and trade needs.

#### **2 WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO)**

2.1. WIPO presented the findings of its 2022 study [Intangible Asset Finance: Moving Intangible Asset Finance from the Margins to the Mainstream](#) to the MSME Group. It has been found repeatedly that smaller businesses struggle to access capital, especially in developing economies, often because they lack tangible assets and traditional collateral. However, other types of assets, including intellectual property, might qualify and be especially useful for tech industries and services businesses to access finance. In fact, this type of intangible asset finance is already being offered by some institutions around the world, such as the Bank of Canadian Entrepreneurs (BDC), the Korean Intellectual Property Office (KIPO), and other private and public credit services. There are a few main ways that intellectual property (IP) can be used to secure capital. For example, IP that generates predictable revenue like licensed music or films can be securitized and sold to investors; IP with a clear value outside the company like a well-known brand or patent portfolio can be used as collateral; and IP that is needed for business activities like catalogues of licensed music or films or royalty-generating software licences can provide liquidity via sale and leaseback schemes or enhanced cashflow loans. In spite of these opportunities, there is still limited uptake of intangible asset financing by businesses as well as limited offerings. To unlock IP-backed finance, WIPO is working to raise the profile of intangible asset finance, reveal the current state of affairs, and equip participations with relevant knowledge to make intangible asset finance more prevalent and available, especially for MSMEs.

#### **3 INTERNATIONAL TRADE CENTRE (ITC) – TRADE FOR SUSTAINABLE DEVELOPMENT (T4SD) PROGRAMME**

3.1. The ITC's T4SD programme works to improve the international competitiveness of MSMEs by helping them understand and access the growing number of international sustainability standards around the world. An important tool within this work is the ITC's Standards Map, which is a free tool that provides information on more than 320 standards from around the world, including their specifications. Started in 2011 with 30 standards, the Standards Map has grown substantially and now includes the ability to find standards by product and sector as well as the ability to compare standards side-by-side. The standards that are included are based on four main pillars, namely environment, social, management & ethics, and quality. The ITC has also been working to benchmark sustainability standards in collaboration with private and public sector entities in order to review the methodologies and scope that the various standards require and assess their equivalency. Moving forward, the ITC continues to work to provide training on the Standards Map

Tool for MSMEs and to raise awareness of this initiative among policymakers involved in sustainability-related standards.

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