



INFORMAL WORKING GROUP ON MSMEs

SECOND ANNUAL TRADE4MSMEs NETWORK MEETING

Communication from the Coordinator

The following communication, dated 31 July 2023, is being circulated at the request of the Coordinator of the Informal Working Group on MSMEs, Ambassador Matthew Wilson (Barbados), to inform the MSME Group of the discussion during the second annual Trade4MSMEs Network Meeting held on 28 June 2023.

1.1. The second annual meeting of the Trade4MSMEs Network was held on 28 June 2023. This followed from the proposal by the Micro, Small and Medium-Sized Enterprise (MSME) Group Coordinator in early 2022 to organize a regular discussion among international institutions that work to support MSME economic participation, with the objective of keeping the Trade4MSMEs website up to date and of fostering cooperation among the participating organizations. Before the meeting, invitees were asked to provide updates of their MSME-related work in advance of the meeting so that it could be included as a reference in the summary document. Submissions are available in the Annex to this document.

1.2. Nine international organizations joined the WTO MSME Group Coordinator and Secretariat for a virtual discussion, including the Asian Development Bank (ADB); the Enhanced Integrated Framework (EIF); the International Labour Organization (ILO); the International Trade Centre (ITC); the International Telecommunication Union (ITU); the UN Economic Commission for Latin America and the Caribbean (UNECLAC); the UN Conference on Trade and Development (UNCTAD); the UN Economic and Social Commission for Western Asia (UNESCA); and the UN Industrial Development Organization (UNIDO). The discussion was centred around two questions: first, "what are the top 3-5 issues that MSME constituents in your network have flagged over the past year?"; and second, "what are (up to three) solutions your organization has been working on, or considering, to address these challenges?".

1.3. In relation to the first question, interventions were made by ADB, UNECLAC, UNCTAD, ITC and EIF. One of the primary issues that was raised was access to finance, including trade finance and supply chain finance, especially for women-owned businesses. Linked with access to finance, particularly with regards to supply chain finance, was the need for these MSMEs to demonstrate environmental, social and governance (ESG) compliance, a challenge that has been growing. More than one agency noted how difficult it is for MSMEs to comply with sustainability requirements, including in the agricultural sector. EU regulations related to forest products was also highlighted as especially challenging. It was noted that for regulations in general, even when MSMEs are able to comply, they face an additional burden to prove their compliance and there is a need to increase transparency of which businesses are certified. Tied in with this discussion was MSME formalization and the issue of informality. Since paperwork and compliance demonstration can be complex and expensive whether it is for registering a business or validating business practices, some MSMEs choose to remain informal or outside of potentially beneficial programs given their cost-benefit analysis.

1.4. Other issues that were raised included cross-border e-commerce and identifying the best platforms for MSMEs. In relation to digital trade there is a need to strengthen the link between markets and analysis for MSMEs so that they can target their best online sales options. Rising trade costs, access to information, cyber readiness and challenges accessing MSME-related provisions in regional trade agreements (RTAs) were also discussed.

1.5. For the second question, ADB, ITU, ITC, UNECLAC, UNCTAD and EIF discussed various activities that have been undertaken in the past one to two years to support MSME trade inclusion. Digitalization, digital trade and e-commerce received particular attention. ADB funded the establishment of the Digital Standards Initiative (DSI) co-founded with the International Chamber of Commerce and the Government of Singapore to digitize the 30-40 most commonly used trade documents and promote the recognition of e-documents. UNCTAD has worked to set up an enabling environment to help MSMEs access e-commerce and, through this, access international markets. UNECLAC has also developed a Caribbean and Latin America marketplace explorer for MSMEs together with ITC to locate the best platform for their sales. Maintaining databases like this can help policymakers regulate e-commerce better. The Global Trade Helpdesk (GTH) has also issued a new e-commerce section for MSME users to help them navigate the costs and opportunities for selling via platforms. The ITU's [Handbook on mainstreaming gender in digital policies](#), was also referenced with its focus on women and digital trade. Finally, EIF noted that a large portion of their support to nearly 19,000 MSME recipients (2,500 in the last year alone) goes towards digital trade.

1.6. One step further from digitalization and digital trade, generative AI was discussed including its implications for MSME trade. UNECLAC noted that it is now working on a course for the fall focusing on digital technologies for internationalization of MSMEs. UNECLAC is also looking at a scoping exercise of generative AI tools available for MSMEs either free of charge or at a low cost in order to provide them with a learning resource. This is an area of interest for ITU and, separately, the Global Trade Helpdesk is looking to develop a new chatbot to help with site navigation and MSME access to information.

1.7. Access to finance, be it by providing governments with a way of viewing funding processes with a gender lens or through dedicated financing programmes, including climate-related finance, is another area of attention and it received a lot of discussion. ITC, for example, is very focused on this issue through SheTrades. ADB also has a number of active programs on climate and ESG reporting (see the Annex for more information), and EIF has worked with Gambian businesses to follow-up on climate finance. However, it was noted by Ambassador Wilson that access to finance can be a broader issue than just having money available and requires sensitization by providers for the specific situations of the targeted clients to make it known and accessible.

1.8. Institutional infrastructure, as well as capacity building for MSMEs on entrepreneurship issues, was another area of action. With this in mind, UNCTAD set up Empretec, a programme to promote the creation of sustainable, innovative, and internationally competitive SMEs. Empretec is not just for trade, but also logistics, with 40 centers in developing economies where they train MSMEs on entrepreneurial skills.

1.9. Regarding standards, UNECLAC is currently working to help with compliance and is using satellite imagery to help small Latin American coffee and cacao producers demonstrate that their farming is not damaging the forests. This last point links to work undertaken by EIF on support services for businesses to access international markets, such as in Rwanda. EIF has also worked to link postal services to customs solutions in certain economies, which is another area of institutional infrastructure that can make a big difference for MSMEs.

1.10. Finally, the gender dimension was noted as a particular area of emphasis for a lot of the organizations. Many of the mentioned programs and objectives were developed to support women-owned MSMEs.

1.11. Overall, Ambassador Wilson remarked that it is really powerful when agencies collaborate as they are doing through the Trade4MSMEs Network. It is hard for MSMEs to know what is coming and how to comply, which is where international organizations can play an important role to bridge the divide, by being aware of each other's work and promoting it accordingly. Finally, Ambassador Wilson also drew participants' attention to the joint WTO MSME Working Group, Trade and Gender and

TESSD solutions lab on Women-led MSEMs, Trade and Climate Change – Adapting and Investing for the Future, to be held on 25 September 2023.

ANNEX

1.1. The **Asian Development Bank** is active across several of the issues raised through our Trade and Supply Chain Finance Program. 1) The ADB Trade Finance Gaps Survey is underway now for 2023 with results expected in September. 2) ADB is also advancing climate and ESG visibility and traceability using QR Code and Barcode technology with GS1 and with the International Financial Reporting Standards (IFRS) Foundation on standards. This will have a direct impact in helping emerging market SMEs maintain access to export markets. 3) ADB is exploring the development of an SME Toolkit for navigating ESG and sustainability standards and discussions are currently underway with ITC and others. 4) Advancing Deep Tier Supply Chain Finance to drive liquidity to MSMEs is also an area of work. 5) And lastly ADB has multiple technical assistance and capacity building programs, including training for entrepreneurs and women-led businesses.

1.2. The **United Nations Economic Commission for Latin America and the Caribbean (UNECLAC)** continues to support internationalization of MSMEs in the region in 2023, emphasizing digital transformation and cross-border e-commerce. This is accomplished through two projects: CORPYME, which is supported by the Republic of Korea's government (www.cepal.org/en/projects/corpyme), and the Forum for East Asia-Latin America Cooperation (FEALAC), which is co-implemented with UNESCAP. CORPYME examines this year, through documents, webinars, and virtual courses: a) operational aspects of successful public and private support programs for digital transformation and internationalization of small businesses (via cross-border e-commerce); and b) the use of digital technologies 4.0 (within support programs) for the same purpose. The FEALAC project, for its part, focuses on; a) improving knowledge of the e-commerce landscape through the Latin America and Caribbean Marketplace Explorer (LACME) with visitor data and characteristics of nearly 3,000 marketplaces (www.cepal.org/en/notes/latin-america-and-caribbean-marketplace-explorer-lacme) elaborated jointly with ITC; b) digital trade regulation in 28 LAC countries (<https://dtri.uneca.org/eclac/home>), and c) support programs for small businesses to participate in e-commerce. Several of these activities have focused on gender gaps and are carried out in collaboration with the regional network REDIBERO of trade promotion organizations. UNECLAC also supports the governments of Brazil, Chile and Uruguay to monitor outcomes of the MSMEs chapter of their bilateral FTAs.

1.3. The **WTO MSME Informal Working Group** selected a new Coordinator in April 2023, Barbados Ambassador Matthew Wilson, following five years with Uruguay Ambassador José Luis Cancela. Shortly before Ambassador Cancela's departure, the MSME Group adopted a new work programme based on five pillars, namely promoting MSME access to information, building MSME trade capacity, providing policy guidance, implementing the December 2020 package, and strengthening engagement with the private sector. For the first pillar, the Group released a revamped version of the Trade4MSMEs.org website on MSME Day 2023, including new country pages, improved search functionality, and updated visuals. The MSME Group also released The Trade Game, a choose your own adventure online game to educate players on the export process available both on Trade4MSMEs.org and game.trade4msmes.org. To build MSME trade capacity and promote inclusion, the MSME Group has also agreed to develop compendiums of good practices on Authorized Economic Operators (AEO) programs as well as women's access to finance and has decided to consolidate the Trade4MSMEs guides into two handbooks, one for MSMEs and the other for policymakers.

1.4. The **United Nations Industrial Development Organization (UNIDO)** has long been integrally involved in the strengthening of value chains and building capacity of MSMEs to benefit from international trade. UNIDO offers hands-on support to its member States in creating policy measures to facilitate entrepreneurship development, technology transfer, and value chain integration. Its technical assistance projects are designed to address the specific needs of MSMEs, taking into account their limited resources and unique challenges. The benefits of a holistic approach to interventions are demonstrated in the Swiss-funded "Global Quality and Standards Programme (GQSP)", which assists 12 countries (Albania, Colombia, Costa Rica, Georgia, Ghana, Indonesia, Kyrgyzstan, Peru, the Philippines, South Africa, Ukraine and Viet Nam) in boosting their competitiveness in 16 value chains. UNIDO continues to implement several projects within the EU-funded "West Africa Competitiveness Programme (WACP)", enhancing the business environment in seven countries (Cabo Verde, the Gambia, Ghana, Guinea, Guinea-Bissau, Senegal and Sierra Leone) and supporting ECOWAS regional quality system and attendant policies along several value chains. Furthermore, in the African, Caribbean and Pacific (ACP) regions, UNIDO has been entrusted to implement a programme titled "ACP Business-Friendly: Supporting value chains through inclusive

policies, investment promotion and alliances", which is funded by the EU and the Organisation of African, Caribbean and Pacific States, and is working towards enhancing the regional quality and regulatory infrastructure governance, strengthening the availability of value chain specific quality infrastructure services for MSMEs and improving quality culture and practices.
