

ABAC Letter to APEC SME Ministers

Dear Minister,

The APEC Business Advisory Council members are pleased to share with you our recommendations to support the growth of micro-, small and medium-sized enterprises (MSMEs) and for the promotion of entrepreneurship.

MSMEs play an important role as a key driver for growth and innovation across the region to realize the APEC Putrajaya Vision 2040. However, MSMEs continue to struggle with the adverse economic impacts of COVID-19, geopolitical events, trade tensions, and supply chain shortages which have heightened market uncertainty and complexity. Therefore, ABAC recognizes that it is critical for APEC to rethink of how to support MSMEs better as they cope with the everchanging market landscape.

Rethinking MSME Programs and Initiatives

Bearing in mind the post pandemic conditions and the changing market landscape, economies will need to update existing MSME support programs to ensure MSMEs are resilient, able to thrive, grow and not left behind in the new MSME economy. Unless new approaches are taken, MSMEs will not receive the benefits. As reported by The New MSME Economy Report (2022), a joint effort between ABAC and USC Marshall School of Business, challenges faced by the MSMEs include multiple uncoordinated, competing, MSME training programs merely adapt and attempt to apply big firm business solutions and approaches to MSMEs and limited understanding of MSME challenges.

To address such issues, ABAC recommends to:

- Establishing single-window, single portal, single entry points for MSMEs is critical to reduce the uncoordinated programs
- Permanent systematic life-cycle approach such as an academy centre for MSME programs to deliver the proper training and support to MSMEs in a way that is easily accessible to them
- Understanding unique challenges by MSMEs will help design better targeted MSME programs that are sector/industry while being group-focused as one-size-fits-all programs don't work. Underserved and underrepresented groups of MSMEs face different challenges and have different needs

Digitalization

There are full opportunities of digitalization particularly in the informal economy segment of MSMEs. The data trail that is created from technologies like online platforms generates cascading opportunities for MSMEs and other stakeholders in the market. However, many MSMEs lack the means, knowledge, and skilled human capital to successfully leverage digital solutions. Economies need to ensure MSMEs do not fall behind as we are embracing the digital first culture. MSMEs

are found struggling with future readiness, therefore economies should ensure MSMEs are well-supported in terms systemic approach of training. Furthermore, economies that do not continue to invest in their ICT or broadband coverage will see their MSMEs fail to keep up with customer expectations, and the economies will fall behind.

To address such issues, ABAC recommends:

- In order for MSMEs to achieve sustainability in the new digital economy, they need infrastructure and affordable high-speed internet access.
- Enforcing data protection regulations and developing digital security legislations create the right environment for MSME transformation.
- Encourage the MSMEs to utilize the Cyber Security Self-Assessment toolkit for MSMEs toolkit or work with cyber security vendors for a better understanding of MSMEs' exposure to cyber risk.

Supply Chain Resiliency

In 2022, APEC committed to promote resilience and efficiency across all sectors, emphasized digitization as an enabler of supply chains and highlighted the importance of balancing growth and environmental protection. To align with APEC's efforts in supporting MSME sector's resilience and recovery, ABAC is developing a toolkit for supply chain resiliency to MSMEs.

ABAC recommends APEC to:

- Keep trade flowing, including for essential services personnel.
- Establish a regional cooperation mechanism for future readiness.
- Accelerate digitalization to keep up with cross-border e-commerce.
- Strengthen regional infrastructure and transportation linkages.
- Support MSMEs in building resilience

Inclusion

It is vital to advance the inclusion of underserved and underrepresented groups including Indigenous, Women and Youth-led MSMEs through renewed focus on digitalization, services, and formalisation, and accelerate capacity implementation further to drive inclusion for the underserved and underrepresented MSMEs. For the underrepresented groups to feel the benefits from trade, their access to economic opportunities need to be advanced and their needs to be considered in trade negotiations. Ensuring inclusivity in trade has cascading effect on economic inclusion and improve general prosperity. APEC needs to ensure conducive/enabling environment for the economic inclusion of the underserved and underrepresented groups with untapped economic potential.

The push towards Industry 4.0 and the Digital Economy in APEC has increased the participation of women in STEM education and careers fundamental for the future economy. However, the lack of adequate data on women across STEM fields has limited the ability of policy makers and business to monitor developments, identify gaps and address barriers to the advancement of women in STEM.

To empower women, they must be actively engaged in the economy, and in that process the whole economy and community benefit and are strengthened. APEC recognised the importance of this when it established the APEC Women in the Economy Dashboard. As technology increasingly

drives every aspect of the economy, ensuring that women are strongly represented in STEM roles is critical for regional prosperity and growth, and of fundamental importance for business to thrive. This year ABAC has undertaken a study to identify gaps in women's participation in STEM education and employment, and what barriers exist to that participation. We have collaborated with private sector networks to access data which builds on information available from the public sector, together providing a more detailed picture of obstacles for women's engagement in technology-based industries. This work complements the work of the APEC Women in STEM Metrics Project, which identifies key indicators and determines definitions, but goes beyond that work in making significant policy recommendations.

ABAC recommends:

- Better gender-disaggregated data collection for policy responses that address barriers to women's equitable representation in economic functions, including in STEM
- Advancing women's participation in STEM education and careers across APEC and identify barriers to women's equitable representation
- Understanding the challenges faced by the underserved and underrepresented MSMEs
- Supporting MSMEs to be resilient in the digital economy considering the post-pandemic conditions through systemic approach of training will help them in a long run. Capacity building for the MSMEs with a special focus on the needs of certain groups, will be critical.
- To encourage policymakers to collect disaggregated data on Indigenous, Women and Youth-led MSMEs' participation in trade, including digital trade
- being enabled to leverage unique cultural qualities and intellectual property
- To advocate for trade provisions, including FTAAP, that reflect Indigenous business needs and interests
- To tailor capacity building that will narrow down the skill gaps and equip MSMEs with necessary skillsets through best practices, systemic approach of trainings to adopt use of e-commerce, cybersecurity, sales development, accounting and finance management, and marketing communications, management practices, business R&D, firm linkages, and market access and feasibility.

Skills Mapping

Skills mapping plays a vital role in recognizing the potential of underserved and under-represented MSMEs groups, promoting their inclusion, and providing opportunities for personal growth, economic empowerment, and societal development across the APEC world. Additionally, skills mapping can contribute to creating a more diverse and inclusive workforce in APEC by identifying the skills and talents of indigenous women and under-represented groups, employers and organizations by recognizing the value and unique perspectives these individuals bring. Embracing diversity can foster innovation, creativity, and social cohesion within the workplace and broader society.

ABAC recommends:

- The Digital Skills Passport with an integrated learning solution provides users with the opportunity to identify, manage, and keep a track of their skills and professional experiences. Users can plan, navigate, and access learning and career development opportunities using personalized learning recommendations at a time that best suits them.

- For indigenous women and other underrepresented groups, a digital skills passport can help them become recognised for the skills they have plus allow them to develop the skills and knowledge needed to secure employment.
- Engaging in meaningful activities such as skills development can provide a sense of purpose and help indigenous women (amongst others) to maintain their mental health and wellbeing during what has been (and continues to be) a challenging and uncertain time.

MSMEs' participation in Sustainable Development

While there is much to do to drive MSMEs towards the full opportunities of digitalization, particularly within the informal economy segment of MSME, the inevitable uptake of digitalisation will result in shifts in cross-border trade and the movement of goods and services. The MSME sector represents more than 95% of all businesses in all APEC economies serving hundreds of millions of consumers daily, yet they are largely invisible in the ESG agenda. They have generally low awareness of, and no formal obligation to adopt and practice, ESG policies and principles. Collectively their consumption footprint is vast and often as suppliers to large corporates, MSMEs contribute to indirect trade relations but where those inputs to global commerce and trade are not adequately understood or reported from an ESG perspective.

Without an ESG framework in place, there will be limited means by which the flow of information, finance, workforces and logistics will support environmentally and/or socially sound and sustainable trade and commerce practices and there will be no consolidated means by which to measure such practices, nor responsibly govern them through policy, incentives and through the imposition of restrictions/ penalties on unsound practices.

ABAC recommends:

- Development of an MSME ESG Inclusion Framework with APEC economies that is pragmatic, achievable, and accessible to MSMEs and will drive MSME inclusion in ESG practices. *The development and dissemination of the MSME ESG framework to MSMEs will be an important step forward for APEC to achieve a consistent view of MSME ESG engagement and activity across its member economies. However, the bigger advantage is that by virtue of its implementation it signals to MSMEs the growing importance of ESG practices across this segment and the need for MSMEs to turn their attention to ESG requirements.*
- To work together with ABAC and other stakeholders to understand the barriers to and requirements for a consistent MSME ESG framework and to support its development and implementation.

ABAC stands ready to work collectively with public and private sectors, specifically, the APEC, and other regional and international organizations, and key stakeholders, including civil society to facilitate the integration of MSMEs' in global value chains for their growth and prosperity.