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GLOBAL DEVELOPMENT THROUGH SUPPORT TO MSMES

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"...what gives power to small businesses as a whole is precisely what weakens them individually."

The notion that micro, small, and medium enterprises (MSMEs) are relevant to the development and economic dynamics of cities, countries, and economic blocs has been enthusiastically embraced and rapidly expanded.

The increase is apparent in citations, studies, and events on MSMEs (English), MPyMEs (Spanish), MPMEs (Portuguese) as well as acronyms in other languages. More recently, the world's largest organizations for global development have made small businesses and entrepreneurship a high priority in their agendas. It is now clear to public managers and parastatal organizations that these small businesses occupy a fundamental position in microeconomics and can induce economic warming on a pyramid basis, from bottom to top.

This understanding is supported by serious research and the diligent work of entities dedicated to institutional articulation at the global level in favor of MSMEs. The International Council for Small Business (ICSB) has highlighted the role of micro and small enterprises and their relationship with the environment in which they live.



Paradoxically, what gives power to small businesses as a whole is precisely what weakens them individually. The large number of micro and small companies, which represent more than 90% of the world's companies, together with their enormous capillarity give this segment a leading role as a pillar of development and promoter of social justice, with a far-reaching distribution of income. Conversely, this fragmentation and lack of unity neutralize the potential strength of this segment. In analogy, we might think that a single ant is nothing to think about, but we all respect the anthill. Business advocates and policymakers for MSMEs must build the prestige of small businesses, and work from theory to develop sound practice.

As vital participants in the GDP of all countries, MSMEs are responsible for most of the jobs generated. However, because they lack a coordinated central organization, they cannot effectively communicate their needs with municipal, state, and national governments. Therefore, they receive less support than sectors that express their needs but contribute less.

MSMEs are now recognized as first-line stakeholders in the implementation of global agendas, such as the Sustainable Development Objectives (SDG). MSMEs are uniquely suited to this role. Just as they are agents of the SDG implementation process, they are also prime beneficiaries of the results. This integration in the process of developmental objectives makes their engagement even more relevant.

Cities may occupy a small percentage of a country's land, but they are where businesses are located and most people live. Therefore, for full development of MSMEs, public policies need to be developed such that cities offer a business environment conducive to entrepreneurship. Cities must empower small businesses with simplified local legislation, adequate infrastructure, and appropriately stimulate access to innovation and capital. They must train the workforce and provide other determinants of business success that are more difficult to access for small business owners.

Brazil has embraced this convergence for some time and written it into its constitution. Our National Policy for the Development of Micro and Small Enterprises is based on the favored treatment of MSMEs. Covering regulatory actions and specific support projects, the pillars of the policy are de-bureaucratization and simplification; entrepreneurship training; access to finance and credit; the promotion of technology and innovation; and facilitating access to markets, including the insertion of MSMEs into global value chains. All of these topics are discussed in the National Forum of Micro and Small Businesses.

Brazil's policies presuppose an intense alignment between the different actors, public and private. The role of the Federal Government is to develop the synergy necessary to build a business environment conducive to the strengthening of SMEs, enhancing actions and resources.

Brazil not only recognizes the current importance of entrepreneurship and micro and small businesses, but is looking to the future. As governments promote entrepreneurship they must welcome the profound changes that have been taking place in the labor market. Traditional employee-employer relationships are being replaced by innovative startups and tech companies. Young people are increasingly detached from formal and traditional jobs. When we invest in policies to support MSMEs we are directly dialoguing with the young and helping them to succeed by converting their dreams into applicable and integrated global ideas.

There is much work to be done on critical issues such as facilitation and reduction of financing costs, technical and managerial training, and rationalization of the tax burden. MSMEs must be constructed to integrate into external markets, with emphasis on global value chains. The burden of bureaucracy, especially for the export of MSME products and services, must be reduced. Interest and access to technology and innovation must be enhanced, among other key aspects for the full functioning and growth of small enterprises.



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Finally, to transform the entrepreneurship ecosystem and improve development conditions for small companies, governments and other stakeholders associated with MSMEs must focus on two main areas: education and simplification.

Education is by nature emancipatory. With a quality education, including the teaching of entrepreneurial thought adjusted to the present and looking to the future, individual micro-entrepreneurs will arrive at solutions to increase productivity and develop and finance their projects. By seeking to connect with innovative concepts they will enter markets around the globe, ahead of companies that will be born global.

The importance of simplification is even easier to understand. When it is easy and intuitive for an entrepreneur to open a company or branch, hire an employee, pay their taxes, associate with a university in a research project, or conduct a variety of other ordinary tasks without governments imposing heavy bureaucratic constraints, business initiatives will be much more abundant, assertive, successful, and profitable, increasing the efficiency of economies.

Several countries have an integrative view of international organizations such as the ICSB, and it is easy to conclude that the growing movement for the development of entrepreneurship and MSMEs is the right way to support high levels of economic development and social justice, providing the conditions for all peoples to live with abundance and dignity.



About ICSB Gazette:

The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editor of the ICSB Gazette is Ms. Jordyn Murphy, ICSB Operational Manager. She will be soliciting ideas and articles from ICSB members world-wide.

ICSB Executive Director Comment:

This Gazette issue is part of the MSME Report and was written on behalf of Brazil.

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Contribute:

Have a topic you would like to see or an article to share? Please submit for consideration to jordyn@icsb.org