

ICSB GAZETTE

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"MSMEs have been recognized globally as a crucial force contributing to the achievement of the SDGs."

The Department of Economic and Social Affairs/Division for Sustainable Development Goals (DESA/DSDG) at the United Nations is engaged in a project to support 9 pilot countries (Brazil, Peru, Cambodia, Fiji, Laos, Sri Lanka, Kenya, the Philippines, and Tanzania) to enhance the role of micro-, small and medium enterprises (MSMEs) to achieve the sustainable development goals (SDGs). The project is funded by the government of the People's Republic of China, and was launched with a global symposium on the role of MSMEs in achieving the SDGs held at the United Nations headquarters in New York on June 7-8 2018.



MSMEs have been recognized globally as a crucial force contributing to the achievement of the SDGs; from the perspectives of poverty alleviation, zero hunger, reduced inequalities, gender equality, economic growth, decent job creation, industry, innovation and infrastructure, and sustainable cities and communities. In emerging markets, 4 out of 5 new positions were created by MSMEs, which is about 90% of the total employment in the formal sector. Job creation through MSMEs leads to economic growth and directly benefits the poor and vulnerable, particularly women and youth. It reduces poverty, increases income, and positively impacts household investments in education and health, all of which bear tremendous potentials for fulfillment of multiple SDGs.

MSME entrepreneurs are an indispensable agent for change in their communities. MSMEs often spearhead the transformation of technical innovations into demand-driven development solutions in both urban and rural settings. Many women MSME entrepreneurs have exhibited outstanding performance in growing their business in the face of mounting challenges and nurturing confidence and self-reliance among poor women and youth.

Notwithstanding heightened global commitment to their growth, MSMEs are faced with multiple challenges, including limited access to finance and lack of capacity and knowledge, particularly with regards to business development, marketing, and strategic management skills. In addition, developing countries have not been able to fully tap the potential of MSMEs due to weak political, institutional and regulatory mechanisms. Regarding access to finance, MSMEs are less likely to secure bank loans than large firms, which hampers their growth, rendering them more vulnerable to market risks.

MSME entrepreneurs suffer disproportionately from asymmetric information, including lack of market information and limited support on strengthening business management skills such as financial planning and bookkeeping, which are crucial to formalizing their business operations, capturing market share, and coping with market fluctuations. Lack of professional business management skills may further limit appreciation of MSME entrepreneurs on the value of Research and Development (R&D) and innovation in promoting productivity and keeping a competitive edge within the global digitalized economy.

Both the potential and constraints in MSME development for SDGs require transformation in policy and how financial markets and institutions operate. These would not only reduce constraints of MSMEs in accessing financial resources, but also catalyze growth of informal MSMEs into formal MSMEs, generating multiple impacts, including unlocking sources of capital and providing additional economic growth and employment opportunities.

Some key messages that emerged from the global symposium on the role of MSMEs to achieve the SDGs included the following:

- Micro-, Small and Medium-sized Enterprises (MSMEs) have great potential for broad and long-lasting positive impacts on achieving SDGs globally. The vital role MSMEs play in driving sustainable livelihoods and creating a vibrant global economy was recognized.
- 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 MSMEs entrepreneurs need to be reflected in policy making 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 market 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.



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- 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 improving their access to knowledge and networks, such as business associations and chambers of commerce. The development community, including the UN, needs to build platforms to bring together all stakeholders to foster the exchange of good practices on MSME growth for SDGs.
- The capacities of MSME entrepreneurs need to be strengthened through demand-driven and tailor made training programs. 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, programs, messages, and policies further fragment the potential for a global movement led by MSMEs to achieve the SDGs.

The next steps will be implementation of the project in the 9 participating countries, determined in full consultation with the countries in the symposium. The project is setting up an advisory committee consisting of participants from a number of UN agencies and government officials from participating countries.



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 Partner Reports from the MSME Report.

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