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NAVIGATING A NEW NORMAL:

A Multi-Pronged Approach to Inclusive Growth for MSMEs



EXECUTIVE SUMMARY

After 18 months of navigating the global pandemic, social distancing and periodic lockdowns are the new norms as vaccinations compete with emerging variants of COVID-19. This scenario is a stark contrast to the situation only 18 months ago, when the COVID-19 pandemic brought unprecedented economic and social challenges to economies around the world. Micro, small and medium-sized enterprises (MSMEs) have experienced the brunt of the pandemic's impact, with businesses forced to close or drastically reduce their capacity. Government efforts toward inclusive, post-pandemic growth must prioritize MSMEs, which comprise 97 per cent of all businesses in the APEC region, and occupy a central role in their economies.

Charting Asia-Pacific Economic Cooperation (APEC) economies' path out of the pandemic over the next stage of recovery will require a rethinking of our strategies to support MSMEs as the world attempts to reopen. To ensure inclusive growth for MSMEs and entrepreneurs, the APEC-Canada Growing Business Partnership recommends that governments and businesses adopt a multi-pronged approach that addresses fundamental areas in MSME development. These areas include MSMEs' shift to online markets, expanding their market access, accessible financing and funding structures, and support programs and services. This approach must be cognizant of the various challenges for MSMEs based on their size, level of maturity, industry, and types of entrepreneurs (e.g. women, youth, and Indigenous). Moreover, the importance of digital business tools for MSMEs to survive and thrive after the pandemic makes digital entrepreneurship a key priority in MSME development. Overall, as economies continue to open and dependency switches from domestic to international markets, MSMEs of differing sizes and capabilities will experience new and unique challenges adjusting to the new norms created by the pandemic.

This policy brief will focus on how APEC economies can achieve a multi-pronged approach by discussing four thematic areas: digital entrepreneurship, MSME competitiveness and access to international markets, MSME growth and inclusive ecosystems, and innovation for micro-enterprises and startups. Drawing on Canadian best practices and on-the-ground research in Indonesia, Peru, the Philippines, and Vietnam through the APEC-Canada Growing Business Partnership, this policy brief highlights key actions and recommendations for the next stage of global recovery for MSMEs.



KEY RECOMMENDATIONS

- 1** Implement policies and programs for advancing inclusive growth for MSMEs that address multiple areas of MSME development in co-ordination with various stakeholders in the MSME ecosystem, including but not limited to government, business associations, and entrepreneurs.
- 2** Prioritize upskilling and opportunities in digital entrepreneurship that can give entrepreneurs more capacity to upscale, innovate, and expand to international markets.
- 3** Ensure the robust collection of disaggregated MSME data to better understand the varied and diverse landscape of MSMEs and entrepreneurs in APEC economies.
- 4** Target MSME policies and supports to the specific needs of different businesses and entrepreneurs.
- 5** Implement long-term strategies to advance the inclusion of marginalized entrepreneurs including women, youth, Indigenous peoples, and rural-based entrepreneurs.





INTRODUCTION

The COVID-19 pandemic has illuminated the economic vulnerability of MSMEs, and the weak points in government support for entrepreneurs. Since the beginning of the pandemic in early 2020, many enterprises have been forced to close or reduce their operations, putting businesses and the livelihoods of their employees at risk. Some MSMEs have survived to 2021 by adapting to the pandemic's restrictions, particularly through digital entrepreneurship and entering the digital economy. To ensure an inclusive, post-pandemic growth for all MSMEs, the APEC Secretariat and 2021 host economy, New Zealand, have argued that governments need to address critical areas for businesses' success that target the needs of marginalized entrepreneurs, including women, youth, and Indigenous peoples.¹

The APEC-Canada Growing Business Partnership, announced by the Government of Canada in 2015, has developed insights into what this multi-pronged approach could look like. Since 2016, the Partnership has been actively building the capacity of MSMEs in developing APEC economies to promote poverty reduction and sustainable economic growth in the region. This initiative was jointly implemented by the Asia Pacific Foundation of Canada and the APEC Secretariat and funded by the Government of Canada. Through in-economy and virtual activities in Indonesia, Peru, the Philippines, and Vietnam, the Partnership has provided best practices, ideas, knowledge, and critical connections derived from Canadian experience tailored to entrepreneurs in the local markets of APEC economies. The Partnership's research for this policy brief will help illustrate the pre-pandemic challenges that MSMEs have faced, show how these challenges have intensified during the pandemic, and identify the gaps and priorities in MSME development for ensuring inclusive post-pandemic growth.

The Partnership has highlighted four thematic areas that can ensure inclusive post-pandemic growth for MSMEs. These areas constitute the critical components for ensuring MSMEs' success and continued long-term growth. The focus areas of this policy brief include:



Digital Entrepreneurship:

From the point of view of MSMEs, what do businesses need to digitalize, and how can governments and the private-sector support these efforts? What are the advantages and challenges of digital entrepreneurship?

MSME Competitiveness and Access to International Markets:

How can MSMEs be encouraged to see and realize their potential by expanding to international markets? How can governments support broader market access, such as through export opportunities and virtual trade missions?

¹For example, refer to the following statements issued by the [APEC Secretariat](#) and by [New Zealand](#).



Innovation for Micro-Enterprises and Startups:

What are the distinct needs of different MSMEs according to their size, level of maturity, industry, and entrepreneurs? What targeted support is required for micro-enterprises and startups?

MSME Growth and Inclusive Ecosystems:

How can governments continue to support the diversification of the MSME workforce, including gender diversity and the inclusion of rural-based entrepreneurs? Moreover, how can MSME financing and support programs be targeted toward the needs of MSMEs?

The Partnership maintains that strategies for inclusive growth must prioritize the inclusion of women, youth, and Indigenous peoples, as well as entrepreneurs in the informal sector. This position aligns with APEC initiatives, including the La Serena Roadmap for Women and Inclusive Growth (2019-2030) and the Policy Partnership on Women and the Economy, which serve as guiding principles for gender inclusion.

In addition, the Partnership relies on and supports on-the-ground research and MSME data collection, with the goal of informing policymaking and the creation of support programs for MSMEs.

This policy brief reviews the Partnership's implementation and legacy research, and encompasses additional research conducted to contextualize the current challenges and opportunities presented to MSMEs at the current stage of reopening.²

THE APEC-CANADA GROWING BUSINESS PARTNERSHIP

APF Canada has worked with APEC governments, business associations, academics, and entrepreneurs to produce thematic and context-specific programming for MSMEs. The project has used a hybrid of in-person and online activities delivered to MSMEs in Indonesia, Peru, the Philippines, and Vietnam.

The Partnership's activities have included:

- [National survey reports of MSMEs](#)
- [In-economy research studies](#)
- [MSME training sessions](#)
- [Economy-specific entrepreneurship toolkits](#)
- [Policy workshops for government officials](#)
- [A mentorship program for women entrepreneurs](#)
- [A capstone policy report and toolkit for policymakers](#)
- [A capstone conference](#)

² For more information about the Partnership's previous research, read our report [Advancing Inclusive Growth in the APEC Region: Challenges and Policy Solutions for MSMEs](#).



DIGITAL ENTREPRENEURSHIP

Before the pandemic, businesses were heavily encouraged to go digital to reap the benefits of online markets and use digital tools like social media. Now, the pandemic has made 'going digital' a requirement for businesses to survive and continue in the face of physical distancing measures and a lack of access to local markets. Digital entrepreneurship not only offers MSMEs a way to survive the pandemic but also a way to continue their growth and development afterward.

Definition of Digital Terms:

Digital entrepreneurship:

The changes and new opportunities in entrepreneurship as a result of new and emerging digital technologies.

Digitalization:

An MSME's change in business operations to online platforms and software, such as digital communications and e-payment methods. The process of digitalization may involve a mix of physical and digital business practises, according to a given business' needs.

Digital transformation:

An MSME's overall transition to a digital business model, with the goal of participating in digital markets and entering the digital economy.

The current push toward online markets and digital business practices has highlighted the benefits of digital entrepreneurship while exposing its challenges. Some of the benefits offered by digital entrepreneurship include increased access to domestic and international markets through online marketplaces, wider dissemination of business information to consumer audiences, targeted online marketing, more flexible and cheaper business operations, and added credibility through an established online presence. But while digital entrepreneurship offers these advantages for MSMEs, it also poses challenges in areas including the provision of accessible internet and risks in data privacy and cybersecurity.



Once entrepreneurs adopt digital platforms, they also face risks on the web and in online marketplaces. The APEC Policy Support Unit has outlined the following risk areas that come with digital entrepreneurship:

Cybersecurity and Data Privacy Concerns:

Includes issues such as online hacks, data leaks, and online scams.

Digital Fraud:

An emerging issue with online transactions is fraud, such as fraudulent chargebacks.

Online Misinformation:

Entrepreneurs should be wary of the online platforms that they choose to use, being cognizant that fake reviews on popular sites like Facebook may negatively impact their sales.

Asymmetric Market Power and Platform Dominance:

MSMEs may be disadvantaged in comparison to larger companies on online platforms, which can dominate market shares and crowd out smaller businesses.

Digital Divide and Infrastructure-Related Issues:

Government policies must help level the playing field in terms of ICT infrastructure and access to the internet and data. This challenge also includes issues of data literacy and access to devices.

THE PARTNERSHIP HAS HIGHLIGHTED THREE FOCUS AREAS TO AID MSMEs WITH THEIR DIGITAL TRANSFORMATION:

1

ICT Infrastructure:

Building and maintaining a robust internet infrastructure to ensure a logistically and financially accessible internet connection for all entrepreneurs, regardless of location and income.

2

Public-Private Collaborations:

Partnerships between governments and businesses to provide resources, training, and programs for MSMEs on digital entrepreneurship.

3

Assessing MSMEs' Progress:

Data collection on MSMEs' usage of social media, websites, and other digital tools to inform support programs for MSME digitalization.



ICT INFRASTRUCTURE

Maintaining a robust ICT infrastructure has been recognized by governments as an important issue in addressing the digital divide for systematically disadvantaged groups. Bridging infrastructure gaps between rural and urban areas, as well as Indigenous peoples, is important in building back more inclusive economies.

An example of best practises in ICT infrastructure is in Canada, where reliable high-speed internet has become a government priority and has been recognized as critical for work, education, and access to essential services. The Canadian federal government has [so far committed C\\$9.5 million](#) in funding and projects to bring high-speed internet to rural and Indigenous communities in the country's most populous province of Ontario.

Many other examples exist across the APEC region, with governments further integrating digital transformation and new technologies to facilitate the upgrading of existing infrastructure. Throughout the Partnership's focus economies, governments and internet providers face the challenge of catering to rural and remote areas across challenging terrains. For example, the Partnership's research in Peru found that entrepreneurs' geographic location can determine their businesses' success by impacting their access to MSME support services, government offices, domestic markets, and export hubs.³

PUBLIC-PRIVATE COLLABORATIONS (SPOTLIGHT: INDONESIA)

Indonesia has been one of the leaders in the APEC region in implementing digitalization support for MSMEs through government programs and collaborations with the Indonesian private sector. With the goal of [digitizing 30 million MSMEs](#) by 2024, the Indonesian government has launched a variety of programs and services to assist entrepreneurs in moving their businesses online. Indonesia has so far seen more than 10 million MSMEs enter the national digital economy, demonstrating the success of these initiatives.

For example, Indonesia's Ministry of Cooperatives and SMEs, together with the Ministry of Communications and Informatics, launched the [UMKM Go Online program](#) in 2017 to facilitate Indonesian MSMEs' entry into broader markets. This sweeping initiative has provided activities that aim to raise MSMEs' digital awareness, such as seminars, workshops, training, and free website domains for businesses. This initiative has become particularly timely as the global pandemic has created opportunities to prioritize digital entrepreneurship, alongside the upskilling of MSMEs and the shifting from domestic markets to international markets through digital education.

³ Refer to 2020 Survey of Entrepreneurs and MSMEs in Peru: Building the Capacity of MSMEs Through Social Entrepreneurship



Similarly, Indonesia's Communications and Information Ministry partnered with the Indonesian E-commerce Association to provide [online classes for entrepreneurs](#) in Indonesia's least developed areas. These classes covered a variety of digital entrepreneurship skills, such as online branding and business financing. This initiative has complemented existing government-initiated programs by working with business associations to meet the needs of marginalized entrepreneurs in Indonesia's remote areas and thus expand the reach of government services in digital entrepreneurship.

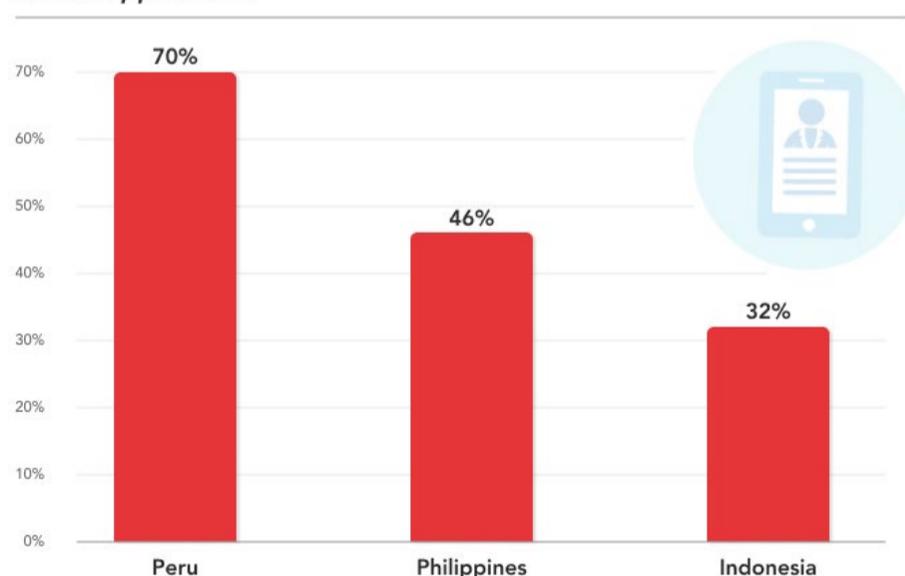
Finally, public-private collaborations provide new opportunities for government to work with well-established large enterprises that can transfer knowledge to MSMEs. The Ministry of Trade has similarly hosted online classes in partnership with Facebook, including a [shopping festival](#) featuring MSMEs. Moreover, startups, including Grab and Gojek, have created digital platforms for MSMEs to begin selling their products online, such as Grab's [#TerusUsaha](#) campaign to encourage entrepreneurs to digitalize, and the GrabMerchant mobile app.

ASSESSING MSMEs' PROGRESS

Continuous assessment of MSMEs' transition to the digital economy will be crucial in informing relevant support programs. Data collection on entrepreneurs' usage of digital tools, such as survey data (see the Partnership's national survey reports) or data from social media (e.g. Facebook), will be useful in gaining an understanding of entrepreneurs' progress and targeting digitalization supports accordingly.

For example, according to the Partnership's data, only a minority of MSMEs in the project's focus economies operated online prior to the pandemic. And except for Peru, less than half of surveyed entrepreneurs in the Philippines and Indonesia used social media for their business, which poses a concern for social media adoption during the pandemic, given the already low rate of usage and access.

FIGURE 1
Companies that reported using at least one social media application



Source: Partnership National Survey Data – Philippines (2018), Indonesia (2018), Peru (2019)



On the other hand, mentees in the Partnership's mentorship program for women entrepreneurs in Indonesia, Peru, the Philippines, and Vietnam have noted that they benefitted from guidance on creating a digital marketing strategy for their business, and this has helped some mentees keep their enterprises afloat during the pandemic.

Consistent assessments of digital uptake, such as the Partnership's national surveys and the OECD's report on [The Digital Transformation of SMEs](#), are important for understanding entrepreneurs' needs in shifting their businesses online and targeting supports accordingly.

MSME COMPETITIVENESS AND ACCESS TO INTERNATIONAL MARKETS

An ongoing challenge for MSMEs is their successful expansion into domestic and international markets. As many MSMEs are micro or small in size, these enterprises may primarily see themselves as a local business. Moreover, the pandemic has encouraged a focus on domestic markets, due to travel restrictions and difficulties with obtaining supplies from overseas suppliers.

MSMEs must, however, be prepared to internationalize and go abroad, especially as markets gradually reopen and offer more opportunities for expansion than domestic markets. In turn, entrepreneurs should be encouraged to see their businesses as having global potential, provided they have the appropriate resources and support. The shift to digital entrepreneurship offers entrepreneurs with a low-cost way of exploring and expanding to new markets, while knowledge of overseas markets will help MSMEs take full advantage of online marketplaces.

THE RESEARCH FROM THE PARTNERSHIP IDENTIFIED THREE FOCUS AREAS FOR HELPING MSMES EXPAND INTO INTERNATIONAL MARKETS:

1

Encouraging Entrepreneurs to Gain International Experience:

Investing in opportunities for entrepreneurs to gain international experience and advertising the benefits of expanding market access abroad.

2

Clarity on Exporting Regulations:

Providing clear and updated information on the requirements and regulations of exporting and international business.

3

Entrepreneurial Support Programs:

Investing in accessible support programs and incentives for entrepreneurs to learn and gain skills in market expansion.



Some of the main challenges in MSMEs' market expansion identified in the Partnership's research include:

- Access to market information
- Marketing and branding constraints
- Access to finance
- Infrastructure
- Proximity of markets
- Inability to compete with competitors
- Difficulties in complying with international standards and government policies
- Human resource constraints
- Inadequacies in business operations

ENCOURAGING ENTREPRENEURS TO GAIN INTERNATIONAL EXPERIENCE

A crucial component in expanding market access is encouraging entrepreneurs to first gain international experience. The benefits of entrepreneurs gaining this experience include:

- Entrepreneurs gaining understanding of new markets by interacting with potential partners and consumers and building new entrepreneurial networks.
- New innovations in local business communities, through exchanges, internships, and training that foster growth and knowledge exchange.
- The opportunity for MSMEs to directly inform policy and trade discussions hosted by APEC governments.

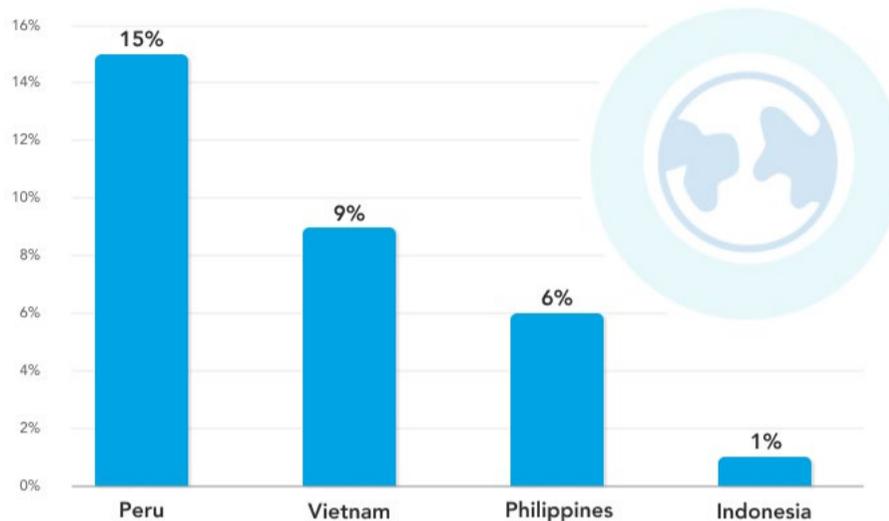
Prior to the pandemic, international experience mainly came from in-person work, studies, or training opportunities abroad. While travelling and associated costs may have previously posed barriers to gaining international experience, the pandemic has provided more virtual opportunities for entrepreneurs to interface with potential overseas partners. These opportunities can include virtual trade missions, conferences, and international delegation pitch competitions, among other activities.

However, only a minority of entrepreneurs have had some experience abroad. According to the Partnership's data, prior to the pandemic, 47 per cent of surveyed entrepreneurs in Indonesia, Peru, the Philippines, and Vietnam said that none of their company's employees have gone to study or work abroad. Given this low number, entrepreneurs should ideally be encouraged to begin exploring international markets, particularly through low-cost, virtual experiences.



FIGURE 2

MSMEs with more than a quarter of their workforce who has international experience



Source: Partnership National Survey Data – Vietnam (2017), Philippines (2018), Indonesia (2018), Peru (2019)

Governments and the private sector alike have a role to play in providing entrepreneurs with opportunities for international experience. The Partnership’s research shows that business associations can help translate government policies for their members and facilitate opportunities.⁴ In turn, for government, the inclusion of MSMEs in international entrepreneurial forums can help make these businesses a priority in governments’ trade engagements.

CLARITY ON EXPORTING REGULATIONS

It is also vital that the regulations for exporting and overseas business are clearly communicated to entrepreneurs. One of the major challenges for MSMEs is compliance with government regulations and policies, which can involve entrepreneurs needing to meet many requirements, facing difficult business registration procedures, and encountering internal corruption. Moreover, international standards such as quality certifications can further hinder MSMEs that do not have the finances and technologies needed to comply, further highlighting the need for MSMEs to be aware of international rules and regulations.

The Partnership’s work has found several ways that regulations can be shared with MSMEs, such as:

- Through participation in international exhibits and fairs and learning market standards and qualifications through business peers.
- Training programs on topics including export packaging and securing overseas suppliers.
- Support initiatives and schemes for MSMEs on international market access.
- Knowledge dissemination through business associations.
- Mentorship with successful MSME exporters and business leaders.

⁴ Refer to The Challenges to SME Market Access in the Philippines and the Role of Business Associations



ENTREPRENEURIAL SUPPORT PROGRAMS (SPOTLIGHT: THE PHILIPPINES)

To deliver relevant best practices on MSME business development to entrepreneurs in APEC, the Partnership developed a business toolkit focused on encouraging market access in the Philippines. This [online toolkit](#) developed for MSMEs in the Philippines is focused on enhancing the competitive capacity of MSMEs by providing information on the laws and regulations, policies on exporting, market access, and financing for businesses.

Toolkits such as the one by the Partnership highlight the importance of making government-implemented initiatives accessible for businesses and entrepreneurs. The Partnership's toolkit shares and maintains access to relevant resources from the Philippine government on the accreditation of exporters and other regulations available on the Department of Trade and Investment website. In the context of the pandemic, digital initiatives are increasingly important, such as the [Philippine E-Commerce Roadmap](#), which recognizes the role of e-commerce in facilitating MSMEs' greater access to international markets.

Governments can also help streamline the process of gaining the necessary certifications for export by making certification processes simpler for MSMEs. For example, the Philippines has implemented the 2003 Barangay Micro Business Enterprises Act, which has helped make business registration easier and faster for entrepreneurs. Moreover, data from these registrations can be used by private-sector organizations and non-government organizations for business matching and trade and investment promotions.

INNOVATION FOR MICRO-ENTERPRISES AND STARTUPS

While MSMEs are often taken together as a cohesive group, within this broad category are distinct types of enterprises with varying business sizes, models, mandates, and goals, that require specific, targeted support. Due to their small size and often early-stage development status, micro-enterprises and startups face similar challenges in their growth, principally a lack of access to capital, a lack of entrepreneurial networks, and a lack of investor confidence. Overall, targeted support for MSMEs according to their distinct characteristics can more effectively support businesses, entrepreneurs, and the broader ecosystem, and thus better foster MSME growth and innovation.



THE PARTNERSHIP'S RESEARCH CONDUCTED IN ALL FOUR FOCUS ECONOMIES REVEALED THREE AREAS IN SUPPORTING MSME INNOVATION:

1

Targeted Financing and Support for Micro-Enterprises:

Providing targeted and specific forms of financing and support to micro-enterprises and startups, according to their size, maturity level, and industry, among other factors.

2

Investing in Local Innovation Ecosystems:

Fostering a strong innovation ecosystem to stimulate and sustain MSME growth.

3

Supports for Youth-led Startups:

Nurturing youth entrepreneurship in the startup and MSME ecosystems in the APEC region.

Micro-enterprises and Startups

A micro-enterprise is typically defined as a business with one to 10 employees, though economies have varied definitions according to the amount of capital or number of employees.

A startup is typically a small business that develops a new and unique product or service in order to introduce it to the market.

TARGETED FINANCING AND SUPPORT FOR MICRO-ENTERPRISES

As the Partnership's research has shown, many micro-enterprises and startups rely on entrepreneurs' self-financing and funds from family and friends when getting started.⁵ Formal financing is inaccessible for entrepreneurs in these businesses due to high interest rates and typically low-risk tolerance from banks and other lenders. Moreover, there is often limited support for early-stage enterprises in APEC economies, which further dissuades private-sector investors from funding these businesses.

Micro-enterprises, in relation to small and medium enterprises, particularly lack the financial and human capital to access resources and tools to upscale their business. These enterprises would benefit from financing mechanisms such as micro-financing that are intended to help entrepreneurs launch their business, and that are contextualized to the current size and level of risk that an enterprise is willing to take on. Moreover, micro-enterprises require more support to gradually build up their human capital (e.g. employment, upskilling) and market access.

Startups thrive under a supportive local innovation ecosystem, which provides entrepreneurs with access to networks, connections to funders, and the overall support they need to develop

⁵ E.g.: [2018 Survey of Entrepreneurs and MSMEs in Indonesia: Building the Capacity of MSMEs through Human Capital](#) (2019); [The Existing Landscape of Social Entrepreneurship in Peru](#) (2019)



and advance their own innovative products. Support for these ecosystems can include government or private-sector investment into ecosystem organizations and cultivating partnerships and networks among the various actors.

INVESTING IN LOCAL INNOVATION ECOSYSTEMS

Investing in a strong startup and innovation ecosystem is an effective way to drive MSME development and help enterprises grow. These ecosystems help provide and foster the foundations and support that different MSMEs need to upscale and expand.

Various actors in an innovation ecosystem can provide entrepreneurs with different types of support – including funding, training, and mentorship – that can overlap and fill certain gaps in government or private-sector support. For example, the Partnership’s work in Peru on social enterprises revealed the role of local social entrepreneurship hubs in providing the specific networks, resources, and guidance that these types of enterprises need. Co-ordination amongst the various ecosystem actors can help make government policies and support programs more effective by tapping into existing resources and expertise among ecosystem members.

Innovation ecosystem members include:

- Government actors
- Large corporations
- Universities / educational institutions
- Investors
- Tech and innovation hubs
- Business accelerators and incubators
- Business associations
- MSMEs

Moreover, the Partnership’s work in Indonesia with local innovation platforms such as the Innovation Factory found that a thriving tech startup ecosystem can provide the best returns on investment by supporting startups’ development of new innovative solutions in areas like access to alternative capital and new technologies that in turn support overall MSME growth. These innovations can play an important role in strengthening MSMEs’ organizational performance and ensuring their long-term success.

SUPPORTS FOR YOUTH-LED STARTUPS

The Partnership’s research included a survey of youth entrepreneurs from Canada, Indonesia, Peru, the Philippines, and Vietnam that explored their motivations, barriers to success, and opportunities to collaborate with their peers in other economies.⁶ This survey identified a number of key action steps for different actors in the MSME ecosystem.

⁶ Refer to the Partnership’s paper [Fuelling High-Tech Startups: Building the Capacity of MSMEs through Technology and Innovation](#).



For the Canadian business community to support young entrepreneurs, the Partnership's recommendations include:

- Building more active ties between accelerators and incubators across APEC economies.
- Seeking sister startups and design ongoing, mutually beneficial arrangements to share resources, local market intelligence, training, and senior leadership strategy sessions.
- Encouraging big business to sponsor subject matter experts to serve as limited-time mentors to startups, and also tailor these to targeted subsets of entrepreneurs such as women, youth, and Indigenous peoples.
- Encouraging big business to facilitate transpacific employee and working team exchanges that enhance institutional and cross-cultural knowledge.

FOR GOVERNMENTS ACROSS THE APEC REGION, THE PARTNERSHIP'S RESEARCH HAS IDENTIFIED THE FOLLOWING ACTION STEPS:

- Create industry-driven web resources that link entrepreneurs across APEC economies with opportunities for entrepreneur matching, business vetting, education, and short-term project opportunities.
- Enhance global internships/exchanges for entrepreneurially-focused youth. Be sure to include those young people outside of traditional colleges and universities and coordinate with other ecosystem players, such as university entrepreneurship programs and accelerators/incubators.
- Offer more funding for carefully vetted, pre-seed-stage young entrepreneurs from APEC economies to experience the hands-on rigours of Silicon Valley, and return home to a systematic program to help them get ready for their Asia Pacific pitches.
- Develop an online founding team toolkit specifically devoted to partnership selection, agreements, hiring, and building the health and stability of the startup team.



MSME GROWTH AND INCLUSIVE ECOSYSTEMS

To foster inclusive post-pandemic growth for MSMEs, the APEC Secretariat has stressed that governments and business communities must provide the foundations that MSMEs need to grow and thrive. These foundations include targeted support for distinct enterprises and entrepreneurs, and policies that advance the diversification of MSMEs, particularly the inclusion of women, youth, Indigenous, and rural-based entrepreneurs. Policies for inclusive growth must also emphasize policy implementation and co-ordination among various actors in MSME ecosystems in order to effectively lay the foundation for sustainable growth.

The Partnership's research has found that the following areas are key in supporting inclusive and sustainable growth of MSMEs:

1

Disaggregated MSME Data:

Robust collection of disaggregated data to understanding the pandemic's nuanced impacts on MSMEs, varied by MSMEs' industry, size, and an enterprise's formal or informal status, to create targeted financing mechanisms and support services for MSMEs.

2

Inclusive Business Models:

Promote inclusive business models and sustainable long-term practices (e.g. gender- and youth-inclusive strategies) that allow MSMEs to transition to a post-pandemic economy through innovation and adaptation.

DISAGGREGATED MSME DATA

Throughout its research and programming, the Partnership has emphasized the collection of MSME data, disaggregated by various factors, that reflect diverse enterprises and entrepreneurs. Disaggregated MSME data is crucial to understanding the MSME landscape for two main reasons.

First, disaggregated data ensures that policy-makers and private-sector leaders better understand the demographic composition of MSMEs in APEC economies. Disaggregation of data can be done in terms of individuals' gender, age, Indigenous status (depending on the economy), level of education, level of income, and others, as well as in terms of businesses' formal/informal business status, geographic location, business size, level of maturity (established or early-stage), and business mandates and goals.⁷

Second, this data can help to measure the impact and effectiveness of government initiatives, and thus create or update support programs and policies targeted to marginalized entrepreneurs who have faced particular forms of hardship during the pandemic.

The collection and analysis of disaggregated MSME data can then help create and inform more context-specific resources for different enterprises, particularly in financing and support programs. Financing and support are especially critical foundations for MSME growth and development due to their interlinked importance with other aspects of MSME development.

⁷ For example, the Partnership's study, [The Role of Gender In Micro and Small Enterprise Business Development In Indonesia: A Firm-Level Analysis](#), shows the distinct characteristics of women-led businesses in Indonesia.



Without robust and sufficient funding, MSMEs are unable to establish physical and digital infrastructure, improve human capital, expand to international markets, and more. In turn, support programs can teach and enable entrepreneurs to optimize their resources, networks, and business operations.

The Partnership has consistently highlighted the importance of evidence-based policy and program development, as well as policy co-ordination among MSME innovation ecosystem members, to help provide appropriate support for diverse enterprises and entrepreneurs.

SOME OF THE PARTNERSHIP'S RECOMMENDATIONS FOR TARGETED FINANCING MECHANISMS INCLUDE:

- Implementing more favourable terms for bank loans and other forms of formal financing that are better suited to the needs and capacity of MSMEs.
- Ensuring that entrepreneurs are aware of and understand the various types of financing available within the MSME ecosystem (e.g. bank loans, government grants, impact investment, private investment), their various requirements, and the benefits of each type.
- Facilitating collaboration between banks, private investors, and business associations to provide targeted forms of funding according to different MSMEs' needs and capacity.

THE PARTNERSHIP ALSO RECOMMENDS THE FOLLOWING POLICY ACTIONS FOR ENSURING ACCESS TO MSME SUPPORT PROGRAMS:

- Ensuring that entrepreneurs are aware of the various support programs and resources available to them, in terms of marketing and promotion.
- Targeting the promotion of support services toward specific demographic groups (e.g. women, youth, Indigenous entrepreneurs) who are less likely to seek out or receive these resources, as well as toward specific MSME industries.
- Incorporating plans and investment for MSME support services into national industry support plans to prioritize the allocation of resources and time to MSMEs from the outset.



INCLUSIVE BUSINESS MODELS

Another crucial component in fostering inclusive growth for MSMEs is the implementation of long-term strategies and business models that intentionally prioritize the inclusion of marginalized entrepreneurs as a core component of MSME growth in national policies and individual business mandates.

In addition to ensuring that financing and supports for MSMEs are targeted toward specific entrepreneurs' needs, these inclusive business models should entail cultivating an entrepreneurship environment where women, youth, Indigenous peoples, and rural communities are not only included but are also enabled to thrive and grow. These long-term strategies and business models ideally reinforce one another over time.

Building an inclusive business model can include decisions on hiring and promotion practices, supplier organizations, online and in-person marketing, and target product or service audiences. Examples of national inclusive strategies include Canada's [gender-based analysis plus \(GBA+\)](#) and [Indonesia's National Gender Mainstreaming Policy](#).

Creating and implementing these strategies and business models requires close study of the roles that societies have assumed for women, youth, and Indigenous peoples, and how we have collectively envisioned their participation in entrepreneurship. The Partnership's training activities with entrepreneurs have included exercises that explore how to practically implement a diverse and inclusive business by first prompting the audience on their unconscious biases toward marginalized entrepreneurs.



MSME FORMALITY IN VIETNAM'S AGRI-FOOD SECTOR⁸

One important consideration for post-pandemic recovery includes efforts to support informal MSMEs and extend support services to unregistered enterprises. In the context of the pandemic, informal or unregistered MSMEs often fall between the cracks in economies' COVID-19 support measures, due to their ineligibility to receive such benefits.

A focus on formality in the agri-food sector reveals the composition of enterprises and the challenges that they face. In Vietnam, approximately 70-to-80 per cent of women work in the informal economy, and around 60 per cent are in agri-food. Unfortunately, due to their lack of registered status, informal enterprises and entrepreneurs are not included in national statistics and in turn the design of MSME support. Furthermore, participants in the informal economy are often beholden to moneylenders, exacerbating issues in accessing financing and credit. For example, while approximately half of formal SMEs in Vietnam do not have access to formal financing, this number is around 72 per cent among informal enterprises.

The formalization of these enterprises is crucial for informal workers to be able to participate in social protection programs, and gain access to formal forms of financing. Assessing the landscape of informal enterprises in APEC economies through qualitative and quantitative data will be important in designing supports for these entrepreneurs. Moreover, it is important to draw on the resources within an MSME ecosystem and co-ordinate support for informal enterprises.

⁸ Refer to the Partnership's paper [Micro, Small, and Medium Enterprises in Agri-Food: A Study of the Philippines, Vietnam and Peru](#)



RECOMMENDATIONS

To engender inclusive growth for MSMEs in the post-pandemic context, a multi-pronged and multi-stakeholder approach is essential. While the effects of COVID-19 have been experienced differently by regions around the world, the co-ordination and sharing of best practices through APEC's framework will have important benefits and long-term effects for the recovery of the region.

The Partnership's key recommendations and actions for policy-makers and business leaders alike for ensuring inclusive growth for MSMEs includes:

1

Policy and program co-ordination is key to advancing MSME growth and development and must involve the diverse stakeholders in the MSME ecosystem, including but not limited to government bodies, entrepreneurs, corporations, business associations, business incubators and accelerators, and investors.

Recommended action: Governments and business leaders must map local MSME ecosystems, identify key actors in the ecosystem, and build and maintain working relationships with these actors to co-ordinate the creation and delivery of relevant policies and programs.

2

Given the growing importance of digital entrepreneurship in all aspects of MSME development, ensure that resources and upskilling opportunities in digital business methods are available for entrepreneurs to enable and encourage MSME innovation, upscaling, and expansion to international markets.

Recommended action: As digitalization continues in lockstep with the pandemic, create and deliver resources and upskilling opportunities for MSMEs in digital entrepreneurship, with input and/or collaboration between government, the private sector, and local MSME ecosystems.

3

Ensure and continue the robust collection of disaggregated data on MSMEs and entrepreneurs to understand the varied and diverse landscape of MSMEs in APEC economies, and target financing and support mechanisms for different types of enterprises and entrepreneurs.

Recommended action: Collect MSME data through government or business community surveys, or through alternative means such as data collected through financial institutions, and then disaggregate this data according to priority areas including but not limited to entrepreneurs' gender, age, and level of education, and an enterprise's size, industry, geographic location, and informal or formal status.



4

Create and maintain targeted MSME policies, financing mechanisms, and support programs that are contextualized to the specific needs of different businesses and entrepreneurs, including micro-enterprises and startups, and marginalized entrepreneurs including women, youth, and Indigenous peoples.

Recommended action: Use the disaggregated MSME data to design and contextualize new and existing MSME policies, financing mechanisms, and support programs according to the distinct needs of different sectors, businesses, and entrepreneurs, with input and/or collaboration from the local MSME ecosystem and private sector.

5

Implement long-term national policy and business strategies that advance the inclusion of marginalized entrepreneurs in MSME development, particularly women, youth, Indigenous peoples, and rural-based entrepreneurs.

Recommended action: Make inclusive MSME development for marginalized entrepreneurs a key national and business priority by incorporating inclusivity into long-term national policy and business strategies, with input and/or collaboration from the local MSME ecosystem and private sector, especially as APEC Ministers continue to discuss post-pandemic economic recovery.

Although the pandemic has fundamentally altered the environment in which MSMEs operate in, the Partnership's research and recommendations continue to demonstrate the importance of a co-ordinated ecosystem approach between public and private-sector actors. As economies build individual solutions for more sustainable and inclusive economies, APEC must ensure that it continues to be a forum for regional co-operation and dialogue where economies can share best practices and work together to engender inclusive growth across the region.



ABOUT THE ASIA PACIFIC FOUNDATION OF CANADA

The Asia Pacific Foundation of Canada (APF Canada) is dedicated to strengthening ties between Canada and Asia, with a focus on expanding economic relations through trade, investment, and innovation; promoting Canada's expertise in offering solutions to Asia's climate change, energy, food security, and natural resource management challenges; building Asia skills and competencies among Canadians, including young Canadians; and improving Canadians' general understanding of Asia and its growing global influence.

The Foundation is well known for its annual national opinion polls of Canadian attitudes regarding relations with Asia, including Asian foreign investment in Canada and Canada's trade with Asia. The Foundation places an emphasis on China, India, Japan, and South Korea while also developing expertise in emerging markets in the region, particularly economies within the Association of Southeast Asian Nations (ASEAN).

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ABOUT THE APEC-CANADA GROWING BUSINESS PARTNERSHIP

The APEC-Canada Growing Business Partnership is a four-year initiative jointly implemented by APF Canada and the Asia-Pacific Economic Cooperation (APEC) Secretariat. Funded by Global Affairs Canada, this initiative helps build the potential of MSMEs to promote poverty reduction and sustainable economic growth in the APEC region.

The Partnership offers best practice tools, ideas, knowledge, and critical connections derived from Canadian experience, tailored to the local markets of APEC countries. The current economies of focus are Indonesia, Peru, the Philippines, and Vietnam. The focus areas of the Partnership aim to address key challenges faced by MSMEs and aspiring entrepreneurs from APEC developing economies in the areas of technology and innovation, market access, human capital, and social entrepreneurship, with an emphasis on the crosscutting themes of women, youth, governance, and the environment.

Visit the APEC-Canada Business Partnership at <https://apfcanada-msme.ca/>



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